

# Test Rite International Co., Ltd.

## 2020 Annual General Shareholders' Meeting

### Meeting Minutes

- Time: 9:00 am, June 17, 2020
- Place: Test Rite International Co., Ltd Conference Hall (6F., No. 23, Hsin-Hu 3rd Road, Nei Hu, Taipei, Taiwan)
- Total outstanding shares of Test Rite International Co., Ltd. (excluding the shares with not voting rights stipulated in Article 179 of the Company Act ) : 495,581,558 shares
- Total shares represented by shareholders present (including the shares with e-voting rights 327,817,789 shares) : 430,989,039 shares
- Percentage of shares held by shareholders present : 86.96%
- Chairman: Mr. Tony Ho (Chairwoman, Ms. Judy Lee was away on business and appointed Mr. Tony Ho, Director, to chair the 2020 Annual General Shareholder's meeting) / Recorder : Ms. Linda Lin
- The aggregate shareholding of the shareholders present constituted a quorum. The Chairman called the meeting to order.
- Chairman's Address (omitted)

### Management Presentation

- 1. Business Report for 2019.** (Please see Annex 1)
- 2. Audit Committee's Review Report on the 2019 Financial Statements.** (Please see Annex 2)
- 3. Report on the distribution of employee and directors' remuneration for 2019.** (proposed by the Board of Directors)

Details :

- (1) The distribution of remuneration was implemented pursuant to the Company's Articles of Incorporation.
- (2) In light of the Company having no pretax profits for 2019, the Board has determined that there will be no distribution of employee and directors' remuneration on March 25, 2020.

- 4. Report on the 2019 earnings distribution of cash dividends. (proposed by the Board of Directors)**

Details :

- (1) The distribution of dividends was implemented pursuant to the Company's Articles of Incorporation.
- (2) The Company's 2019 net profit after tax was NT\$100,354,709. Accumulated retained earnings for distribution was NT\$84,232,892. After deduction of the legal reserve of NT\$7,984,127 and the special reserve of NT\$76,248,765, the unappropriated earnings after adjustment available for distribution was NT\$0.
- (3) The Board proposes that no dividends be distributed for 2019.

**5. Report on the cash distributed from capital surplus. (proposed by the Board of Directors)**

Details:

- (1) Cash distributed from capital surplus totaled NT\$351,862,906. Based on the calculated number of total outstanding shares as of April 19, 2020 of 495,581,558 (i.e., total number of 509,887,558 issued shares of the Company excluding 14,306,000 treasury shares). Accordingly, each eligible share will receive a cash dividend payout of NT\$ 0.71 per share (payout amount of less than NT\$1 will not be distributed).
- (2) The cash distribution proposal is to be approved at the Board of Directors' meeting, and the Chairman is authorized to determine matters related to the distribution such as the setting of the record date for distribution of the capital surplus. Otherwise, the Chairman is authorized to manage all issues related to dividend payouts in the event that the number of shares outstanding changes and impacts the payout ratio. Potential impact on shares outstanding may be the result of rights issuance, holders of convertible bond realizing their conversion options, or buy backs, transfers, and cancellation of treasury shares.

**6. Report on share repurchases and implementation. (proposed by the Board of Directors)**

Details: The implementation of the Company's share repurchases plan as of April 30, 2020 is listed below:

Detail	14	15
Purpose of the share buy-back	Transferred to Employees	Transferred to Employees
Estimated number of buy-back shares	20,000,000 shares	10,000,000 shares
Type of share buy-back	common stock	common stock
Buyback period	108/04/29~108/06/24	108/08/05~108/10/04
Estimated buy-back price interval	NT\$20.0~28.0	NT\$ 20.0~28.0
Buy-back period	108/05/14~108/06/24	108/08/05~108/10/04
Number of buy-back shares	9,271,000 shares	5,035,000 shares
Total amount for buy-back shares	NT\$ 205,255,772	NT\$ 107,999,819
Average price per buy-back share	NT\$ 22.14	NT\$ 21.45
Number of buy-back shares cancelled	0	0
Accumulated number of buy-back shares	9,271,000 shares	14,306,000 shares
accumulated number of buy-back shares as a percentage of total shares outstanding	1.82%	2.81%

**7. Report on amendments to the “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” (proposed by the Board of Directors).**

Details: The Company’s Board of Directors resolved to amend the “Ethical Corporate Management Best Practice Principles” and the “Procedures for Ethical Management and Guidelines for Conduct” at a Board Meeting on March 25, 2020. (Please see Annex 3).

