

Tons:

TONS LIGHTOLOGY Inc.

Handbook for the 2020 Annual Meeting of Shareholders

MEETING TIME : May 28, 2020

PLACE : 2F, No. 6, Wulin Street, Sulin District, New Taipei
City, Taiwan

(Service Center, Sulin Industrial Park, Industrial Development
Bureau, Ministry of Economic Affairs)

---Disclaimer---

THIS IS A TRANSLATION OF THE AGENDA FOR THE 2020 ANNUAL GENERAL SHAREHOLDERS' MEETING ("THE AGENDA") OF TONS LIGHTOLOGY Inc. ("THE COMPANY"). THE TRANSLATION IS INTENDER FOR REFERENCE ONLY AND NO OTHER PURPOSE. THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE AGENDA SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

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Tons Lightology Inc.

Procedure for the 2020 Annual Meeting of Shareholders

I. Call the Meeting to Order

II. Chairperson Remarks

III. Management Presentation

IV. Approval Items

V. Elections

VI. Discussion

VII. Motions

VIII. Adjournment

Tons Lightology Inc.
Year 2020
Agenda of Annual Meeting of Shareholders

Time: May 28, 2020 (Thursday) at 9:00 am

Place: 2F, No. 6, Wulin Street, Sulin District, New Taipei City, Taiwan
(Service Center, Sulin Industrial Park, Industrial Development Bureau,
Ministry of Economic Affairs)

I. Call the Meeting to Order

II. Chairperson Remarks

III. Management Presentation

1. 2019 Business Report
2. Audit Committee Examination Report on the 2019 Financial Statements
3. The remuneration to employees and directors report
4. Directors and managers' performance evaluation results and relevance and rationality report on their salary remuneration
5. Report on 2019 cash dividend payout case
6. Report of the second stock repurchase, and the implementation
7. Amendment to the Company's Codes of Integrity Management

IV. Approval Items

1. Adoption of the 2019 Business Report and Financial Statements
2. Adoption of the Proposal for Distribution of 2019 Profits

V. Election

1. The case to vote 7 members of the board (including 3 independent members of the board)

VI. Discussion

1. Proposal for the release of new directors from non-competition restrictions

VII. Motions

VIII. Adjournment

Management Presentation

Report 1

2019 Business Report.

Explanation: Please refer to the Agenda Handbooks for the 2019 Business Report [Attachment 1].

Report 2

Audit Committee Examination Report on the 2019 Financial Statements.

Explanation: Please refer to the Agenda Handbooks for the 2019 Financial Statements Examined by the Audit Committee [Attachment 2].

Report 3

The distribution of remuneration to the employees and directors.

Explanation:

- I. The Article 23.1 of the Company's Articles of Incorporation "appropriating 5~15% of the annual earnings, if any, as remuneration to employees and appropriating less than 2.5% of the annual earnings as remuneration to directors".
- II. For the 2019 net income before tax and before deducting the remuneration to employees and directors, appropriate 8.0% of such amount (equivalent to NT\$11,219,000) as remuneration to employees and appropriate 1.2% of such amount (equivalent to NT\$1,683,000) as remuneration to directors paid in cash.
- III. The appropriated remuneration to employees and directors was the same amount of the expense recognized in 2019.

Report 4

Directors and managers' performance evaluation results and relevance and rationality report on their salary remuneration.

Explanation:

- I. The performance of directors was evaluated according to the Regulations Governing Performance Evaluation of the Board of Directors and included as a basis for the calculation of salary and compensation according to the Regulations Governing Salary and Remuneration of Directors.
- II. The performance of managers was evaluated according to the Regulations Governing Performance Evaluation and included as a basis for the calculation of salary and compensation according to the performance evaluation of employees.
- III. The Remuneration Committee and the Board of Directors resolved that the results of performance evaluation of directors and managers and correlated properly with the amounts of their salaries and remuneration.

Report 5

Report on 2019 Cash Dividend Payout case.

Explanation:

- I. This case is handled in accordance with Article 24 of the Articles of Incorporation.
- II. The Company plans to distribute cash dividends at the amount of NT\$84,394,601 for the year of 2019. After 1,000,000 shares repurchased by the Company is deducted from 40,253,303 outstanding shares as of today, a total of 39,253,303 shares are to be distributed with cash dividends at NT\$2.15 per share. Cash dividends are distributed according to the shares held in the shareholder registry on the record date. Cash dividends are rounded up to dollar. The Chairman is authorized to determine the disposal of less than NT\$1 at his discretion.
- III. The ex-dividend date is set on June 22, 2020, and the book closing period is set from June 18 to June 22, 2020.
- IV. Cash dividends are set to be issued on July 17, 2020.
- V. When there is any change in the Company's outstanding shares; the Chairman is authorized to adjust the dividend per share in accordance with the actual outstanding shares on the ex-dividend date.
- VI. The Chairman is authorized to handle other unspecified matters at his discretion.

Report 6

Please refer to the following for the report of the Second Stock Repurchase, and the Implementation.

Explanation:

I. The Board of Directors' Resolution for the Second Stock Repurchase, and the Implementation

| | |
|---|--|
| Time of Repurchase | Second Time |
| Approval Date | February 26, 2020 |
| Period of Repurchase | February 27, 2020 to April 26, 2020 |
| Purpose of Repurchase | Transfer to employees |
| Repurchased Stock Types and Quantity | 1,000,000 shares of common stocks |
| Estimated Price Range for Repurchase | Between NT\$ 25 to 35. The Company will continue repurchasing stock if the stock price of the Company is lower than the bottom of the stipulated repurchase price range. |
| Percentage of Estimated Repurchased Stock to the Total Quantity of Issued Stock | 2.48% |
| Actual Period of Repurchase | March 03, 2020 to April 21, 2020 |
| Actual Repurchased Stock Types and Quantity | 1,000,000 shares of common stocks |
| Amount of Actual Repurchased Stock | 28,744,269 NTD |
| Average Repurchase Price for each Share | 28.74 NTD |
| Implementation Efficiency of Actual Repurchased Stock | 100% |
| Percentage of Actual Repurchased Stock to the Total Quantity of Issued Stock | 2.48% |
| Amount of Stock Transferred and Cancelled | 0 share |

- II. The “Regulations Governing the Second Stock Repurchase and Transfer to Employees” of the Company is attached as [Attachment 3] in the Handbook.

Report 7

Amendment to the Company’s Codes of Integrity Management.

Explanation:

- I. The amendment to the Codes of Integrity Management is made in accordance with the amended “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies,” and the management is appointed as the unit in charge of integrity management.
- II. For the amendments before and after, please refer to [Attachment 4] of this Handbook.

Approval Items

Proposal 1

Proposed by the Board

Adoption of the 2019 Business Report and Financial Statements

Explanation:

- I. The Company's 2019 business report and financial statements had been prepared accordingly, of which, the financial reports (including the consolidated financial statements) and the business report were examined by the Audit Committee with a written examination report issued.
- II. Please refer to [Attachment 1] of the Agenda Handbooks for 2019 business report and [Attachment 5] for the 2019 independent auditor's report and financial statements.
- III. Please adoption.

Resolution:

Proposal 2

Proposed by the Board

Adoption of the Proposal for Distribution of 2019 Profits

Explanation:

- I. The 2019 Profit Distribution Table has been adopted in the 21st meeting of the 9th-term Board of Directors.
- II. Please refer to [Attachment 6] of the Agenda Handbooks for the 2019 Profit Distribution Table.
- III. Please adoption.

Resolution:

Elections

Election 1

Proposed by the Board

The case to vote 7 members of the board (including 3 independent members of the board).
Please proceed to the election.

Explanations :

- I. The term of the 9th directors will be expired on May 25, 2020. According to the Company Act and the Company's articles of incorporation, 7 members of the board for the 10th directors (including 3 independent members of the board) shall be elected.
- II. According to Article 14 of the Company's articles of incorporation, directors are nominated as candidates for the election of directors. For the candidates and their educational background, work experience, and the number of shares held, please refer to [Attachment 7] of this Handbook.
- III. In response to the election of directors in 2020 general shareholders' meeting, the 9th directors will leave their office after the general shareholders' meeting on May 28, 2020.
- IV. The term of new directors starts from May 28, 2020 and ends on May 27, 2023, with a term of 3 years.
- V. Please proceed to the election.

Resolution :

Discussion

Proposal 1

Proposed by the Board

Proposal for the release of new directors from non-competition restrictions. Please proceed to discuss.

Explanations:

- I. The Company shall act in accordance with Paragraph 1, Article 209 of the Company Act, "A director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval."
- II. If the Company's directors invest in or operate companies having the same or similar scope of business with the Company and act as the directors of such companies, the release of directors from non-competition restrictions shall be proposed in the shareholders' meeting for approval.
- III. The release of directors (including independent directors) from non-competition restrictions is described as follows:

| Post | Name | Posts Concurrently held in Other Companies |
|-------------------------|----------------------|---|
| Director | TANG, SHIH-CHUAN | HEP Tech Co., Ltd. / Director Art So Trading Ltd. / Director Artso International, Inc. / Director |
| Director | CHEN, MING-HSIN | HEP Tech Co., Ltd. / Supervisor |
| Director | HSIAO, CHEN-CHI | Honmyue Enterprise Co. Ltd. / Independent Director Best Friend Technology Co., Ltd. / Independent Director Yeong Chin Machinery Industries Co. Ltd. / Supervisor |
| Independent Director | CHOU, LIANG-CHENG | Shih-Kuen Plastics Co., Ltd. / Independent Director |

Resolution:

Motions

Adjournment

[Attachment 1]

Tons Lightology Inc.

The 2019 Business Report

Compared with 2018, the global economy grew slower in 2019 mainly due to the China-US trade war. The global trade grew slightly, the worst performance in recent years, which in turn affected the confidence of companies around the world. Companies became conservative when making business decisions and were less willing to buy. The economic slowdown also took a toll on the performance of manufacturing in emerging markets and developing economies. Companies' concerns about the economic outlook also made investment stagnant in major economies such as the United States and Europe. In the face of such an economic slowdown, fiscal policies and monetary easing were introduced to stimulate the economy in the hope of offsetting the risk of continued slumps in the United States and China. Unexpectedly, novel coronavirus broke out in early 2020, which would send tremors to the global economy in the short term. Looking to the future, countries around the world will strengthen anti-epidemic measures and accelerate vaccine development while central banks will maintain a loose monetary policy. As the pandemic gradually subsides, economic activity will be restored.

Facing the changing trends of global economy and coronavirus pandemic, the Company responded in a steady manner and continued the lean policy of the last few years, including substantially improving production efficiency internally, controlling costs, developing high value-added products, optimizing the quality of customers, and refining product portfolio. In terms of branding effort, the Company had won over the lighting engineering projects from Southern Branch of National Palace Museum, Chimei Museum, and Chung Tai Zen Centers Portal of Taiwan that had helped Tons Lightology Inc. secured a leading position in the lighting engineering of museum in Taiwan. The Company will continue this momentum to root in Taiwan's professional lighting market and to convey the experience to Chinese market in order to increase brand awareness. In addition, the Company will continue to enhance the working environment and employee benefits, and protect the stability of human resources so the Company can stay competitive while facing economic fluctuations and uncertainties externally.

Overall, the Company's revenue experienced slight growth in 2019. With the support of shareholders and colleagues, the Company maintained a certain level of profits in such a competitive market. We would like to show our appreciation for the support of the shareholders on behalf of the Board of Directors of the Company. The Company's 2019 business operation and 2020 operational plans are briefed as follows.

I. The 2019 business operation

(I) Operating plan results and operating income and expense

In 2019, the Company's individual and consolidated net operating revenue were NT\$954,958 thousand and NT\$1,086,420 thousand

respectively, a decrease of 0.11% and an increase 3.17% respectively compared with NT\$956,000 thousand and NT\$1,053,036 thousand in 2018. The Company's individual and consolidated net income after tax were the same as NT\$105,688 thousand, an increase of 0.12% (NT\$131 thousand) compared with NT\$105,557 thousand in 2018.

(II) Profitability analysis

The Company's operating revenue in 2019 was more than that in 2018. The increase in clients, optimized portfolios, and brand revenue led to the maintenance in profit margins. The operating expenses decreased slightly, so the operating profit margin increased significantly. Due to an increase in non-operating losses, the Company's net profit after tax in 2019 increased by NT\$131,000 over 2018. However, the consolidated net profit margin still reached 9.73%.

(III) Research and development status

In 2019, the Company developed various products and obtained many patents. For patents of R&D results, the Company has acquired utility model patents for modular power boxes and tracks, adjustable recessed downlights, downlights for quick installation, and junction boxes and design patents for optically optimized light module (chopper) and multidirectional lighting.

In prospect, the Company will continue to research and develop forward-looking technology and innovative applications, to substantiate product design, and commercialize research and systematic production management in order to continue to promote the brand and deepen the Company's core competence and secure the leading position.

II. The 2020 business plan outline

(I) The important marketing policy and business policy

1.Products

- A. Continuing to strengthen indoor lighting products: Continue to complete indoor lighting products and invest in the development of low-cost light fixtures for meeting customer's needs due to the emerging of LED mass market.
- B. Continuing to expand outdoor lighting products: Continue to complete the development of outdoor lighting series in order to create the Company's future growth momentum.

2.Marketing:

- A. Promote green lighting and continue to develop new products.
- B. Enhance product value and maintain price competitiveness.
- C. Secure the existing market and develop emerging market with potentials.
- D. Participate in international exhibitions and commit to promote the Company's brand.

3.Production:

- A. Simplify product lines, use common parts, and build safety stock for the frequently used parts in order to shorten delivery lead time.

B. Strengthen automated production, improve manufacturing processes, increase efficiency, and reduce the impact of rising labor cost.

(II) The Company's future development strategy

Continue the business model of OEM and branding. In terms of OEM business, continue to attract more big customers in Europe for cooperation currently. In terms of branding business, Due to our significant achievement in the cross-strait markets, more investment would be conducted in the Greater China Area in order to create a stable revenue source.

(III) The impact on the external competitive environment, regulatory environment, and the overall business environment

The global economy is gradual recovery, but the environmental law in each country is increasingly stringent, added with the continuing increase of production cost in China have us faced severe challenges. We have come up with the following responsive measures for the challenges faced by us:

1. Recruit professionals, enhance management, and improve the Company's business strength.
2. Introduce external technologies, enhance research and development capabilities, and improve product value.
3. Meet customer needs with innovative brand and professional services.
4. Pay attention to changes in domestic and foreign policies and laws with responsive measures proposed in due course.

Chairman : TANG, SHIH-CHUAN

CEO : TANG, SHIH-CHUAN

CFO : WANG, CHIH-YUAN

[Attachment 2]

Tons Lightology Inc.
Audit Committee's Report

The Board of Directors had prepared and presented the Company's 2019 business report, financial report, and statement of retained earnings, of which, the financial report was consigned by the Board of Directors to be audited by CPA Liu, Mei-Lan and CPA Wang, Yu-Chuan of PWC Taiwan with an independent auditor's report issued.

We have reviewed the said business report, financial report, and statement of retained earnings without finding any nonconformity against the governing law and regulations. Also, we have issued this Audit Committee's report in conformity with Article 219 of the Company Law.

Sincerely yours,

To: The 2020 Annual Shareholders' Meeting of Tons Lightology Inc.

Independent Director HSU, CHUNG-YUAN

Independent Director YUAN, JIAN-CHUNG

Independent Director CHOU, LIANG-CHENG

February 26, 2020

[Attachment 3]

Tons Lightology Inc.
**Regulations Governing the Second Stock Repurchase and Transfer
to Employees**

Stipulated on February 26, 2020

Article 1 The Regulations Governing the First Stock Repurchase and Transfer to Employees are issued by the Company based on “Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies” issued by Financial Supervisory Commission and Subparagraph 1 of Paragraph 1 of Article 28-2 of “Securities and Exchange Act” to motivate employees and teamwork for achieving the goals set for the Company’s business operation. All procedures repurchased stock transferred to employees shall comply with the Regulations unless any legal regulations prevail.

Article 2 The transferred stock to the employees shall be the type of common stock, unless there is any other regulations which shall be complied with, the content of rights and obligations incurred shall be consistent with those common stock not repurchased.

Article 3 All the repurchased stock shall be transferred to employees in one or multiple times within five years after completing the repurchasing.

Article 4 Qualification and Allowed Quantity for Subscription of Transferees:

In principles, the Transferees referred in the Regulations shall be the in-service full-time employees of the Company prior to the record date for subscription. The allowed ratio and quantity for stock subscription to each employee shall be based on his/her job position, seniority, job performance and relevant contribution to the Company.

The aforesaid allowed ratio and quantity for stock subscription to transferees shall be ultimately approved by the Board of Directors after the Remuneration Committee reviewing proposals which are compiled by the

Management Department who considers factors such as the quantity of repurchased stock and the cap for subscription of each employee by the record date for subscription as well as operation demands and business development strategies of the Company and submitted by the Manager specified in the Company's Remuneration Committee Charter. The unspecified items shall be approved by the Chairman of the Board of Directors.

Article 5 The procedures for transferring repurchased stock to employees are as follow:

1. Announce, report and repurchase stock within the period specified by the resolution of the Board of Directors.
2. The Management Department compiles proposals of record date for subscription, allowed quantity for stock subscription, subscription payment period and content of rights which shall be submitted by the Manager specified in the Company's Remuneration Committee Charter for reviewing by the Remuneration Committee Charter and the approval by the Board of Directors. The unspecified items shall be approved by the Chairman of the Board of Directors.
3. Employees who fails to make complete payment for stock subscription after the payment period shall be deemed as waiving his/her subscription right, and the remaining available stock may be subscribed by any other employees contacted by the Chairman of the Board of Directors.
4. Calculate the quantity of actually subscribed stock and conduct further registration for stock transferring.

Article 6 The transfer price of the repurchased stock shall be the average price of the actually repurchased stock. However, such transfer price is adjustable

based on ratio of increase of quantity of issued common stock of the Company (round up the amount not less than NT\$ 0.1).

Calculation formula for transfer price adjustment:

The adjusted transfer price = the actually repurchased stock average price of the actually repurchased stock x (total quantity of common stock of the Company after completion of repurchase ÷ total quantity of common stock of the Company before transferring the repurchased stock to employees)

Article 7 Unless there is any other regulations which shall be complied with, after the repurchased stock is transfer and registered to employees, the content of rights and obligations incurred shall be consistent with those common stock not repurchased.

Article 8 Payment of taxation or mandatory fees incurred to the stock transferred based on the Regulations shall be based on the legal regulations or relevant procedures of the Company at the moment of their transfer.

Article 9 The Regulations shall enter into effect after the resolution of the Board of Directors. Necessary amendment to the Regulations due to amendment of legal regulations, changes of approval by the Competent Authority or changes of objective environments shall enter into effect after the resolution of the Board of Directors, or initially approved and implemented by the Chairman and submitted to the Board of Directors for further resolution.

Article 10 The Regulations, as well as the amended version, shall be submitted to the Meeting of Shareholders for reporting.

湯石照明科技股份有限公司
誠信經營守則修訂條文對照表

Tons Lightology Inc.

Codes of Integrity Management before and after

| 修正條文 Amended clause | 現行條文 Clause before amendment | 修正理由 Reason for amendment |
|---|--|---|
| <p>第五條 政策 Article 5 Policy</p> <p>本公司應本於廉潔、透明及負責之經營理念，制定以誠信為基礎之政策，<u>經董事會通過</u>，並建立良好之公司治理與風險控管機制，以創造永續發展之經營環境。</p> <p>The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith <u>and obtain approval from the board of directors</u>, and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.</p> | <p>第五條 政策 Article 5 Policy</p> <p>本公司應本於廉潔、透明及負責之經營理念，制定以誠信為基礎之政策，並建立良好之公司治理與風險控管機制，以創造永續發展之經營環境。</p> <p>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.</p> | <p>依「上市上櫃公司誠信經營守則」修改條文內容</p> <p>Amend the provision according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</p> |
| <p>第七條 防範方案之範圍 Article 7 Scope of Preventive Programs</p> <p>本公司訂定防範方案時，應<u>建立不誠信行為風險之評估機制</u>，定期分析及評估營業範圍內具較高不誠信行為風險之營業活動，<u>據以訂定防範方案並定期檢討防範方案之妥適性與有效性</u>。</p> <p>When establishing the preventive programs, the Company shall <u>establish a risk assessment mechanism against unethical conduct</u>, analyze and assess on a regular basis business activities within the business scope which are possibly at a higher risk of being involved in Unethical Conduct, <u>and establish preventive programs accordingly and review their adequacy and effectiveness on a regular basis</u>.</p> | <p>第七條 防範方案之範圍 Article 7 Scope of Preventive Programs</p> <p>本公司訂定防範方案時，應分析營業範圍內具較高不誠信行為風險之營業活動，<u>並加強相關防範措施</u>。</p> <p>When establishing the preventive programs, the Company shall analyze which business activities within their business scope which are possibly at a higher risk of being involved in Unethical Conduct, and <u>strengthen the preventive measures</u>.</p> | <p>依「上市上櫃公司誠信經營守則」修改條文內容</p> |

| 修正條文 Amended clause | 現行條文 Clause before amendment | 修正理由 Reason for amendment |
|--|---|---|
| <p>本公司宜參酌國內外通用之標準或指引訂定防範方案，至少應涵蓋下列行為之防範措施：</p> <p>The Company shall refer to <u>prevailing domestic and foreign standards or guidelines</u> in establishing the preventive programs, which shall at least include preventive measures against the following:</p> <p style="text-align: center;">以下略 (The following is omitted)</p> | <p>本公司訂定防範方案至少應涵蓋下列行為之防範措施：</p> <p>The preventive programs established by the Company shall at least include preventive measures against the following:</p> <p style="text-align: center;">以下略 (The following is omitted)</p> | |
| <p>第八條 承諾與執行 Article 8 Commitment and Enforcement</p> <p><u>本公司應要求董事與高階管理階層出具遵循誠信經營政策之聲明，並於僱用條件要求受僱人遵守誠信經營政策。</u></p> <p><u>The Company shall request directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.</u></p> <p>本公司及集團企業與組織應於其規章、對外文件及公司網站中明示誠信經營之政策，董事會與高階管理階層應承諾積極落實，並於內部管理及外部商業活動中確實執行。 The Company and the Business Group shall clearly specify in their rules, external documents, <u>and official websites</u> the ethical corporate management policies and the commitment by the Board of Directors and <u>senior</u> management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.</p> | <p>第八條 承諾與執行 Article 8 Commitment and Enforcement</p> <p>本公司及集團企業與組織應於其規章及對外文件中明示誠信經營之政策，董事會與管理階層應承諾積極落實，並於內部管理及外部商業活動中確實執行。 The Company and the Business Group shall clearly specify in their rules and external documents the ethical corporate management policies and the commitment by the Board of Directors and the management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.</p> | <p>依「上市上櫃公司誠信經營守則」修改條文內容</p> <p>Amend the provision according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</p> |

| 修正條文 Amended clause | 現行條文 Clause before amendment | 修正理由 Reason for amendment |
|--|--|---|
| <p><u>本公司針對第一、二項誠信經營政策、聲明、承諾及執行，應製作文件化資訊並妥善保存。</u></p> <p><u>The Company shall compile documented information on the ethical management policy, statement, commitment, and implementation mentioned in the first and second paragraphs and retain said information properly.</u></p> | | |
| <p>第十七條 組織與責任</p> <p>Article 17 Organization and Responsibility</p> <p>本公司之董事、經理人、受僱人、受任人及實質控制者應盡善良管理人之注意義務，督促公司防止不誠信行為，並隨時檢討其實施成效及持續改進，確保誠信經營政策之落實。</p> <p>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.</p> <p>本公司為健全誠信經營之管理，設置<u>管理部為誠信經營之責任單位</u>，<u>配置充足之資源及適任之人員</u>，負責誠信經營政策與防範方案之制定及監督執行，主要掌理下列事項，定期（至少一年一次）向董事會報告：</p> <p>To achieve sound ethical corporate management, the Company <u>appoint management as the dedicated unit that avails itself of adequate resources, staffs itself with competent personnel</u>, and is responsible for establishing and</p> | <p>第十七條 組織與責任</p> <p>Article 17 Organization and Responsibility</p> <p>本公司之董事、經理人、受僱人、受任人及實質控制者應盡善良管理人之注意義務，督促公司防止不誠信行為，並隨時檢討其實施成效及持續改進，確保誠信經營政策之落實。</p> <p>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.</p> <p>本公司為健全誠信經營之管理，<u>宜設置隸屬於董事會之專責單位</u>，負責誠信經營政策與防範方案之制定及監督執行，主要掌理下列事項，<u>並</u>定期向董事會報告：</p> <p>To achieve sound ethical corporate management, the Company shall establish <u>a dedicated unit that is under the Board of Directors</u> and responsible for establishing and supervising the implementation of the ethical corporate management policies and preventive programs. The dedicated unit be in charge of</p> | <p>依「上市上櫃公司誠信經營守則」修改條文內容</p> <p>Amend the provision according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</p> |