**Proposals**

**1. Adoption of the Business Report for 2019 and the Financial Statements (proposed by the Board of Directors).**

Details :

- (1)The parent company’s 2019 Financial Statements and the Consolidated Financial Statements independently audited by auditors Mr. HSU, CHI-MING and Mr. YU, HUNG-BIN of Deloitte & Touche, along with the Business Report for 2019, have been approved by the Board of Directors and examined by the Company’s supervisors.
- (2)Please refer to Annex 1 for the Business Report for 2019 and Annex 4 for the Financial Statements.
- (3)The Business Report for 2019 and the Financial Statements are to be discussed for approval by the shareholders.

RESOLVED, the above proposal was accepted as submitted.

Voting Results :

Number of shares represented at the time of voting	For	Against	Abstained
430,989,039 shares	428,708,527 shares	17,937 shares	2,262,575 shares

**2. Adoption of the proposal for the 2019 profits distribution (proposed by the Board of Directors).**

Details:

- (1)In accordance with the Articles of Incorporation, the distribution of earnings for 2019 are detailed in Annex 5.
- (2)The proposal is to be discussed for approval by shareholders.

RESOLVED, the above proposal was accepted as submitted.

Voting Results :

Number of shares represented at the time of voting	For	Against	Abstained
430,989,039 shares	428,994,189 shares	22,262 shares	1,972,588 shares

## Discussion

### 1. Reconstituting the “Rules and Procedures Governing Shareholders’ Meetings”, and annulling the original version. Please proceed with discussion (proposed by the Board of Directors).

Details :

- (1) In accordance with the Taiwan Stock Exchange Co., Ltd’s letter No. 1080024221 dated January 2, 2020, and taking into account that substantial amendments are required for the Company's current “Rules and Procedures Governing Shareholders’ Meetings”, a proposal to reconstitute the Company's “Rules and Procedures Governing Shareholders’ Meetings” has been put forward. Please refer to Annex 6 to repeal the original “Rules and Procedures Governing Shareholders’ Meetings”.
- (2) The reconstituted rules and procedures will be implemented following approval at the Shareholders’ Meeting. The Company’s original “Rules and Procedures Governing Shareholders’ Meetings” will be annulled from the date of implementation of the reconstituted rules and procedures.
- (3) The Company respectfully submits to the Shareholders’ Meeting for discussion. RESOLVED, the above proposal was accepted as submitted.

Voting Results :

Number of shares represented at the time of voting	For	Against	Abstained
430,989,039 shares	427,623,553 shares	1,343,325 shares	2,022,161 shares

**Questions and Motions :** None.

**Adjournment** (Time : 9 : 53 a.m.)

## **Annex 1**

### **Test Rite International Co., Ltd. Business Report**

Dear Shareholders,

Looking back on 2019, Test-Rite reported revenue of NT\$ 38.1 billion with -4.6% YoY, caused by HOLA's store closing and withdrawal from China, a net profit of NT\$100 million and the basic EPS is NT \$0.2. The Board has approved management's proposal to distribute a cash dividend of NT\$0.71 per share from capital surplus.

The NT\$19.2 billion in consolidated revenue reported by our trading business in 2019 represented a 1.6% decrease from the previous year. The impact of a high base due to pre-stocking activities by major customers in 2018 in response to the U.S.-China trade war was evident. The intensification of tensions between the U.S. and China saw trade shipments dipping to NT\$32.3 billion in 2019. However, our U.S. trade agency business remained solid, as evidenced by the 7.5% increase in shipments to a key customer, HD Supply. In light of an evolving international environment, Test-Rite is staying the course and putting into place strategies to keep the trading business growing steadily. These include deepening the southbound supply chain policy, diversifying global sourcing, constructing a second warehouse in the U.S., and providing customers with high value-added services and products.

Our Taiwan retail business reported revenue of NT\$16.2 billion in 2019, which was 1.7% lower than in 2018. According to Taiwan's Department of Statistics, total sales in two housing-related industries, namely Housing Products and Accessories and Construction Materials, fell by 0.3% and 5.8%, respectively, in 2019. Conditions for the housing-related segment of the retail market remain challenging. In response, we have intensified our customer-centric strategies through the integration of online and offline channels, stepped up efforts to bolster online sales, and leveraged new technologies to strengthen consumers' shopping experience in our physical stores. With a new retail business model well in place, our TR Plus website registered revenue in excess of NT\$1 billion in 2019, up by 18.5% YoY. Meanwhile, starting in 3Q19, our TLW channel further reinforced its engagement with local communities through the introduction of small-format stores in providing residents with access to high-quality home goods and services. We remain poised to fulfil the full potential of all our retail channels.