| 修正條文 Amended clause | 現行條文 Clause before amendment | 修正理由 Reason for amendment |
|--|--|------------------------------|
| <p>supervising the implementation of the ethical corporate management policies and preventive programs. The dedicated unit shall be in charge of the following matters, and shall report to the Board of Directors on a regular basis <u>(at least once a year)</u>:</p> <p>一、協助將誠信與道德價值融入公司經營策略，並配合法令制度訂定確保誠信經營之相關防弊措施。</p> <p>1. Assisting in incorporating ethics and moral values into the Company’s business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</p> <p>二、<u>定期分析及評估營業範圍內不誠信行為風險，並據以訂定防範不誠信行為方案，及於各方案內訂定工作業務相關標準作業程序及行為指南。</u></p> <p>2. <u>Analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope,</u> adopting programs to prevent unethical conduct, and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company’s operations and business.</p> <p style="text-align: center;">以下略 (The following is omitted)</p> | <p>the following matters, and shall report to the Board of Directors on a regular basis:</p> <p>一、協助將誠信與道德價值融入公司經營策略，並配合法令制度訂定確保誠信經營之相關防弊措施。</p> <p>1. Assisting in incorporating ethics and moral values into the Company’s business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</p> <p>二、訂定防範不誠信行為方案，<u>並</u>於各方案內訂定工作業務相關標準作業程序及行為指南。</p> <p>2. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company’s operations and business.</p> <p style="text-align: center;">以下略 (The following is omitted)</p> | |

| 修正條文 Amended clause | 現行條文 Clause before amendment | 修正理由 Reason for amendment |
|---|--|---|
| <p>第二十條 會計與內部控制</p> <p>Article 20 Accounting and Internal Control</p> <p>本公司應就具較高不誠信行為風險之營業活動，建立有效之會計制度及內部控制制度，不得有外帳或保留秘密帳戶，並應隨時檢討，俾確保該制度之設計及執行持續有效。</p> <p>The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in 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.</p> <p>本公司內部稽核單位應依不誠信行為風險之評估結果，擬訂相關稽核計畫，內容包括稽核對象、範圍、項目、頻率等，並據以查核防範方案遵循情形，且得委任會計師執行查核，必要時，得委請專業人士協助。</p> <p>The internal audit unit of the Company shall, <u>based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans, including auditees, audit scope, audit items, and audit frequency, and examine accordingly the compliance with the preventive programs.</u> The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.</p> <p><u>前項查核結果應通報高階管理層及誠信經營專責單位，並作成稽核報告提報董事會。</u></p> <p><u>The results of examination in the</u></p> | <p>第二十條 會計與內部控制</p> <p>Article 20 Accounting and Internal Control</p> <p>本公司應就具較高不誠信行為風險之營業活動，建立有效之會計制度及內部控制制度，不得有外帳或保留秘密帳戶，並應隨時檢討，俾確保該制度之設計及執行持續有效。</p> <p>The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in 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.</p> <p>本公司內部稽核單位應定期查核前項制度遵循情形，並作成稽核報告提報董事會，且得委任會計師執行查核，必要時，得委請專業人士協助。</p> <p>The internal audit unit of the Company shall <u>periodically</u> examine the Company's compliance with the <u>foregoing systems and prepare audit reports and submit the same to the Board of Directors.</u> The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.</p> | <p>依「上市上櫃公司誠信經營守則」修改條文內容</p> <p>Amend the provision according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</p> |

| 修正條文 Amended clause | 現行條文 Clause before amendment | 修正理由 Reason for amendment |
|---|---|--|
| <p><u>preceding paragraph shall be reported to senior management and the ethical management dedicated unit and put down in writing in the form of an audit report to be submitted to the Board of Directors.</u></p> | | |
| <p>第二十三條 檢舉制度 Article 23 Whistle-blowing Systems 本公司應訂定具體檢舉制度，並應確實執行，其內容至少應涵蓋下列事項： The Company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following: 一、建立並公告內部獨立檢舉信箱、專線或委託其他外部獨立機構提供檢舉信箱、專線，供公司內部及外部人員使用。 1. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow the Company's insiders and outsiders to submit reports. 二、指派檢舉受理專責人員或單位，檢舉情事涉及董事或高階主管，應呈報至獨立董事或審計委員會，並訂定檢舉事項之類別及其所屬之調查標準作業程序。 2. Dedicated personnel or unit appointed to handle whistle-blowing system. Any tip involving a director or senior manager shall be reported to the independent directors or the Audit Committee. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be</p> | <p>第二十三條 檢舉制度 Article 23 Whistle-blowing Systems 本公司應訂定具體檢舉制度，並應確實執行，其內容至少應涵蓋下列事項： The Company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following: 一、建立並公告內部獨立檢舉信箱、專線或委託其他外部獨立機構提供檢舉信箱、專線，供公司內部及外部人員使用。 1. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow the Company's insiders and outsiders to submit reports. 二、指派檢舉受理專責人員或單位，檢舉情事涉及董事或高階主管，應呈報至獨立董事或審計委員會，並訂定檢舉事項之類別及其所屬之調查標準作業程序。 2. Dedicated personnel or unit appointed to handle whistle-blowing system. Any tip involving a director or senior manager shall be reported to the independent directors or the Audit Committee. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be</p> | <p>依「上市上櫃公司誠信經營守則」新增條文內容 Amend the provision according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</p> |

| 修正條文 Amended clause | 現行條文 Clause before amendment | 修正理由 Reason for amendment |
|---|---|---------------------------|
| <p>adopted.</p> <p><u>三、訂定檢舉案件調查完成後，依照情節輕重所應採取之後續措施，必要時應向主管機關報告或移送司法機關偵辦。</u></p> <p><u>3. Follow-up measures to be adopted depending on the severity of the circumstances after investigations of cases reported are completed. Where necessary, a case shall be reported to the competent authority or referred to the judicial authority.</u></p> <p><u>四、檢舉案件受理、調查過程、調查結果及相關文件製作之紀錄與保存。</u></p> <p><u>4. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.</u></p> <p><u>五、檢舉人身分及檢舉內容之保密，並允許匿名檢舉。</u></p> <p><u>5. Confidentiality of the identity of whistle-blowers and the content of reported cases, and an undertaking regarding anonymous reporting.</u></p> <p><u>六、保護檢舉人不因檢舉情事而遭不當處置之措施。</u></p> <p><u>6. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</u></p> <p><u>七、檢舉人獎勵措施。</u></p> <p><u>7. Whistle-blowing incentive measures.</u></p> <p>本公司受理檢舉專責人員或單位，如經調查發現重大違規情事或公司有受重大損害之虞時，應立即作成報告，以書面通知獨立董事或審計委員會。</p> <p>When material misconduct or likelihood of material impairment to</p> | <p>adopted.</p> <p><u>三、檢舉案件受理、調查過程、調查結果及相關文件製作之紀錄與保存。</u></p> <p><u>3. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.</u></p> <p><u>四、檢舉人身分及檢舉內容之保密。</u></p> <p><u>4. Confidentiality of the identity of whistle-blowers and the content of reported cases.</u></p> <p><u>五、保護檢舉人不因檢舉情事而遭不當處置之措施。</u></p> <p><u>5. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</u></p> <p><u>六、檢舉人獎勵措施。</u></p> <p><u>6. Whistle-blowing incentive measures.</u></p> <p>本公司受理檢舉專責人員或單位，如經調查發現重大違規情事或公司有受重大損害之虞時，應立即作成報告，以書面通知獨立董事或審計委員會。</p> <p>When material misconduct or</p> | |

| 修正條文 Amended clause | 現行條文 Clause before amendment | 修正理由 Reason for amendment |
|---|--|------------------------------|
| <p>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 or the Audit Committee in written form.</p> | <p>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 or the Audit Committee in written form.</p> | |

[Attachment 5]

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Tons Lightology Inc.

Opinion

We have audited the accompanying parent company only balance sheets of Tons Lightology Inc. (the “Company”) as at December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2019 and 2018, and its parent company only financial performance and its parent company only 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 generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company’s parent company only financial statements of the current period are stated as follows:

Timing of recognising sales revenue

Description

Please refer to Note 4(26) for a description of accounting policy on sales revenue. Please refer to Note 6(15) for details of sales revenue.

The Company is primarily engaged in manufacturing and trading lighting equipment

and lamps and the transaction mode is the Company receives orders and transfers the orders to the subsidiaries for manufacturing and delivery. Sales revenues are recognised when the control of goods are transferred upon loading on board for shipment in accordance with the contract terms and the risk being transferred. Considering that the revenue might not be recognised in the proper period as the timing of recognition mainly occurs when loading from subsidiaries and such sales revenue recognition process involves several manual controls. Thus, we identified the timing of sales revenue recognition as one of the key areas of focus for this year's audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding and evaluated the operating procedures and internal controls over sales revenue, and assessed the effectiveness on how the management controls the timing of recognising sales revenue.
- B. Performed sales cut-off test for a certain period before and after balance sheet date to assess the accuracy of the timing of sales revenues.

Inventory valuation

Description

The Company is primarily engaged in manufacturing and trading lighting equipment and lamps and the transaction mode is the Company receives orders and transfers the orders to the subsidiaries for manufacturing and delivering. Considering that the inventory valuation policy of the Company's subsidiary (presented as investments accounted for using the equity method) is measured at the lower of cost and net realisable value, which involves subjective judgement resulting in a high degree of estimation uncertainty, we thus identified inventory valuation of the subsidiary (presented as investments accounted for using the equity method) as one of the key areas of focus for this year's audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding of the Company's inventory policy and assessed the reasonableness of the policy.
- B. Reviewed annual inventory counting plan and observed the annual inventory counting event in order to assess the classification of obsolete inventory and effectiveness of inventory internal control.
- C. Obtained the Company inventory aging report and verified dates of movements with supporting documents. Ensured the proper categorisation of inventory aging report in accordance with the Company's policy.
- D. Obtained the net realisable value statement of each inventory, assessed whether the estimation policy was consistently applied, tested the estimation basis of the net realisable value with relevant information, including verifying the sales and purchase prices with supporting evidence, and recalculated and evaluated the reasonableness of the inventory valuation.

Responsibilities of management and those charged with governance for parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only 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 audit committee, are responsible for overseeing the Company’s financial reporting process.

Auditor’ s responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s 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 ROC GAAS 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 parent company only financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the parent company only 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.
- B. 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.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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 auditor’s report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- E. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the parent company only financial information of the entities or business activities within the Company to express an opinion on the parent company only 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 parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Liu, Mei-Lan
For and on behalf of PricewaterhouseCoopers, Taiwan
February 26, 2020

Wang, Yu-Chuan

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TONS LIGHTOLOGY INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

| Assets | | December 31, 2019 | | December 31, 2018 | |
|---------------------------|---|---------------------|------------|---------------------|------------|
| | | AMOUNT | % | AMOUNT | % |
| Current assets | | | | | |
| 1100 | Cash and cash equivalents | \$ 152,390 | 10 | \$ 178,714 | 12 |
| 1150 | Notes receivable, net | 305 | - | 1,403 | - |
| 1170 | Accounts receivable, net | 138,339 | 9 | 145,236 | 10 |
| 1200 | Other receivables | 2,835 | - | 405 | - |
| 130X | Inventories | 6,950 | 1 | 9,665 | 1 |
| 1410 | Prepayments | 5,022 | - | 3,991 | - |
| 1470 | Other current assets | 150 | - | 97 | - |
| 11XX | Current Assets | <u>305,991</u> | <u>20</u> | <u>339,511</u> | <u>23</u> |
| Non-current assets | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 128,394 | 9 | 133,342 | 9 |
| 1550 | Investments accounted for under equity method | 1,059,042 | 71 | 982,788 | 66 |
| 1600 | Property, plant and equipment | 641 | - | 3,435 | - |
| 1755 | Right-of-use assets | 1,997 | - | - | - |
| 1780 | Intangible assets | 1,681 | - | 3,499 | - |
| 1840 | Deferred income tax assets | 4,437 | - | 5,227 | - |
| 1990 | Other non-current assets, others | 2,219 | - | 30,238 | 2 |
| 15XX | Non-current assets | <u>1,198,411</u> | <u>80</u> | <u>1,158,529</u> | <u>77</u> |
| 1XXX | Total assets | <u>\$ 1,504,402</u> | <u>100</u> | <u>\$ 1,498,040</u> | <u>100</u> |

(Continued)

TONS LIGHTOLOGY INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity | December 31, 2019 | | December 31, 2018 | |
|---|---|-------------|---------------------|------------|
| | AMOUNT | % | AMOUNT | % |
| Current liabilities | | | | |
| 2150 | \$ 45 | - | \$ - | - |
| 2170 | 1,682 | - | 1,815 | - |
| 2180 | 275,659 | 18 | 218,911 | 15 |
| 2200 | 28,864 | 2 | 29,183 | 2 |
| 2220 | 24,746 | 2 | 19,696 | 1 |
| 2230 | 2,276 | - | 13,755 | 1 |
| 2280 | 1,080 | - | - | - |
| 2300 | 6,416 | 1 | 5,997 | - |
| 21XX | Current Liabilities | 23 | 289,357 | 19 |
| Non-current liabilities | | | | |
| 2550 | 345 | - | 341 | - |
| 2570 | 9,421 | - | 2,488 | - |
| 2580 | 921 | - | - | - |
| 2600 | Net defined benefit liability - noncurrent | | | |
| | 10,765 | 1 | 11,954 | 1 |
| 25XX | Non-current liabilities | 1 | 14,783 | 1 |
| 2XXX | Total Liabilities | 24 | 304,140 | 20 |
| Equity | | | | |
| Share capital | | | | |
| 3110 | Share capital - common stock | 27 | 399,628 | 27 |
| 3140 | Advance receipts for share capital | - | - | - |
| Capital surplus | | | | |
| 3200 | Capital surplus | 34 | 505,825 | 33 |
| Retained earnings | | | | |
| 3310 | Legal reserve | 6 | 74,663 | 5 |
| 3320 | Special reserve | 2 | 38,429 | 3 |
| 3350 | Unappropriated retained earnings | 13 | 191,466 | 13 |
| Other equity interest | | | | |
| 3400 | Other equity interest | (4) | (16,111) | (1) |
| 3500 | Treasury shares | (2) | - | - |
| 3XXX | Total equity | 76 | 1,193,900 | 80 |
| Significant contingent liabilities and unrecognised contract commitments | | | | |
| Significant events after the balance sheet date | | | | |
| 3X2X | Total liabilities and equity | 100 | \$ 1,498,040 | 100 |

TONS LIGHTOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

| Items | Year ended December 31 | | | |
|---|------------------------|-------|------------|-------|
| | 2019 | | 2018 | |
| | AMOUNT | % | AMOUNT | % |
| 4000 Sales revenue | \$ 954,958 | 100 | \$ 956,000 | 100 |
| 5000 Operating costs | (797,401) | (83) | (795,694) | (83) |
| 5900 Net operating margin | 157,557 | 17 | 160,306 | 17 |
| Operating expenses | | | | |
| 6100 Selling expenses | (38,280) | (4) | (40,431) | (4) |
| 6200 General and administrative expenses | (47,718) | (5) | (50,212) | (5) |
| 6300 Research and development expenses | (5,931) | (1) | (6,069) | (1) |
| 6000 Total operating expenses | (91,929) | (10) | (96,712) | (10) |
| 6900 Operating profit | 65,628 | 7 | 63,594 | 7 |
| Non-operating income and expenses | | | | |
| 7010 Other income | 7,101 | - | 7,744 | 1 |
| 7020 Other gains and losses | 7,927 | 1 | (823) | - |
| 7050 Finance costs | (89) | - | - | - |
| 7070 Share of profit of associates and joint ventures accounted for using equity method, net | 46,764 | 5 | 53,220 | 5 |
| 7000 Total non-operating income and expenses | 61,703 | 6 | 60,141 | 6 |
| 7900 Profit before income tax | 127,331 | 13 | 123,735 | 13 |
| 7950 Income tax expense | (21,643) | (2) | (18,178) | (2) |
| 8200 Profit for the year | \$ 105,688 | 11 | \$ 105,557 | 11 |
| Other comprehensive income | | | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | | |
| 8311 Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans | \$ 153 | - | (\$ 243) | - |
| 8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | (4,948) | (1) | 5,766 | 1 |
| 8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | (280) | - | 1,135 | - |
| 8310 Components of other comprehensive (loss) income that will not be reclassified to profit or loss | (5,075) | (1) | 6,658 | 1 |
| Components of other comprehensive income that will be reclassified to profit or loss | | | | |
| 8361 Other comprehensive loss, before tax, exchange differences on translation | (33,014) | (3) | (12,712) | (2) |
| 8360 Components of other comprehensive loss that will be reclassified to profit or loss | (33,014) | (3) | (12,712) | (2) |
| 8300 Other comprehensive loss for the year | (\$ 38,089) | (4) | (\$ 6,054) | (1) |
| 8500 Total comprehensive income for the year | \$ 67,599 | 7 | \$ 99,503 | 10 |
| Basic earnings per share | | | | |
| 9750 Total basic earnings per share | \$ 2.69 | | \$ 2.65 | |
| Diluted earnings per share | | | | |
| 9850 Total diluted earnings per share | \$ 2.65 | | \$ 2.61 | |

TONS LIGHTOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

| | Share capital | | Capital surplus | | Retained earnings | | | Other equity interest | | | | Treasury shares | Total equity |
|--|------------------------------|------------------------------------|----------------------------|-------------------------|-------------------|-----------------|----------------------------------|--|---|--|-------------|-----------------|--------------|
| | Share capital - common stock | Advance receipts for share capital | Additional paid-in capital | Employee stock warrants | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income | Unrealized gain or loss on available-for-sale financial assets | | | |
| 2018 | | | | | | | | | | | | | |
| Balance at January 1, 2018 | \$ 398,118 | \$ 537 | \$ 498,848 | \$ 3,409 | \$ 62,555 | \$ 38,429 | \$ 189,770 | (\$ 36,065) | \$ - | \$ 26,013 | \$ - | \$ 1,181,614 | |
| Effect of restrospective application and retrospective restatement | - | - | - | - | - | - | - | - | 26,013 | (26,013) | - | - | |
| Balance at 1 January after adjustments | 398,118 | 537 | 498,848 | 3,409 | 62,555 | 38,429 | 189,770 | (36,065) | 26,013 | - | - | 1,181,614 | |
| Comprehensive income for the year | - | - | - | - | - | - | 105,557 | - | - | - | - | 105,557 | |
| Other comprehensive income(loss) for the year | - | - | - | - | - | - | 5 | (12,712) | 6,653 | - | - | (6,054) | |
| Total comprehensive income(loss) for the year | - | - | - | - | - | - | 105,562 | (12,712) | 6,653 | - | - | 99,503 | |
| Appropriation and distribution of 2017 retained earnings | | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | - | - | 12,108 | - | (12,108) | - | - | - | - | - | |
| Cash dividends | - | - | - | - | - | - | (91,758) | - | - | - | - | (91,758) | |
| Share-based payments transaction - employee stock options | 1,510 | (537) | 2,866 | 702 | - | - | - | - | - | - | - | 4,541 | |
| Balance at December 31, 2018 | \$ 399,628 | \$ - | \$ 501,714 | \$ 4,111 | \$ 74,663 | \$ 38,429 | \$ 191,466 | (\$ 48,777) | \$ 32,666 | \$ - | \$ - | \$ 1,193,900 | |
| 2019 | | | | | | | | | | | | | |
| Balance at January 1 , 2019 | \$ 399,628 | \$ - | \$ 501,714 | \$ 4,111 | \$ 74,663 | \$ 38,429 | \$ 191,466 | (\$ 48,777) | \$ 32,666 | \$ - | \$ - | \$ 1,193,900 | |
| Comprehensive income for the year | - | - | - | - | - | - | 105,688 | - | - | - | - | 105,688 | |
| Other comprehensive income (loss) for the year | - | - | - | - | - | - | 123 | (33,014) | (5,198) | - | - | (38,089) | |
| Total comprehensive income (loss) for the year | - | - | - | - | - | - | 105,811 | (33,014) | (5,198) | - | - | 67,599 | |
| Appropriation and distribution of 2018 retained earnings | | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | - | - | 10,556 | - | (10,556) | - | - | - | - | - | |
| Cash dividends | - | - | - | - | - | - | (92,094) | - | - | - | - | (92,094) | |
| Share-based payments transaction - employee stock options | 1,625 | 303 | 4,073 | 768 | - | - | - | - | - | - | - | 6,769 | |
| Treasury stock transactions | - | - | - | - | - | - | - | - | - | - | (33,992) | (33,992) | |
| Balance at December 31, 2019 | \$ 401,253 | \$ 303 | \$ 505,787 | \$ 4,879 | \$ 85,219 | \$ 38,429 | \$ 194,627 | (\$ 81,791) | \$ 27,468 | \$ - | (\$ 33,992) | \$ 1,142,182 | |

TONS LIGHTOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

| | 2019 | 2018 |
|---|------------|------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Profit before tax | \$ 127,331 | \$ 123,735 |
| Adjustments | | |
| Adjustments to reconcile profit (loss) | | |
| Depreciation | 2,967 | 3,440 |
| Depreciation - right-of-use assets | 7,238 | - |
| Amortization | 2,320 | 2,581 |
| Expected credit (gain) loss | (633) | 522 |
| Provision for (reversal of) warranty expense | 4 | (216) |
| Interest expense - lease liability | 89 | - |
| Interest income | (2,864) | (4,587) |
| Dividend income | (3,719) | (2,612) |
| Wages and salaries - employee stock options | 2,322 | 1,883 |
| Share of loss of associates and joint ventures accounted for under equity method | (46,764) | (53,220) |
| Changes in operating assets and liabilities | | |
| Changes in operating assets | | |
| Notes receivable, net | 1,095 | 422 |
| Accounts receivable, net | 7,523 | 3,790 |
| Other receivables | (2,534) | 1,035 |
| Inventories | 2,711 | 51 |
| Prepayments | (1,033) | 778 |
| Other current assets | (53) | (6) |
| Changes in operating liabilities | | |
| Notes payable | 47 | (59) |
| Accounts payable | (133) | (3,357) |
| Accounts payable to related parties | 56,754 | 13,935 |
| Other payables | (344) | (4,126) |
| Other payables to related parties | 5,049 | 6,552 |
| Contract liabilities | 258 | (3,897) |
| Other current liabilities | 171 | (312) |
| Other non-current liabilities | (914) | 91 |
| Cash inflow generated from operations | 156,888 | 86,423 |
| Interest received | 2,968 | 4,599 |
| Dividend received | 3,719 | 2,612 |
| Interest paid | (89) | - |
| Income tax paid | (25,679) | (17,472) |
| Net cash flows from operating activities | 137,807 | 76,162 |

(Continued)

TONS LIGHTOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|--|--------------|---------------|
| Acquisition of investments accounted for using equity method | (\$ 70,000) | \$ - |
| Acquisition of property, plant and equipment | (128) | (1,677) |
| Acquisition of intangible assets | (502) | (1,157) |
| Decrease (increase) in refundable deposits | 28,013 | (28,424) |
| Dividend income | 7,524 | 64,240 |
| | <u>7,524</u> | <u>64,240</u> |
| Net cash flows (used in) from investing activities | (35,093) | 32,982 |

CASH FLOWS FROM FINANCING ACTIVITIES

| | | |
|--|-------------------|-------------------|
| Decrease in guarantee deposits received | (120) | - |
| Repayment of principal portion of lease liabilities | (7,234) | - |
| Cash dividends paid | (92,094) | (91,758) |
| Exercise of employee stock options | 4,447 | 2,658 |
| Repurchase of treasury stock | (33,992) | - |
| | <u>33,992</u> | <u>-</u> |
| Net cash flows used in financing activities | (128,993) | (89,100) |
| Effect of exchange rate changes on cash and cash equivalents | (45) | 176 |
| Net (decrease) increase in cash and cash equivalents | (26,324) | 20,220 |
| Cash and cash equivalents at beginning of year | 178,714 | 158,494 |
| Cash and cash equivalents at end of year | <u>\$ 152,390</u> | <u>\$ 178,714</u> |

To the Board of Directors and Shareholders of Tons Lightology Inc.

Opinion

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

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

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group’s consolidated financial statements of the current period are stated as follows:

Timing of recognising sales revenue.

Description

Please refer to Note 4(30) for a description of accounting policy on sales revenue. Please refer to Note 6(19) for details of sales revenue.

The Group is primarily engaged in manufacturing and trading lighting equipment and

lamps and the transaction mode is the parent company receives orders and transfers the orders to the subsidiaries for manufacturing and delivery. Sales revenues are recognised when the control of goods are transferred upon loading on board for shipping in accordance with the contract terms and the risk being transferred. Considering that the revenue might not be recognised in the proper period as the timing of recognition mainly occurs when loading from subsidiaries and such sales revenue recognition process involves many manual controls, we identified the timing of sales revenue recognition as one of the key areas of focus for this year's audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding and evaluated the operating procedures and internal controls over sales revenue, and assessed the effectiveness on how the management controls the timing of recognising sales revenue.
- B. Performed sales cut-off test for a certain period before and after balance sheet date to assess the accuracy of the timing of sales revenues.

Inventory valuation

Description

Please refer to Note 4(13) for a description of accounting policy on inventory valuation. Please refer to Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation. Please refer to Note 6(5) for a description of inventory. As of December 31, 2019, the Group's inventory amounted to NT\$176,257 thousand and inventory valuation losses amounted to NT\$ 13,192 thousand.