As of the end of 2019, Test-Rite Group operated 27 TLW (DIY) stores, 26 HOLA stores, 3 Crate & Barrel stores, and 9 hoi! stores in Taiwan.

The following is Test-Rite's consolidated operating results in 2019, along with the business plan for the year and future business strategies. We also discuss the potential impact of external competition, government regulations, and the macroeconomic environment.

## 1. Operating results in 2019

(1) Operating results based on the business plan for 2019 (consolidated):

(NT\$ mn)	2019	2018	YoY Change by Value	YoY Change (%)
Net sales	38,061	39,898	(1,837)	(4.6%)
COGS	27,752	29,637	(1,885)	(6.4%)
Gross profit	10,309	10,261	48	0.5%
Operating expense	9,453	9,778	(325)	(3.3%)
Operating profit	857	483	374	77.4%
Non-operating profit/(loss)	(765)	(137)	628	458.4%
Net profit before tax	91	346	(255)	(73.7%)
Net profit after tax	112	419	(307)	(73.3%)
Recurring net profit attributed to TRIC	100	406	(306)	(75.4%)

(2) Operating results based on the business plan for 2019 (standalone):

(NT\$ mn)	2019	2018	YoY Change by Value	YoY Change (%)
Net sales	17,289	18,009	(720)	(4.0%)
COGS	14,657	15,277	(620)	(4.1%)
Gross profit	2,632	2,732	(100)	(3.7%)
Operating expense	2,485	2,538	(53)	(2.1%)
Operating profit	147	194	(47)	(24.2%)
Non-operating profit/(loss)	(190)	34	(224)	(658.8%)
Net profit before tax	(44)	229	(273)	(119.2%)
Net profit after tax	100	406	(306)	(75.4%)

(3) Key balance sheet and profitability metrics (consolidated)

Item/Year		2019	2018	YoY Change (%)
Balance Sheet	Total Liability/Total Asset	82.0%	71.5%	10.5%
	Current Ratio	113.0%	110.9%	2.1%
Profitability	ROE	1.5%	5.4%	(3.9%)
	Net Margin	0.3%	1.0%	(0.7%)
	EPS	0.2	0.8	(75%)

## 2. 2020 business plan and future development strategies

(1) Business plan and managerial principles:

### A. Retail Business

- Strengthen marketing communications, expand product sales, and increase customer flow.
- Focus on the community, serve residents in the neighborhood, and increase the penetration rate of members in all regions.
- Continue to co-brand with brands to launch unique products.

- Connect the social commerce, expand virtual and real operating platforms, strengthen online and offline channels, and expand sales levels.
  - Focus on expanding existing brands on hand.
  - Continue to improve interactive services and customer experience and optimize customer adhesion further.
- B. Trading Business:
- Reinforce our existing relationships with key accounts, such as Walmart, Hillman, Costco, Chewy, and Autozone among others, to increase shipments.
  - Continue to develop the new categories (intelligent and automated products) and strengthens product specialization and differentiation.
  - Maintain strategic cooperation with our vendors and strengthen the supply chain.
  - Strengthen global sourcing capabilities, deepen the southbound supply-chain strategic policy and diversify procurement sources in response to the impact of the U.S.-China trade war.
  - Deepen QAQC activities for internal and external customer services.
- (2) Future development strategies:
- A. Retail Business
- Reinforce product portfolio and develop personalized and functionally differentiated products.
  - Continue to introduce well-known and reputable products and brands.
  - Develop communities, provide services, be attentive to consumer demands, and leverage more innovative services.
  - Enhance customer experience in retail stores.
  - Increase online sales and introduce new retail technologies in stores to optimize customer experience.
- B. Trading Business
- Leverage product development, procurement, and supply chain management to offer best-in-class value-added products and services to our customers.
  - Strengthen self-development and designed capabilities, enhance customer experience, develop differentiated product functions, and respond quickly to meet market demand.
  - Fortify existing relationships with customers in both our principal and agency businesses and aggressively pursue potential business opportunities.
  - Continue to promote a global supply-chain strategy in response to an evolving trading environment worldwide.
  - Seek M&A opportunities in the trade and retail businesses to complement organic growth of existing businesses.

### **3. Potential impact of external competition, government regulations, and the macroeconomic environment**

The total number of houses transferred in 2019 increased by 8% YoY to 302,000. Supported by the peak season of house purchases towards year-end, and undaunted by the general elections, the housing market closed the year on a solid footing. Initially, the housing market was expected to maintain a moderate growth trend with the benefit of an increase in the basic wage, strong fundamentals of Taiwan's stock market, and the impact of Taiwanese investors returning to Taiwan. However, the COVID-19 epidemic brought about heightened volatility to real estate transactions. According to a report from the Institute of Economics of Academia Sinica, Taiwan's domestic demand will continue to benefit from trade transfers

investment repatriation in 2020. However, due to the impact of trade wars and the COVID-19 epidemic, real economic growth is expected at a rate of 2.58%. While domestic demand remains vulnerable to global events, our retail business continues to focus on the things we have influence over in 2020, such as further development of omni retail channels , differentiated products and innovative services so as to secure our leading position in Taiwan.