The Group is primarily engaged in manufacturing and trading lighting equipment and lamps. Under the Group's inventory policy, inventory valuation is measured at the lower of cost and net realisable value, which involves subjective judgement resulting in a high degree of estimation uncertainty. Thus, we identified inventory valuation as one of the key areas of focus for this year's audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding of the Group's inventory policy and assessed the reasonableness of the policy.
- B. Reviewed annual inventory counting plan and observed the annual inventory counting event in order to assess the classification of obsolete inventory and effectiveness of obsolete inventory internal control.
- C. Obtained the Group's inventory aging report and verified dates of movements with supporting documents. Ensured the proper categorisation of inventory aging report in accordance with the Group's policy.
- D. Obtained the net realisable value statement of each inventory, assessed whether the estimation policy was consistently applied, tested the estimation basis of the net realisable value with relevant information, including verifying the sales and purchase prices with supporting evidence, and recalculated and evaluated the reasonableness of the inventory valuation.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Tons Lightology Inc. as at and for the years ended December 31, 2019 and 2018.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 audit committee, are responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s 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 ROC GAAS 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 ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- A. 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.
- B. 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.

- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. 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.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Liu, Mei-Lan

For and on behalf of PricewaterhouseCoopers, Taiwan
February 26, 2020

Wang, Yu-Chuan

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

| Assets | | December 31, 2019 | | December 31, 2018 | |
|---------------------------|---|---------------------|------------|---------------------|------------|
| | | AMOUNT | % | AMOUNT | % |
| Current assets | | | | | |
| 1100 | Cash and cash equivalents | \$ 309,160 | 23 | \$ 366,898 | 25 |
| 1110 | Financial assets at fair value through profit or loss - current | 125,461 | 9 | 152,240 | 10 |
| 1136 | Current financial assets at amortised cost | 66,193 | 5 | 49,917 | 3 |
| 1150 | Notes receivable, net | 305 | - | 1,403 | - |
| 1170 | Accounts receivable, net | 148,801 | 11 | 157,687 | 11 |
| 1180 | Accounts receivable - related parties | 187 | - | - | - |
| 1200 | Other receivables | 4,961 | - | 1,994 | - |
| 130X | Inventories | 163,065 | 12 | 170,022 | 12 |
| 1410 | Prepayments | 18,304 | 1 | 22,176 | 2 |
| 1470 | Other current assets | 3,949 | - | 3,850 | - |
| 11XX | Current Assets | 840,386 | 61 | 926,187 | 63 |
| Non-current assets | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 128,394 | 9 | 133,342 | 9 |
| 1550 | Investments accounted for using equity method | 56,877 | 4 | - | - |
| 1600 | Property, plant and equipment | 299,446 | 22 | 324,120 | 22 |
| 1755 | Right-of-use assets | 32,589 | 3 | - | - |
| 1780 | Intangible assets | 1,681 | - | 3,568 | - |
| 1840 | Deferred income tax assets | 4,437 | - | 5,227 | 1 |
| 1900 | Other non-current assets | 10,301 | 1 | 76,091 | 5 |
| 15XX | Non-current assets | 533,725 | 39 | 542,348 | 37 |
| 1XXX | Total assets | \$ 1,374,111 | 100 | \$ 1,468,535 | 100 |

(Continued)

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity | December 31, 2019 | | December 31, 2018 | | |
|---|--|---------------------|-------------------|---------------------|------------|
| | AMOUNT | % | AMOUNT | % | |
| Current liabilities | | | | | |
| 2120 | Financial liabilities at fair value through profit or loss - current | \$ 318 | - | \$ 957 | - |
| 2150 | Notes payable | 45 | - | - | - |
| 2170 | Accounts payable | 79,446 | 6 | 97,148 | 7 |
| 2180 | Accounts payable - related parties | 10,159 | 1 | 17,158 | 1 |
| 2200 | Other payables | 101,471 | 7 | 110,892 | 8 |
| 2230 | Current income tax liabilities | 7,662 | - | 20,433 | 1 |
| 2250 | Provisions for liabilities - current | 323 | - | 152 | - |
| 2280 | Current lease liabilities | 2,577 | - | - | - |
| 2300 | Other current liabilities | 8,086 | 1 | 12,306 | 1 |
| 21XX | Current Liabilities | <u>210,087</u> | <u>15</u> | <u>259,046</u> | <u>18</u> |
| Non-current liabilities | | | | | |
| 2550 | Provisions for liabilities - noncurrent | 375 | - | 1,148 | - |
| 2570 | Deferred income tax liabilities | 9,421 | 1 | 2,488 | - |
| 2580 | Non-current lease liabilities | 1,280 | - | - | - |
| 2600 | Other non-current liabilities | 10,766 | 1 | 11,953 | 1 |
| 25XX | Non-current liabilities | <u>21,842</u> | <u>2</u> | <u>15,589</u> | <u>1</u> |
| 2XXX | Total Liabilities | <u>231,929</u> | <u>17</u> | <u>274,635</u> | <u>19</u> |
| Equity attributable to owners of parent | | | | | |
| Share capital | | | | | |
| 3110 | Common stock | 401,253 | 29 | 399,628 | 27 |
| 3140 | Advance receipts for share capital | 303 | - | - | - |
| Capital surplus | | | | | |
| 3200 | Capital surplus | 510,666 | 37 | 505,825 | 34 |
| Retained earnings | | | | | |
| 3310 | Legal reserve | 85,219 | 6 | 74,663 | 5 |
| 3320 | Special reserve | 38,429 | 3 | 38,429 | 3 |
| 3350 | Unappropriated retained earnings | 194,627 | 14 | 191,466 | 13 |
| Other equity interest | | | | | |
| 3400 | Other equity interest | (54,323) | (4) | (16,111) | (1) |
| 3500 | Treasury shares | <u>(33,992)</u> | <u>(2)</u> | <u>-</u> | <u>-</u> |
| 31XX | Equity attributable to owners of the parent | <u>1,142,182</u> | <u>83</u> | <u>1,193,900</u> | <u>81</u> |
| 3XXX | Total equity | <u>1,142,182</u> | <u>83</u> | <u>1,193,900</u> | <u>81</u> |
| Significant contingent liabilities and unrecognised contract commitments | | | | | |
| Significant events after the balance sheet date | | | | | |
| 3X2X | Total liabilities and equity | <u>\$ 1,374,111</u> | <u>100</u> | <u>\$ 1,468,535</u> | <u>100</u> |

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

| Items | Year ended December 31 | | | |
|---|------------------------|--------------|-------------------|--------------|
| | 2019 | | 2018 | |
| | AMOUNT | % | AMOUNT | % |
| 4000 Sales revenue | \$ 1,086,420 | 100 | \$ 1,053,036 | 100 |
| 5000 Operating costs | (665,967) | (61) | (692,343) | (66) |
| 5900 Net operating margin | <u>420,453</u> | <u>39</u> | <u>360,693</u> | <u>34</u> |
| Operating expenses | | | | |
| 6100 Selling expenses | (114,781) | (11) | (115,519) | (11) |
| 6200 General and administrative expenses | (98,574) | (9) | (111,526) | (10) |
| 6300 Research and development expenses | (42,269) | (4) | (40,133) | (4) |
| 6000 Total operating expenses | <u>(255,624)</u> | <u>(24)</u> | <u>(267,178)</u> | <u>(25)</u> |
| 6900 Operating profit | <u>164,829</u> | <u>15</u> | <u>93,515</u> | <u>9</u> |
| Non-operating income and expenses | | | | |
| 7010 Other income | 18,247 | 2 | 16,886 | 2 |
| 7020 Other gains and losses | (18,953) | (2) | 26,621 | 2 |
| 7050 Finance costs | (179) | - | - | - |
| 7060 Share of loss of associates and joint ventures accounted for using equity method | (13,123) | (1) | - | - |
| 7000 Total non-operating income and expenses | <u>(14,008)</u> | <u>(1)</u> | <u>43,507</u> | <u>4</u> |
| 7900 Profit before income tax | 150,821 | 14 | 137,022 | 13 |
| 7950 Income tax expense | (45,133) | (4) | (31,465) | (3) |
| 8200 Profit for the year | <u>\$ 105,688</u> | <u>10</u> | <u>\$ 105,557</u> | <u>10</u> |
| Other comprehensive income | | | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | | |
| 8311 Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans | \$ 153 | - | (\$ 243) | - |
| 8316 Total expenses, by nature | (4,948) | (1) | 5,766 | - |
| 8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | (280) | - | 1,135 | - |
| 8310 Components of other comprehensive income that will not be reclassified to profit or loss | <u>(5,075)</u> | <u>(1)</u> | <u>6,658</u> | <u>-</u> |
| Components of other comprehensive income that will be reclassified to profit or loss | | | | |
| 8361 Financial statements translation differences of foreign operations | (33,014) | (3) | (12,712) | (1) |
| 8360 Components of other comprehensive income that will be reclassified to profit or loss | <u>(33,014)</u> | <u>(3)</u> | <u>(12,712)</u> | <u>(1)</u> |
| 8300 Total other comprehensive income for the year | <u>(\$ 38,089)</u> | <u>(4)</u> | <u>\$ 6,054)</u> | <u>(1)</u> |
| 8500 Total comprehensive income for the year | <u>\$ 67,599</u> | <u>6</u> | <u>\$ 99,503</u> | <u>9</u> |
| Basic earnings per share | | | | |
| 9750 Total basic earnings per share | <u>\$ 2.69</u> | | <u>\$ 2.65</u> | |
| Diluted earnings per share | | | | |
| 9850 Total diluted earnings per share | <u>\$ 2.65</u> | | <u>\$ 2.61</u> | |

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

| | Equity attributable to owners of the parent | | | | | | | | | | | |
|--|---|------------------------------------|----------------------------|-------------------------|-------------------|-----------------|----------------------------------|--|---|--|-----------------|--------------|
| | Share capital | | Capital surplus | | Retained earnings | | | Other equity interest | | | | |
| | Common stock | Advance receipts for share capital | Additional paid-in capital | Employee stock warrants | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income | Unrealized gains (losses) on available-for-sale financial assets | Treasury shares | Total equity |
| 2018 | | | | | | | | | | | | |
| Balance at January 1, 2018 | \$ 398,118 | \$ 537 | \$ 498,848 | \$ 3,409 | \$ 62,555 | \$ 38,429 | \$ 189,770 | (\$ 36,065) | \$ - | \$ 26,013 | \$ - | \$ 1,181,614 |
| Effect of restrospective application and retrospective restatement | - | - | - | - | - | - | - | - | 26,013 | (26,013) | - | - |
| Balance at 1 January after adjustments | 398,118 | 537 | 498,848 | 3,409 | 62,555 | 38,429 | 189,770 | (36,065) | 26,013 | - | - | 1,181,614 |
| Consolidated comprehensive income for the year | - | - | - | - | - | - | 105,557 | - | - | - | - | 105,557 |
| Other comprehensive income (loss) for the year | - | - | - | - | - | - | 5 | (12,712) | 6,653 | - | - | (6,054) |
| Total comprehensive income (loss) for the year | - | - | - | - | - | - | 105,562 | (12,712) | 6,653 | - | - | 99,503 |
| Appropriation and distribution of 2017 retained earnings (Note 2) | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | - | - | 12,108 | - | (12,108) | - | - | - | - | - |
| Cash dividends | - | - | - | - | - | - | (91,758) | - | - | - | - | (91,758) |
| Share-based payment transactions - employee stock options | 1,510 | (537) | 2,866 | 702 | - | - | - | - | - | - | - | 4,541 |
| Balance at December 31, 2018 | \$ 399,628 | \$ - | \$ 501,714 | \$ 4,111 | \$ 74,663 | \$ 38,429 | \$ 191,466 | (\$ 48,777) | \$ 32,666 | \$ - | \$ - | \$ 1,193,900 |
| 2019 | | | | | | | | | | | | |
| Balance at January 1, 2019 | \$ 399,628 | \$ - | \$ 501,714 | \$ 4,111 | \$ 74,663 | \$ 38,429 | \$ 191,466 | (\$ 48,777) | \$ 32,666 | \$ - | \$ - | \$ 1,193,900 |
| Consolidated comprehensive income for the year | - | - | - | - | - | - | 105,688 | - | - | - | - | 105,688 |
| Other comprehensive income (loss) for the year | - | - | - | - | - | - | 123 | (33,014) | (5,198) | - | - | (38,089) |
| Total comprehensive income (loss) for the year | - | - | - | - | - | - | 105,811 | (33,014) | (5,198) | - | - | 67,599 |
| Appropriation and distribution of 2018 retained earnings | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | - | - | 10,556 | - | (10,556) | - | - | - | - | - |
| Cash dividends | - | - | - | - | - | - | (92,094) | - | - | - | - | (92,094) |
| Share-based payment transactions - employee stock options | 1,625 | 303 | 4,073 | 768 | - | - | - | - | - | - | - | 6,769 |
| Treasury stock transactions | - | - | - | - | - | - | - | - | - | - | (33,992) | (33,992) |
| Balance at December 31, 2019 | \$ 401,253 | \$ 303 | \$ 505,787 | \$ 4,879 | \$ 85,219 | \$ 38,429 | \$ 194,627 | (\$ 81,791) | \$ 27,468 | \$ - | (\$ 33,992) | \$ 1,142,182 |