Looking back at the international economic situation in 2019, the momentum of global economic growth weakened perceptibly. However, Taiwan benefited from trading transfers, returning Taiwanese investment and semiconductor equipment production, bolstering the growth in domestic demand. Taiwan's GDP growth rate increased by 2.62% in the year. In the foreign trade sector, imports reduced noticeably due to the return of production lines to Taiwan as well as a boost in the export ICT and audiovisual equipment and electronic components. With the assistance of emerging technologies development and 5G construction technology, the growth power of exports will likely be maintained in 2020. The IMF and OECD downgraded their expectations for global economic growth and trade volumes in 2020, reflecting their cautious outlook. Despite a temporary truce between the U.S. and China, issues around intellectual property rights, technological competition, and trade structures are insolvable in the short term. In addition, a cyclical economic slowdown in the U.S. and structural reforms and risks to financial system debt in China will bring more uncertainty to the global economy in 2020. Considering these risk factors, we continue to focus on reinforcing our core competitiveness in the trade sector.

In the wake of an economic slowdown and the impact of the trade war with the U.S., China's economic growth rate of 5.9% in 2019 was the lowest in 30 years. Under pressure from weak domestic and foreign demand due to tariffs, China's government introduced a series of measures to boost economic growth over the past two years. In 2020, the Chinese Academy of Sciences expects that China's economic growth rate will decrease at first, then rise, before steady progress in the context of slow global economic growth. Although China is currently facing an economic slowdown, it still plays a critical role in the global trade supply chain.

Lastly, all employees of Test Rite Group will spare no efforts to adequately plan and manage our trading, retail and other group businesses in an honest, sincere and dedicated manner, with the objective to improve our balance sheet and further enhance return on equity (ROE). We, the management team of Test Rite, on behalf of all our employees, would like to take this opportunity to thank shareholders for your continued support and encouragement.

Sincerely yours,

Chairperson: Judy Lee

GM: Judy Lee

Controller: Linda Lin



## **Annex 2**

To: Test Rite International Co., Ltd. 2020 Shareholders' Meeting  
From: Audit Committee of Test Rite International Co., Ltd  
Re: Audit Committee's Review Report

Dear shareholders,

Here we ensure the annual financial reports of TRIC stands alone and its consolidation for 2019 have been rendered by Board and audited independent auditors Mr. HSU, CHI-MING and Mr. YU, HUNG-BIN of Deloitte Touche. Further we review 2019 Business report and 2019 Profits Distribution proposal and assure to it's compliance with Article 14-4 of the Securities and Exchange Act and Company Act No. 219 as well.

Test Rite International Co., Ltd.  
Chairman of the Audit Committee : Lai, Yung Chi

March 25, 2020

## Annex 3

### TEST RITE International Co., Ltd. Ethical Corporate Management Best Practice Principles Reference Table for Revised Clauses

Revised clause	Original clause	Basis and reasons for revision
<p><b>4.Content</b> (Omitted)</p> <p><b>4.4 Policy</b> The group and its organizations shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and <u>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><b>4.5 Prevention Program</b> (Omitted)</p> <p><b>4.6 Extent of prevention programs</b> The group and its organizations shall <u>establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis</u> business activities within their business scope which are at a higher risk of being involved in unethical conduct, and <u>establish prevention programs accordingly and review their adequacy and effectiveness on a regular basis.</u> <u>The Company refers to prevailing domestic and foreign standards or guidelines in establishing the prevention programs, which shall at least include preventive measures against the following:</u></p> <ol style="list-style-type: none"> <li>1.Offering and acceptance of bribes.</li> <li>2.Illegal political donations.</li> <li>3.Improper charitable donations or sponsorship.</li> <li>4.Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.</li> <li>5.<u>Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.</u></li> </ol>	<p><b>4.Content</b> (Omitted)</p> <p><b>4.4 Policy</b> The group and its organizations 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><b>4.5 Prevention Program</b> (Omitted)</p> <p><b>4.6 Extent of prevention programs</b> <del>When establishing the prevention programs,</del> the group and its organizations shall analyze <del>which</del> business activities within their business scope which are <del>possibly</del> at a higher risk of being involved in an unethical conduct, and <del>strengthen</del> the preventive measures.</p> <ol style="list-style-type: none"> <li>1. Offering and acceptance of bribes.</li> <li>2.Illegal political donations.</li> <li>3.Improper charitable donations or sponsorship.</li> <li>4.Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.</li> </ol>	<p>Revision is made in accordance with regulatory and needs of commercial practice.</p>

<p>6. <u>Engaging in unfair competitive practices.</u></p> <p>7. <u>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.</u></p> <p><b>4.7 Commitment and implementation</b></p> <p><u>(1) The group and its organizations shall request their 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><u>(2) The group and its organizations shall clearly specify in their rules and external documents and on the company website the ethical corporate management policies and the commitment by the board of directors and senior management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.</u></p> <p><u>(3) The group and its organizations 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>4.8 ~4.12 (Omitted)</p> <p><b>4.13 Prohibition of violation of intellectual property rights</b></p> <p><u>The group and its organizations and persons 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.</u></p> <p><b>4.14 Prohibition of Engaging in acts of unfair competition</b></p> <p><u>The group and its organizations shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix</u></p>	<p><del>4.7 The promises and executions</del></p> <p>The group and its organizations shall clearly specify in their rules and external documents and on the company website the ethical corporate management policies and the commitment by the board of directors and senior management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.</p> <p>4.8 ~4.12 (Omitted)</p>	
---	---	--

prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

**4.15 To prevent the products and services from directly or indirectly damaging stakeholders**

The group and its organizations and persons 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.

**4.16 Organization and responsibility**

(1) The group and its organizations' person shall exercise the due care of good administrators to urge the group and its organizations 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.

(2) To achieve sound ethical corporate management, the group and its organizations are advised to form a dedicated unit, that is avail itself of adequate resources and staff itself with competent personnel, to be in charge of establishing and enforcing the ethical corporate management policies and prevention program and reporting to the board of directors on a regular basis (at least once a year):

(a) Assisting in incorporating ethics and moral values into the company's business strategy and adopting

**4.13 Organization and responsibility**

(1) ~~The board of directors of the group~~ and its organizations shall exercise the due care of good administrators to urge the group and its organizations 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.

(2) To achieve sound ethical corporate management, the group and its organizations are advised to form a dedicated unit to be in charge of establishing and enforcing the ethical corporate management policies and prevention program and reporting to the board of directors on a regular basis.

appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.

(b)Analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope, adopting accordingly 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.

(c)Planning the internal organizations, 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.

(d)Promoting and coordinating awareness and educational activities with respect to ethics policy.

(e)Developing a whistle-blowing system and ensuring its operating effectiveness.

(f)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.

**4.17 Legal compliance for business operation**

The group and its organizations' persons shall comply with laws and regulations and the Prevention Program when conducting business.

**4.18 The avoidance of conflicts**

(1)The group and its organizations shall establish 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 and managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with

**4.14 Legal compliance for business operation**

The group and its organizations ~~and its directors, managers, employees and Substantial Controllers~~ shall comply with laws and regulations and the Prevention Program when conducting business.

**4.15 The avoidance of conflicts of interest of directors and managers**

(1) The group and its organizations shall establish policies for preventing conflicts of interest and offer appropriate means for directors and managers to voluntarily explain whether their interests would potentially conflict with those of the group and its organizations.  
(2) The group and its organizations'

those of the group and its organizations.  
(2)The group and its organizations ' directors shall exercise a high degree of self-discipline. A director may present his opinion and answer relevant questions but is prohibited from participating in voting on any proposals where the director or the juristic person that the director represents is an interested party, and such participation is likely to prejudice the interests of the group and its organizations; neither shall a director vote on such proposal as a proxy of another director in such circumstances. The directors shall exercise self-discipline and should not support one another in improper ways.  
(3)The group and its organizations' persons shall not take advantage of their positions in the company to obtain improper Benefits for themselves, their spouses, parents, children or any other person.

**4.19 Accounting and internal control**

(1)The group and its organizations shall establish effective accounting systems and internal control systems for business activities which may be at a higher risk of being involved in Unethical Conduct, and should not have under-the-table accounts or maintain secret accounts, and shall conduct reviews from time to time so as to ensure that the design and enforcement of the systems continue to be effective.  
(2)Internal auditors of the group and its organizations shall based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans, including auditees, audit scope, audit items, audit frequency, etc., and examine accordingly the compliance with the prevention programs. The company's inhouse auditors should produce auditing reports for submission to the board of directors, and appoint CPA to certify. The professional should be appointed to assist if necessary.  
(3)The results of examination in the 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

directors shall exercise a high degree of self-discipline. A director may present his opinion and answer relevant questions but is prohibited from participating in voting on any proposals where the director or the juristic person that the director represents is an interested party, and such participation is likely to prejudice the interests of the group and its organizations; neither shall a director vote on such proposal as a proxy of another director in such circumstances. The directors shall exercise self-discipline and should not support one another in improper ways.  
(3) The group and its organizations' ~~directors and managers~~ shall not take advantage of their positions in the company to obtain improper Benefits for themselves, their spouses, parents, children or any other person.