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

| | Years ended December 31, | |
|---|--------------------------|----------------|
| | 2019 | 2018 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Profit before tax | \$ 150,821 | \$ 137,022 |
| Adjustments | | |
| Adjustments to reconcile profit (loss) | | |
| Depreciation | 49,658 | 49,513 |
| Depreciation - right-of-use assets | 10,049 | - |
| Amortization | 2,390 | 2,675 |
| Expected credit (gain) loss | (891) | 917 |
| Net loss (gain) on financial assets and liabilities at fair value through profit or loss | 28,777 (| 16,900) |
| Interest expense - lease liability | 179 | - |
| Interest income | (7,027) (| 8,981) |
| Dividend income | (7,861) (| 5,714) |
| Wages and salaries - employee stock options | 2,322 | 1,883 |
| Share of loss of associates and joint ventures accounted for under equity method | 13,123 | - |
| Loss on disposal of property, plant and equipment | 786 | 271 |
| (Reversal of) provision for warranty expense | (772) | 540 |
| Changes in operating assets and liabilities | | |
| Changes in operating assets | | |
| Notes receivable, net | 1,095 | 422 |
| Accounts receivable, net | 9,365 (| 3,036) |
| Accounts receivable due from related parties | (194) | 4 |
| Other receivables | (2,970) | 1,389 |
| Inventories | 840 (| 17,354) |
| Prepayments | 3,499 (| 1,690) |
| Other current assets | (248) (| 335) |
| Changes in operating liabilities | | |
| Notes payable | 45 (| 59) |
| Accounts payable | (14,724) (| 825) |
| Accounts payable to related parties | (6,605) | 5,365 |
| Other payables | (6,785) | 3,834 |
| Contract liabilities | (4,145) | 623 |
| Other current liabilities | 181 (| 345) |
| Other non-current liabilities | (914) | 90 |
| Cash inflow generated from operations | 219,994 | 149,309 |
| Interest received | 6,948 | 9,124 |
| Dividend received | 7,861 | 5,714 |
| Interest paid | (179) | - |
| Income tax paid | (50,264) | (26,081) |
| Net cash flows from operating activities | <u>184,360</u> | <u>138,066</u> |

(Continued)

TONS LIGHTOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars)

| | Years ended December 31, | |
|---|--------------------------|--------------|
| | 2019 | 2018 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Acquisition of financial assets at fair value through profit or loss | (\$ 3,525) | (\$ 32,130) |
| Proceeds from disposal of financial assets at fair value through profit or loss | - | 48,495 |
| (Increase) decrease in financial assets at amortised cost | (18,456) | 18,722 |
| Acquisition of investments accounted for using equity method | (70,000) | - |
| Acquisition of property, plant and equipment | (24,311) | (42,323) |
| Proceeds from disposal of property, plant and equipment | 458 | 12 |
| Decrease (increase) in refundable deposits | 29,330 | (28,020) |
| Acquisition of intangible assets | (503) | (1,157) |
| Increase in other non-current assets | (7,076) | (9,322) |
| Net cash flows used in investing activities | (94,083) | (45,723) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | |
| Decrease in guarantee deposits received | (118) | - |
| Repayment of principal portion of lease liabilities | (9,379) | - |
| Cash dividends paid | (92,094) | (91,758) |
| Exercise of employee stock options | 4,447 | 2,658 |
| Repurchase of treasury stock | (33,992) | - |
| Net cash flows used in financing activities | (131,136) | (89,100) |
| Effect of exchange rate changes on cash and cash equivalents | (16,879) | (5,508) |
| Net decrease in cash and cash equivalents | (57,738) | (2,265) |
| Cash and cash equivalents at beginning of year | 366,898 | 369,163 |
| Cash and cash equivalents at end of year | \$ 309,160 | \$ 366,898 |

[Attachment 6]

Tons Lightology Inc.
Profit Distribution Table
Year 2019

Unit: NT\$

| | |
|---|---------------|
| Net income – 2019 | \$105,688,360 |
| Add: Retained earnings adjusted amount - 2019 | 122,834 |
| Less: 10% legal reserve | (10,581,119) |
| Less: special reserve | (15,893,960) |
| Distributable amount - 2019 | \$79,336,115 |
| Add: Unappropriated earnings - beginning | 88,816,359 |
| Accumulated distributable amount - 2019 | \$168,152,474 |
| Distributions: | |
| Shareholder dividend - Cash | 84,394,601 |
| Unappropriated earnings - ending | \$ 83,757,873 |
| Remark: | |
| Cash dividend: NT\$2.15 per share | |

Note 1: Retained earnings adjusted amount in 2019 for NT\$122,834 was resulted from the re-valuation of the defined benefit plan.

Note 2: The Company set aside special reserve of NT\$15,893,960 according to the Order No. 1010012865 issued by the Securities and Futures Bureau, Financial Supervisory Commission on April 6, 2012, which stipulates that special reserve shall be set aside for the difference between the amount of special reserve set aside and the net equity deductions at the first-time adoption of IFRSs.

Note 3: On February 26, 2020, the Board of Directors resolved to distribute cash dividends at NT\$2.15 per share.

Note 4: The cash dividend per share was calculated in accordance with the outstanding 39,253,303 shares on February 26, 2020.

Chairman : TANG, SHIH-CHUAN

CEO : TANG, SHIH-CHUAN

CFO : WANG, CHIH-YUAN

[Attachment7]

Tons Lightology Inc.

List of Candidates for the 10th-term Board of Directors (including Independent Directors)

| Title | Name | Shareholding | Education | Experience | Other Position |
|----------|------------------|--------------|---|--|---|
| Director | TANG, SHIH-CHUAN | 3,535,633 | Oriental Institute of Technology / Dept. of Clothes Manufacturing | Tons Lightology Inc. / Founder | Tons Lightology Inc. / Chairman & G.M. Titan Lighting Co., Ltd. / Chairman Zhongshan Tons Lighting Co., Ltd. / Chairman Tons Lighting Co., Ltd. / Director World Extend Holding Inc. / Director Greatsuper Technology Ltd. / Director Hong-Bo investment Co., Ltd. / Chairman Luminous Holding Incorporated/ Director Shanghai Tons Lightology Co., Ltd./ Chairman HEP Tech Co., Ltd./ Director. Art So Trading Ltd./Director. Artso International, Inc./Director. |
| Director | HUNG, CHIA-CHENG | 1,085,381 | Kainan Vocational High School / Dept. of Electronic Engineering | Tons Lightology Inc. / Senior Executive Vice President | Tons Lightology Inc. / Senior Executive Vice President Titan Lighting Co., Ltd. / Director & G.M. |

| Title | Name | Shareholding | Education | Experience | Other Position |
|-------------------------|--------------------|--------------|--|--|---|
| | | | | | Zhongshan Tons Lighting Co., Ltd. / Director & G.M. Hong-Bo Investment Co., Ltd. / Director Shanghai Tons Lightology Co., Ltd / Director |
| Director | CHEN, MING-HSIN | 0 | Bachelor of Accounting, National Chengchi University Doctor of Business Administration, Nankai University | Taiwan Stock Exchange- Listing Review and Chief Accountant Hung Mao Technology Co., Ltd.- President | HEP Tech Co., Ltd./ Supervisor |
| Director | HSIAO, CHEN-CHI | 25,250 | EMBA, Feng Chia University | PwC Taiwan / Partner | Taichung CPA Association / Chairman National Federation of CPA Associations of the R.O.C./ Vice Chairman Honmyue Enterprise Co. Ltd. / Independent Director and Remuneration Committee Member Best Friend Technology Co., Ltd. / Independent Director, Audit Committee Convener, and Remuneration Committee Convener Yeong Chin Machinery Industries Co. Ltd. / Supervisor |
| Independent Director | HSU, CHUNG-YUAN | 0 | Ph.D. in Accounting, University of Memphis | Supervisor of Securities and Futures Investors Protection | Adjunct Professor of Accounting, National Chengchi University |

| Title | Name | Shareholding | Education | Experience | Other Position |
|-------------------------|----------------------|--------------|--|--|--|
| | | | (USA) | Center Chair and Professor, Department of Accounting, National Chengchi University Senior Partner, BDO Taiwan | Securities Investment Trust & Consulting Association of the R.O.C. / Director |
| Independent Director | CHOU, LIANG-CHENG | 0 | Bachelor of Laws, Fu Jen Catholic University | Rootlaw Firm- Attorney Li Cheng Law Firm- Attorney Xin Fu International Law Firm- Attorney Jia Hua Attorneys-At-Law Firm,- Attorney | Jia Hua Attorneys-At-Law Firm, -Founding Attorney Shih-Kuen Plastics Co., Ltd. -Independent Director and Remuneration Committee Member |
| Independent Director | LEE, SHYH-CHIN | 0 | Master in Management Science, National Chiao Tung University | Chunghwa Precision Test Tech. Co., Ltd. / Chairman Chunghwa Telecom / Vice President of Finance Chunghwa Investment Co., Ltd. / President | Chunghwa Telecom / Consultant |

[Appendix 1]

Tons Lightology Inc.
Rules of Procedure for Shareholder Meetings
(Translation)

Article 1: The shareholders' meeting of the Company is to be convened in accordance with the "Rules of Procedure for Shareholders' Meeting" unless otherwise provided by law.

Article 2: The shareholders' meeting is to be convened by the Board of Directors and the Chairman is to preside the meeting. If the chairman is on leave or cannot perform duty for reasons, the Vice Chairman is to preside the meeting. If there is not a Vice Chairman appointed or the Vice Chairman is also on leave or cannot perform duty for reasons, the Chairman is to appoint his/her representative to preside the meeting. If the Chairman failed to have his/her representative appointed, the representative is to be elected among the Board directors.

If the shareholders' meeting is convened by a convener other than the Board of Directors, such convener shall preside the meeting.

The Company may assign the commissioned attorney, CPA, or the responsible personnel to attend the shareholders' meeting.

Article 3: The place of the shareholders' meeting should be in the county/city where the Company located or where it is convenient to the shareholders for attendance; also, where is suitable for holding a meeting. The shareholders' meeting should not be held before 9:00am or after 3:00pm.

Article 4: Shareholder's attending the shareholders' meeting should base on the calculation of shareholding. The attending shareholders or their representatives shall produce the attendance card as their sign-in; also, the shareholding is calculated in accordance with the attendance cards submitted. If the Company allows shareholders to exercise their voting rights in writing or by electronic system, the shareholding of the attending shareholders should include the shares with voting rights that are exercised in writing or by electronic system.

Article 5: The Chairman shall declare the meeting in session when it is meeting time. However, if the attending shareholders have less than majority shareholding, the Chairman may declare to have the meeting postponed, but it is limited to two postpones and for less than one hour together.

If the attending shareholders remain without the mandatory shareholding ratio after two postpones of meeting; however, the attending shareholders have more than one third of the outstanding shares, a pseudo-resolution can be reached in the meeting in accordance with Article 175 Paragraph 1 of the Company Law.

If the attending shareholders had a majority of the shareholding before the end of the shareholders' meeting, the Chairman may have the pseudo-resolution presented in the meeting for resolution again in accordance with Article 174 of the Company Law.

Article 6: If the shareholders' meeting was convened by the Board of Directors, the agenda is to be set by the Board of Directors. The meeting is to be carried out according to the schedule of the meeting agenda and it cannot be changed without a resolution reached in the shareholders' meeting.

If the shareholders' meeting was convened by the convener other than the Board of Directors, it is to be processed *mutatis mutandis* to the provisions of the preceding paragraph.

If the proposals (including motions) scheduled in the agenda as stated in the last two paragraphs had not been concluded, the Chairman may not have the meeting adjourned without a resolution reached in the meeting.

Article 7: Shareholders must first fill out the speech slip with the gist of the statement, shareholder account number (or attendance card number), and account name stated before speaking in the meeting; also, the Chairman is to prioritize the speakers.

Shareholders who had submitted the speech slip but did not speak in the meeting shall be deemed as choosing not to speak. If the spoken speech is different from the contents of the speech slip, the confirmed speech shall prevail.

Shareholders who are speaking shall not be interrupted by any other shareholders without the consent of the Chairman and the Chairman is obliged to have the interfering shareholders stopped.

Article 8: Shareholder may not speak twice on the same proposal without the consent of the Chairman; also, each speaker may not speak for more than five minutes each time.

The Chairman may have the speakers who have violated the provisions in

the preceding paragraph, or speaking beyond the scope of the proposal, or violating the meeting order stopped.