**4.16 Accounting and internal control**

(1)The group and its organizations shall establish effective accounting systems and internal control systems for business activities which may be at a higher risk of being involved in Unethical Conduct, and should not have under-the-table accounts or maintain secret accounts, and shall conduct reviews from time to time so as to ensure that the design and enforcement of the systems continue to be effective.  
(2)Internal auditors of the group and its organizations shall ~~examine the group and its organizations' compliance with the system mentioned in the preceding paragraph and prepare and submit audit reports to the board of directors on a regular basis.~~

<p><u>report to be submitted to the board of directors.</u></p> <p><b>4.20 Operational Procedures and Guidelines</b> (Omitted)</p> <p><b>4.21 Education training and reviews</b> (Omitted)</p> <p><b>4.22 Report and discipline</b> (1) The group and its organizations shall have in place a formal channel for receiving reports on unethical conduct and keep the reporter's identity and content of the report confidential, <u>and an undertaking regarding anonymous reporting.</u> (2) The group and its organizations shall establish a well-defined disciplinary and complaint system to handle violation of the ethical corporate management rules, and disclose on the company's internal website the date the violation was committed, violating act and how the matter was handled. (3) <u>Follow-up measures to be adopted by the group and its organizations 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><b>4.23 Disclosure of Information</b> (Omitted)</p> <p><b>4.24 Review and Amendment to the Principles</b> (Omitted)</p>	<p><b>4.17 Operational Procedures and Guidelines</b> (Omitted)</p> <p><b>4.18 Education training and reviews</b> (Omitted)</p> <p><b>4.19 Report and discipline</b> (1)The group and its organizations shall have in place a formal channel for receiving reports on unethical conduct and keep the reporter's identity and content of the report confidential. (2)The group and its organizations shall establish a well-defined disciplinary and complaint system to handle violation of the ethical corporate management rules, and disclose on the company's internal website the date the violation was committed, violating act and how the matter was handled.</p> <p><b>4.20 Disclosure of Information</b> (Omitted)</p> <p><b>4.21 Review and Amendment to the Principles</b> (Omitted)</p>	
<p><b>5. Issuance</b> (Omitted)</p> <p><b>5.4</b> The Principle was adopted on November 11, 2012. The first revision was adopted on December 16, 2016. The second amendment wad on November 9,2018. <u>The third amendment wad on March 25, 2020.</u></p>	<p><b>5. Issuance</b> (Omitted)</p> <p><b>5.4</b> The Principle was adopted on November 11, 2012. The 1st revision was adopted on December 16, 2016. The second amendment wad on November 9,2018.</p>	<p>Date of amendment added.</p>

**TEST RITE International Co., Ltd.**  
**Procedures for Ethical Management and Guidelines for Conduct**  
**Reference Table for Revised Clauses**

Revised clause	Original clause	Basis and reasons for revision
<p><b>4 · Content</b>  <b>4.1 ~4.2</b>  (Omitted)  <b>4.3 Responsible unit</b>  The group and its organizations shall designate the HR department as the solely responsible unit (hereinafter, "responsible unit") under the board of directors <u>and shall avail itself of adequate resources and staff itself with competent personnel</u>, in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation.  The responsible unit shall be in charge of the following matters and also submit regular reports <u>(annually)</u> to the board of directors.</p> <p>(1) Assisting in incorporating ethics and moral values into the group and its organizations' 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>(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 this Corporation's operations and business.</p> <p>(3) <u>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.</u></p> <p>(4) Promoting and coordinating awareness and educational activities with respect to ethics policy.</p> <p>(5) Developing a whistle-blowing system and ensuring its operating effectiveness.</p>	<p><b>4 · Content</b>  <b>4.1 ~4.2</b>  (Omitted)  <b>4.3 Responsible unit</b>  The group and its organizations shall designate the HR department as the solely responsible unit (hereinafter, "responsible unit") under the board of directors and in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall be in charge of the following matters and also submit regular reports to the board of directors.</p> <p>(1) Assisting in incorporating ethics and moral values into the group and its organizations' 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>(2) Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines.</p> <p>(3) Promoting and coordinating awareness and educational activities with respect to ethics policy.</p> <p>(4) Developing a whistle-blowing system and ensuring its operating effectiveness.</p>	<p>Revision is made in accordance with regulatory and needs of commercial practice.</p>