The Chairman may respond to or appoint the responsible personnel to respond to the speech given by the shareholders.

Article 9: The institutional shareholder may attend the shareholders' meeting by proxy with only one natural person appointed to attend the meeting. If the institutional shareholder has appointed two or more natural persons to attend the meeting, only one of the natural persons can speak on the same proposal in the meeting.

Article 10: If the Chairman determined that the proposal in discussion was ready for voting, the Chairman may announce to have the discussion ceased and the voting initiated.

Article 11: The voting held in the shareholders' meeting is based on the share count. Shareholders are entitled to one voting right per share.

For the resolution reached in the shareholders' meeting, the number of shares of the shareholders without voting right will not be included in the total number of shares issued.

Shareholders may have had their representatives attending the shareholders' meeting on their behalf by proxies. Except for the trust business or the stock affair agent authorized by securities competent authorities, when one person is commissioned by more than two (inclusive) shareholders, the voting rights by proxies may not exceed 3% voting rights of the total outstanding shares. When the voting rights by proxies exceed 3% voting rights of the total outstanding shares, the voting rights exceeding the threshold will not be included for calculation.

The proposal to be voted on, unless otherwise provided in the Company Law and the Articles of Association, must be with the consent of the attending shareholders with a majority voting right. The proposal is deemed as resolved when there is no objection raised by the shareholders to the Chairman upon the Chairman's consultation and it is as effective as voting.

When the same proposal is with amendment or alternative made available, the Chairman is to have the original proposal and the amendment and alternative put together and prioritized for voting. If one of the proposals is resolved, the other proposals will be deemed as vetoed without the need of

further voting.

Article 12: The ballot scrutineers and tellers for the voting on the proposal are appointed by the Chairman; however, the ballot scrutineers must be the shareholders of the Company. The voting result must be reported in the meeting and recorded.

Article 13: The election of the directors in the shareholders' meeting should be processed in accordance with the Company's "Procedures for Election of Directors" and with the election result declared in the meeting.

The ballots of the electoral matters in the preceding paragraph shall be sealed and signed by the ballot scrutineers for safekeeping for at least one year; however, the ballots may be reserved for a longer period of time until the end of the proceeding when a lawsuit is filed by shareholders in accordance with Article 189 of the Company Law.

Article 14: The minutes of meeting should be prepared for the proposals resolved in the shareholders' meeting; also, it should be signed or sealed by the Chairman and distributed to the shareholders within 20 days after the meeting date. The production and distribution of the minutes of meeting stated in the preceding paragraph can be completed by public announcement instead.

The minutes of meeting should be prepared with the information of the meeting date, month, and year, place, the name of the Chairman, the resolution method, essential proceedings, and the results included; also, the minutes of meeting should be reserved permanently throughout the existence of the Company.

Article 15: The Company shall have the entire process of the shareholders' meeting recorded in audio or video form and reserved for at least one year. However, the audio or video recording of the meeting may be reserved for a longer period of time until the end of the proceeding when a lawsuit is filed by shareholders in accordance with Article 189 of the Company Law.

Article 16: The stagehands at the shareholders' meeting venue should wear name tags or armbands for identification. The Chairman may direct the pickets (or security guards) to help maintain the order at the venue. The pickets (or security guards) at the shareholders' meeting venue to help maintain order should wear name tags or armbands for identification.

Article 17: The Chairman may announce at his/her discretion to take a break during the proceedings. The Chairman may decide to have the meeting suspended temporarily due to a force majeure and may have the meeting resumed thereafter depending on the actual practice.

Article 18: The “Rules of Procedure for Shareholders’ Meeting” was enacted on June 27, 2008. The 1st amendment was made on June 26, 2009. The 2nd amendment was made on June 10, 2013. The 3rd amendment was made on May 28, 2015. The 4th amendment was made on May 30, 2018.

[Appendix 2]

Tons Lightology Inc.
Articles of Incorporation(before Amendments)
(Translation)

Chapter 1 General Rules

Article 1 : The Company is incorporated in accordance with the Company Law and is named “Tons Lightology Inc.”

Article 2 : The business operation of the Company is as follows:

- 1.CC01030 Electrical appliances and audio-visual electronic products manufacturing business
- 2.CC01040 Lighting equipment manufacturing business
- 3.CC01080 Electronic components manufacturing business
- 4.CH01010 Sporting goods manufacturing business
- 5.F106010 Hardware wholesale business
- 6.F106030 Mold wholesale business
- 7.F109070 Cultural, educational, musical instruments, and recreational supplies wholesale business
- 8.F113020 Electrical appliances wholesale business
- 9.F119010 Electronic materials wholesale business
- 10.F206010 Hardware retail business
- 11.F209060 Cultural, educational, musical instruments, and recreational supplies retail business
- 12.F213010 Electric appliances retail business
- 13.F219010 Electronic materials retail business
- 14.F401010 International trade business
- 15.E601010 Electric Appliance Construction
- 16.ZZ99999 In addition to the chartered business, the business not-prohibited or not-restricted by law is also permitted for operation

Article 3 : The headquarters of the Company is setup in New Taipei City, Taiwan; also, overseas branches can be setup for business operation with the resolution of the Board of Directors and the approval of the competent authorities.

Chapter 2 Shares

Article 4 : The capital stock of the Company is authorized for an amount of NT\$500,000,000 with 50,000,000 shares issued at NT\$10 par by installment in accordance with the resolutions of the Board.

An amount of NT\$50,000,000 is to be appropriated from the total capital stock stated in the preceding paragraph for issuing employee stock warrants

- with 5,000,000 shares issued by installment in accordance with the resolutions of the Board.
- Article 5 : The Company's transfer investment is not subject to the investment limit of 40% of paid-in capital stated in Article 13 of the Company Law.
- Article 5.1 : The Company may have endorsement and guarantee made externally in accordance with the Company's "Regulations Governing Making of Endorsements/Guarantees."
- Article 6 : The Company's stock is registered and numbered and to be signed or sealed by more than three directors; also, it is to be issued after being certified by the competent authorities or the authorized issuance and registration institute.
The Company may have stock shares issued without any printout made; also, should contact Taiwan Depository & Clearing Corporation for registration. The Company has stock affairs handled in accordance with the relevant laws and regulations of the competent authorities.
- Article 7 : The contents of the shareholder registry may not be modified within 60 days prior to the general shareholders' meeting, thirty days prior to the extraordinary shareholders' meeting, or five days prior to the base date for the distribution of dividend, bonus, or other interests announced by the Company.
- Article 8 : Shareholders' meetings are classified as general shareholders' meeting and extraordinary shareholders' meeting. General shareholders' meeting is to be convened by the Board of Directors once a year within six months at the end of the fiscal year while extraordinary shareholders' meeting can be convened lawfully at anytime when it is necessary.
- Article 8.1 : The date of the meeting, place, and reasons for convening shareholders' meeting should be forwarded to each shareholder thirty days prior to the meeting date for general shareholders' meeting and fifteen days for extraordinary shareholders' meeting.

Chapter 3 Shareholders' Meeting

- Article 9 : The Chairman is to preside the shareholders' meeting. If the Chairman is on leave or cannot perform duty for reasons, the Vice Chairman is to preside the meeting. If there is not a Vice Chairman appointed or the Vice Chairman is also on leave or cannot perform duty for reasons, the Chairman is to appoint his/her representative to preside the meeting. If the Chairman failed to have his/her representative appointed, the representative is to be elected among the Board Directors.
- Article 10 : Shareholders who cannot attend the shareholders' meeting for reasons may have had the representative attending the meeting instead by proxy in accordance with Article 177 of the Company Law.

Shareholder's attending the shareholders' meeting by proxy, unless otherwise provided in the Company Law, should be processed in accordance with the "Regulations Governing the Use of Proxies for Attendance at Shareholders' Meeting of Public Companies" published by the competent authorities.

Article 11 : The resolutions reached in the shareholders' meeting, unless otherwise provided in the Company Law, must be with the attendance of the shareholders that have majority shareholding and with the approval of the attending shareholders with majority voting rights.

Article 12 : Each stock share held by the Company's shareholders is entitled to one voting right, except for in any of the circumstances stated in Article 175 Section 3 and Article 179 of the Company Law, and the related law and regulations.

Chapter 4 Directors and Managers

Article 13 : The Company's withdrawal of public offering should be handled in accordance with Article 156 Paragraph 3 of the Company Law.

Article 14 : The Company has 7~9 directors nominated for a term of three years and they can be re-elected for a second term. The tenure of the directors who are not replaced at the end of the term can be extended until the next newly elected directors take office.

Directors are nominated as candidates for the election of directors in accordance with Article 192.1 of the Company Law. Shareholders are to have directors elected from the candidate list.

The Company's Board of Directors may resolve to acquire liability insurance for the directors.

Article 15 : There must be at least three independent directors (not less than one fifth of the total number of directors) out of the number of directors referred to above. The professional qualifications of the independent directors, shareholdings, limitation of part-time job, the nomination and appointment method, and other matters to be complied with must be processed according to the relevant provisions of the competent authorities.

The Company established the audit committee in according to Article 14.2 of the Securities Exchange Act. The audit committee is responsible to perform the duties stipulated in the Company Act, Securities and Exchange Act and other laws and regulations.

The audit committee is composed of all independent directors.

Article 16 : The Chairman is elected among the directors with the attendance of two thirds of the directors and the consent of the majority of the attending directors. The Vice Chairman can be elected among the directors the same

way as Chairman when it is necessary. The Chairman represents the Company to the public.

Article 17 : The Board meeting should be convened with the cause of action detailed and the directors notified seven days in advance. A Board meeting can be convened for an emergency at any time. The Company's Board meeting can be convened with the directors notified in writing, by E-mail, or by fax.

The Board meeting is convened by the Chairman, unless otherwise provided in the Company Law. The resolutions reached by the Board of Directors, unless otherwise provided in the Company Law, must be with the attendance of the majority of the directors and the consent of the majority of the attending directors.

Article 18 : The Chairman is to preside the Board meeting. If the Chairman is on leave or cannot perform duty for reasons, the Vice Chairman is to preside the meeting. If there is not a Vice Chairman appointed or the Vice Chairman is also on leave or cannot perform duty for reasons, the Chairman is to appoint his/her representative to preside the meeting. If the Chairman failed to have his/her representative appointed, the representative is to be elected among the Board directors. Board director shall attend the Board meeting in person; however, the Board director who cannot attend the Board meeting in person for reasons may have had other director attending the meeting on his/her behalf by proxy with the scope of authorized detailed. The Board director's attending the Board meeting by proxy is limited to appointing one representative only.

If the Board meeting is convened by a video conference, the directors who have attended the Board meeting by a video conference shall be deemed as attending in person.

Article 19 : The Board of Directors is to determine the remuneration to the Company's directors depending on the extent of their involvement in the Company's business operations and their contributions; also, by referring to the domestic industry standards, regardless of the operating profit or loss.

Article 20 : The Company has the management appointed with the commission, discharge, and remuneration processed in accordance with the Company Law.

Chapter 5 Accountants

Article 21 : The Company's fiscal year is for a period from January 1 to December 31.

Article 22 : The Company should have the following reports prepared at the end of each fiscal year in accordance with Article 228 of the Company Law. The following reports should be presented in the general shareholders' meeting for acknowledgement:

1. Business Report

2. Financial Statements

3. Statement of Earnings Distribution or Loss Subsidy

Article 23 : Dividends and bonuses are distributed proportionally to the shareholding of the shareholders. The Company without any earnings may not have dividends and bonuses distributed.

Article 23.1 The Company's annual profits, if any, should be with 5~15% appropriated as remuneration to employees and with less than 2.5% appropriated as remuneration to directors. If the Company is with accumulated losses, an amount for making up the losses should be reserved in advance.

The remuneration to employees is paid with stock dividend or cash; also, it must be with the consent of the majority of the presenting directors in the Board meeting that is with two thirds of the directors attended; also, the resolution should be reported in the shareholders' meeting.

The remuneration to employees paid with stock or cash is also available to the qualified employees of the subsidiaries; also, the Board of Directors is authorized to regulate the related matters.

The annual profits stated in the preceding paragraph refers to the net income before tax and before deducting the remuneration to employees and directors and it is distributed in a lump sum.

Article 24 : The Company's annual earnings, if any, are to be distributed in an orderly manner as follows:

1. Making up losses of prior periods;
2. Appropriating 10% legal reserve and appropriating or reversing special reserve, is necessary;
3. The remaining balance plus the unappropriated earnings of prior periods are the distributable earnings. The Board of Directors is to propose the earnings distribution in the shareholders' meeting for a resolution.

The industry that the Company engaged in is growing. In consideration of the current and future development plans, investment environment, capital needs, and domestic and international competition; also, taking into account the interests of shareholders, balanced dividends, and the Company's long-term financial planning, the earnings distribution is processed in conformity with the requirements stated in the preceding paragraph; also, the distribution of shareholder dividend shall not be less than 50% of the accumulated distributable earnings. Cash dividend shall not be less than 10% of the total shareholder dividend distributed. However, the Board of Directors may have the said distribution ratio adjusted according to the overall business operation with a resolution reached in the shareholders' meeting.

The Board of Directors of the Company may distribute all or partial of the distributable dividends or bonuses, additional paid-in capital or legal reserve in cash approach under resolution made by more than half of the attended Board members (under circumstances that more than two thirds of the total

Board members attend), and such resolution shall be reported at the Annual Shareholders Meeting. The regulations of the preceding Paragraph shall not apply.

- Article 25 : The shareholder dividend and bonus will be distributed to the shareholders who are included in the shareholders' registry five days prior to the base line date.

Chapter 6 Annex

- Article 26 : The Company's charter and enforcement rules will be enacted separately.
- Article 27 : The matters not addressed in the Articles of Association should be processed in accordance with the Company Law.
- Article 28 : The Article of Association was enacted with the consent of the Founder's meeting conveners on August 14, 1992. The Article of Association was enacted with the consent of the Founder's meeting conveners on August 14, 1992. The 1st amendment made on June 26, 2010. The 2nd amendment made on November 20, 2010. The 3rd amendment made on March 8, 2002. The 4th amendment made on November 25, 2002. The 5th amendment made on February 10, 2002. The 6th amendment made on March 7, 2006. The 7th amendment made on August 10, 2006. The 8th amendment made on October 12, 2006. The 9th amendment made on April 29, 2007. The 10th amendment made on May 10, 2007. The 11th amendment made on July 29, 2007. The 12th amendment made on October 8, 2007. The 13th amendment made on December 31, 2007. The 14th amendment made on June 26, 2009. The 15th amendment made on May 23, 2011. The 16th amendment made on June 20, 2012. The 17th amendment made on June 10, 2013. The 18th amendment made on May 28, 2015. The 19th amendment made on May 31, 2016. The 20th amendment made on May 26, 2017. The 21st amendment made on May 30, 2018. The 22nd amendment will be made on May 29, 2019.

[Appendix 3]

Tons Lightology Inc.
Regulations Governing the Election of Director
(Translation)

Article 1 The election of directors of the Company shall be handled in accordance with these Regulations.

Article 2 According to Article 192-1 of the Company Act, directors of the Company shall be nominated and selected from the list of candidates in the General Shareholders' Meeting.

The qualifications and election of independent directors of the Company shall be in accordance with the Regulations Authority Appointment of Independent Directors and Compliance Matters for Public Companies.

Article 3 The shareholder's number or the attendance card number of the electors may be used on the ballot instead of the name of the electors.

Each share has the number of exercisable votes same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate, or may be split for election of two or more candidates.

Article 4 Independent and non-independent directors of the Company shall be elected in accordance with the quota stipulated in Articles of Incorporation. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed an elected independent or non-independent director. If two or more persons obtain the same number of votes and the number of such persons exceeds the specified seats available, such persons obtaining the same votes shall draw lots to decide who should win the seats available, and the chairperson shall draw lots on behalf of the candidate who is not present.

Article 5 When the election commences, the chairperson of the meeting shall appoint ballot supervisor(s) from among the shareholders present. Other personnel responsible for counting and announcing the ballots and performing relevant duties shall be appointed by the chairperson of the meeting.

Article 6 The ballot box shall be prepared by the board of directors and examined by the ballot supervisor(s) in public before the voting.

Article 7 The ballots shall be prepared by the board of directors and marked with the weights and distributed to shareholders present in order to hold the election in accordance with the quota of directors.

Independent and non-independent directors shall be elected at the same time and the ballots shall be counted and announced separately.

Article 8 If the candidate is a shareholder of the Company, the electors shall fill in the name and the shareholder's number of such candidate in the column of "candidate" of the ballot. If the candidate is not a shareholder of the Company, the electors shall fill in such candidate's name and the number of its identification certificate in the same column.

If the candidate is a government agency or a legal entity, either the full name of the government agency or the legal entity or the full name of the government agency or the legal entity and the name(s) of their representative(s) should be filled in the column of to be elected. If the government-linked shareholder or institutional shareholder has several representatives, the name of each representative shall be filled in.

Article 9 A ballot shall be void upon any of the following conditions:

1. The ballot was not in the form provided in accordance with these Rules.
2. The ballot was blank when cast in the ballot box.
3. The handwriting on the ballot was blurred or illegible or has been damaged.
4. The name of the candidate, shareholder's number or the designated number of voting rights on the ballot has been altered.
5. If the candidate is a shareholder of the Company, the name(s) of the candidate(s) and shareholder's number are not consistent with the shareholder register; if the candidate is not a shareholder of the Company, the name(s) and numbers of identification certificates are verified to be inconsistent.
6. The name of a candidate filled in on the ballot is same as another shareholder's name but the respective shareholder's numbers or numbers of identification certificates are not indicated to identify each of them.
7. There are other written characters or symbols in addition to the name(s) of the candidate(s), or shareholder's number (the number of identification certificate) and the designated number of voting rights on the ballot.

Article 10 The ballot box shall be opened and the ballots shall be counted on spot immediately after the completion of voting, and the result of counting the ballots shall be announced by the chairperson of the meeting.

Article 11 A notice of election shall be issued by the Company to elected directors

separately.

Article 12 Matters not provided in these Regulations shall be handled in accordance with the Company Act and the Securities Exchange Act.

Article 13 These Regulations were formulated on June 27, 2008. The first amendment was made on June 20, 2012. The second amendment was made on May 28, 2015. The third amendment was made on May 30, 2018.

Tons Lightology Inc.

Codes of Integrity Management (before Amendments) (Translation)

Article 1 Purpose and Scope

The Principles are established to create a corporate culture of ethical management, sound development, and good commercial practices.

The Principles are applicable to its business groups and organizations of the Company, which comprise its subsidiaries, any foundation to which the Company's direct or indirect contribution of funds exceeds 50 percent of the total funds received, and other institutions or juridical persons which are substantially controlled by the Company ("Business Group").

Article 2 Prohibition of Unethical Conduct

When engaging in commercial activities, directors, managers, employees, and mandataries of the Company or persons having substantial control over such companies ("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 ("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, managers, employees or substantial controllers or other stakeholders.

Article 3 Type of Benefits

"Benefits" referred to in the Principles shall mean 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 4 Compliance

The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.

Article 5 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 6 Preventive Programs

The Company shall establish the preventive programs, including operational procedures, guidelines, and training, in accordance with the operational philosophies referred to in the preceding article to forestall Unethical Conduct.

When establishing the preventive programs, the Company shall comply with relevant laws and regulations of the territory where the Company and the Business Group are operating.

In the course of developing the preventive programs, the Company is advised to negotiate with the staff, labor union members, or other representative organizations and related stakeholders.

Article 7 Scope of Preventive Programs

When establishing the preventive programs, the Company shall analyze which business activities within their business scope which are possibly at a higher risk of being involved in Unethical Conduct, and strengthen the preventive measures.

The preventive programs established by the Company shall at least include preventive measures against the following:

1. Offering or acceptance of bribes.
2. Offering of illegal political donations.
3. Improper charitable donations or sponsorship.
4. Offering or acceptance of unreasonable presents, hospitality, or other improper benefits.
5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.
6. Engaging in unfair competitive practices.
7. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.

Article 8 Commitment and Enforcement

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

Article 9 Commercial Activities under Ethical Management

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 their agents, suppliers, clients, or other

trading counterparties, the Company shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in Unethical Conduct, the Company may at any time terminate or rescind the contracts.

Article 10 Prohibition of Offering or 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, except for those in line with the laws of the place where the Company is operating.

Article 11 Prohibition of Illegal Offering of 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 of Illegal Offering of Donations or Sponsorship

When making or offering donations or 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 of Unreasonable Presents, 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 of Infringement upon Intellectual Property Right

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 of Engagement in Unfair Competition

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 of Products or Services to Stakeholders

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 under the Board of Directors and responsible for establishing and supervising the implementation of the ethical corporate management policies and preventive programs. The dedicated unit be in charge of the following matters, and shall report to the Board of Directors on a regular basis:

1. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
2. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.
3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
4. Promoting and coordinating awareness and educational activities with respect to ethics policy.
5. Developing a whistle-blowing system and ensuring its operating effectiveness.
6. Assisting the Board of Directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

Article 18 Compliance of Business

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

Article 19 Avoidance of Conflicts 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 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 excuse 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 Company 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 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 Operating Procedures and Code of Conduct

The Company shall establish the operating procedures and code of conduct in accordance with Article 6 hereof to guide directors, managers, employees, and substantial controllers on how to conduct business. The procedures and code of conduct shall at least contain the following matters:

1. Standards for determining whether improper benefits have been offered or accepted.
2. Procedures for offering legitimate political donations.
3. Procedures and the standard rates for offering charitable donations or sponsorship.
4. Rules for avoiding work-related conflicts of interests and how they

- should be reported and handled.
5. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
 6. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of Unethical Conduct.
 7. Handling procedures for violations of the Principles.
 8. Disciplinary measures on offenders.

Article 22 Training and Evaluation

The chairperson, general manager, or senior management of the Company shall communicate the importance of corporate ethics to its 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 and invite the Company's commercial transaction counterparties so they understand the Company's resolve to implement ethical corporate management, the related policies, preventive 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 23 Whistle-blowing Systems

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

1. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow the Company's insiders and outsiders to submit reports.
2. Dedicated personnel or unit appointed to handle whistle-blowing system. Any tip involving a director or senior manager shall be reported to the independent directors or the Audit Committee. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.
3. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.
4. Confidentiality of the identity of whistle-blowers and the content of reported cases.
5. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.
6. 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 or the Audit Committee in written form.

Article 24 Disciplinary and Whistle-blowing System

The Company shall adopt and publish a well-defined disciplinary and

whistle-blowing system for handling violations of the ethical corporate management rules, and shall make immediate disclosure on the Company's intranet of the date and details of the violation, and the actions taken in response.

Article 25 Information Disclosure

The Company shall collect quantitative data about the promotion of ethical management and continuously analyze and assess the effectiveness of the promotion of ethical management policy. The Company shall also disclose the measures taken for implementing ethical corporate management, the status of implementation, the foregoing quantitative data, and the effectiveness of promotion on its website, annual reports, and prospectuses, and shall disclose its ethical corporate management best practice principles on the Market Observation Post System.

Article 26 Review and Improvement 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 their directors, managers, and employees to make suggestions, based on which the policies and measures of ethical corporate management will be reviewed and improved with a view to achieving better implementation of ethical management.

Article 27 Enforcement

The Principles shall be implemented after being reported to the Audit Committee and resolved by the Board of Directors, and submitted at a shareholders' meeting. The same procedures shall be followed when the Principles have been amended.

When the Principles are submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board meeting. An independent director that cannot attend the board meeting in person to express objection 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 meeting.

[Appendix 5]

Tons Lightology Inc.
Shareholding of Directors

1. The Company's common stock shares issued : 40,253,303 shares

The minimum required combined shareholding of all directors by law : 3,600,000 shares

2. The number of shares held by all directors as of the stop-transfer date on March 30, 2020 is as follows;

Unit: Shares; %

| Title | Name | Elected date | Elected shareholding | | Current shareholding | |
|---|-------------------|--------------|----------------------|--|----------------------|--|
| | | | Shares | Percentage of the outstanding shares (%) | Shares | Percentage of the outstanding shares (%) |
| Chairman | TANG, SHIH-CHUAN | 05.26.2017 | 3,500,627 | 8.88 | 3,535,633 | 8.78 |
| Director | HUNG, CHIA-CHENG | 05.26.2017 | 1,253,962 | 3.18 | 1,085,381 | 2.70 |
| Director | TSAI, SHAO-CHUN | 05.26.2017 | - | - | - | - |
| Director | CHEN, MING-HSIN | 05.26.2017 | - | - | - | - |
| Independent Director | YUAN, JIAN-CHUNG | 05.26.2017 | - | - | - | - |
| Independent Director | HSU, CHUNG-YUAN | 05.26.2017 | - | - | - | - |
| Independent Director | CHOU, LIANG-CHENG | 05.26.2017 | - | - | - | - |
| The number of shares and shareholding ratio held by all directors | | | 4,754,589 | 12.06 | 4,621,014 | 11.48 |

[Appendix 6]

The proposals of the shareholders who have more than 1% shareholding of the Company's outstanding shares.

1. According to Article 172-1 of the Company Law, the Company is accepting the proposals of the shareholders for the general shareholders' meeting from March 20 to March 31, 2020.
2. There was not any proposal presented by the shareholders who had more than 1% shareholding of the Company's outstanding shares during the said period of time.