<p>(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.</p> <p><u>(7) Production and retaining of documents related to ethical management policies, compliance statements, fulfillment, and implementation.</u></p> <p><b>4.4 ~4.8</b> (Omitted)</p> <p><b>4.9 Recusal</b> When the group and its organizations' director , supervisor, officer or other stakeholder attending or present at a board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting , that director, supervisor, officer or stakeholder shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of the group and its organizations would be prejudiced, may not participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner.</p> <p><u>Spouses, parents, children of director, or relationships with companies substantially controlled by director will be considered a stake of the director in aforementioned meeting.</u></p> <p>If in the course of conducting the group and its organizations' business, any personnel of the group and its organizations discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.</p> <p>No personnel of the group and its organizations may use company resources</p>	<p>(5) 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.</p> <p><b>4.4 ~4.8</b> (Omitted)</p> <p><b>4.9 Recusal</b> When the group and its organizations' director , supervisor, officer or other stakeholder attending or present at a board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting , that director, supervisor, officer or stakeholder shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of the group and its organizations would be prejudiced, may not participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner.</p> <p>If in the course of conducting the group and its organizations' business, any personnel of the group and its organizations discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.</p> <p>No personnel of the group and its organizations may use company resources on commercial activities other than those of the group and its organizations, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of</p>	
--	--	--

<p>on commercial activities other than those of the group and its organizations, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of the group and its organizations.</p> <p><b>4.10~4.11</b> (Omitted)</p> <p><b>4.12 Prohibition against insider trading</b> <u>The group and its organizations shall collect and understand the applicable laws and regulations and international standards governing its products and services which it shall observe and gather and publish all guidelines to cause personnel of this Corporation to ensure the transparency of information about, and safety of, the products and services in the course of their research and development, procurement, manufacture, provision, or sale of products and services.</u></p> <p>The group and its organizations shall adopt and publish on its website a policy on the protection of the rights and interests of consumers or other stakeholders to prevent its products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders.</p> <p>Where there are media reports, or sufficient facts to determine, that the group and its organizations' products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, this Corporation shall recall those products or suspend the services <u>at once</u>, verify the facts and present a review and improvement plan.</p> <p><u>The responsible unit of the group and its organizations shall report the event as in the preceding paragraph, actions taken, and subsequent reviews and corrective measures taken to the board of directors.</u></p> <p><b>4.13 Prohibition of internal trading</b> Any organization or person shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other party from using such information to engage in insider trading.</p>	<p>the group and its organizations.</p> <p><b>4.10~4.11</b> (Omitted)</p> <p><b>4.12 Prohibition of internal trading</b> <del>Any organization or person shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other party from using such information to engage in insider trading.</del></p> <p><del>The group and its organizations shall collect and understand the applicable laws and regulations and international standards governing its products and services which it shall observe and gather and publish all guidelines to cause personnel of this Corporation to ensure the transparency of information about, and safety of, the products and services in the course of their research and development, procurement, manufacture, provision, or sale of products and services.</del></p> <p><b>4.13 Prohibition against insider trading</b> The group and its organizations shall adopt and publish on its website a policy on the protection of the rights and interests of consumers or other stakeholders to prevent its products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders.</p> <p>Where there are media reports, or sufficient facts to determine, that the group and its</p>	
---	--	--

<p><u>Any organizations or person outside of this Corporation that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or the signing of a major contract by this Corporation shall be required to sign a non-disclosure agreement in which they undertake not to disclose to any other party any trade secret or other material information of this Corporation acquired as a result, and that they may not use such information without the prior consent of this Corporation.</u></p> <p><b>4.14 Adherence and announcement of policy of ethical management to outside parties</b></p> <p>The group and its organizations <u>expects director and senior management to abide by the policies of ethical management, and the adherence of the policies be conditions for new employees in the employment process.</u></p> <p>The group and its organizations shall disclose its policy of ethical management in its internal rules, annual reports, on the group and its organizations' websites, and in other promotional materials, and shall make timely announcements of the policy in events held for outside parties such as product launches and investor press conferences, in order to make its suppliers, customers, and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.</p> <p><b>4.15 ~4.18</b> (Omitted)</p> <p><b>4.19 Handling of unethical conduct by personnel of the group and its organizations</b></p> <p>(1) As an incentive to insiders and outsiders for informing of unethical or unseemly conduct, and insiders having made a false report or malicious accusation shall be subject to disciplinary action and be removed from office if the circumstance concerned is material.</p> <p>The Company personnel handling whistle-blowing matters shall undertakes to protect the whistleblowers from improper treatment due to their whistle-blowing.</p> <p>(2). The group and its organizations shall internally establish and publicly announce on its website and the intranet, or provide</p>	<p>organizations' products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, this Corporation shall recall those products or suspend the services <del>as soon as possible,</del> verify the facts and present a review and improvement plan.</p> <p><b>4.14 Announcement of policy of ethical management to outside parties</b></p> <p>The group and its organizations shall disclose its policy of ethical management in its internal rules, annual reports, on the group and its organizations' websites, and in other promotional materials, and shall make timely announcements of the policy in events held for outside parties such as product launches and investor press conferences, in order to make its suppliers, customers, and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.</p> <p><b>4.15 ~4.18</b> (Omitted)</p> <p><b>4.19 Handling of unethical conduct by personnel of the group and its organizations</b></p> <p>(1) As an incentive to insiders and outsiders for informing of unethical or unseemly conduct, and insiders having made a false report or malicious accusation shall be subject to disciplinary action and be removed from office if the circumstance concerned is material.</p> <p>The Company personnel handling whistle-blowing matters shall undertakes to protect the whistleblowers from improper treatment due to their whistle-blowing.</p> <p>(2). The group and its organizations shall internally establish and publicly announce on its website and the intranet, or provide</p>	
--	---	--

<p>through an independent external institution, an independent mailbox or hotline, for the group and its organizations insiders and outsiders to submit reports.</p> <p>(3) A whistleblower shall at least furnish the following information:</p> <p>A. the whistleblower's name <u>(and an undertaking regarding anonymous reporting)</u> and I.D. number, and an address, telephone number and email address <u>where it can be reached.</u></p> <p>B. the informed party's name or other information sufficient to distinguish its identifying features.</p> <p>C. specific facts available for investigation.</p> <p>(4) The reporting matters are registered and managed by the Internal auditing unit, and the "Reporting and Investigation Operation Process" is also formulated and processed according to the following procedures:</p> <p>A. An information shall be reported to the CEO (above) if involving the rank and file and to an independent director or supervisor.</p> <p>B. The audit team of the group and its organizations and the department head or personnel being reported to in the preceding subparagraph shall immediately verify the facts and, where necessary, with the assistance of the compliance and legal department or other related department.</p> <p>C. If a person being informed of is confirmed to have indeed violated the applicable laws and regulations or the group and its organizations' policy and regulations of ethical management, the group and its organizations shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the group and its organizations will report to regulatory authorities and institute legal proceedings and seek damages to safeguard its reputation and its rights and interests.</p> <p>D. Documentation of case acceptance, investigation processes and investigation results shall be retained for five years and may be retained electronically. In the event of a suit in respect of the whistleblowing case before the retention period expires, the relevant information shall continue to be retained until the conclusion of the litigation.</p> <p>E. With respect to a confirmed information, the group and its organizations shall charge</p>	<p>through an independent external institution, an independent mailbox or hotline, for the group and its organizations insiders and outsiders to submit reports.</p> <p>(3) A whistleblower shall at least furnish the following information:</p> <p>A. the whistleblower's name and I.D. number, and an address, telephone number and email address.</p> <p><b>B.</b> the informed party's name or other information sufficient to distinguish its identifying features.</p> <p><b>C.</b> specific facts available for investigation.</p> <p>(4) The reporting matters are registered and managed by the Internal auditing unit, and the "Reporting and Investigation Operation Process" is also formulated and processed according to the following procedures:</p> <p>A. An information shall be reported to the CEO (above) if involving the rank and file and to an independent director or supervisor.</p> <p>B. The audit team of the group and its organizations and the department head or personnel being reported to in the preceding subparagraph shall immediately verify the facts and, where necessary, with the assistance of the compliance and legal department or other related department.</p> <p>C. If a person being informed of is confirmed to have indeed violated the applicable laws and regulations or the group and its organizations' policy and regulations of ethical management, the group and its organizations shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the group and its organizations will institute legal proceedings and seek damages to safeguard its reputation and its rights and interests.</p> <p>D. Documentation of case acceptance, investigation processes and investigation results shall be retained for five years and may be retained electronically. In the event of a suit in respect of the whistleblowing case before the retention period expires, the relevant information shall continue to be retained until the conclusion of the litigation.</p> <p>E. With respect to a confirmed information, the group and its organizations shall charge</p>	
--	--	--

<p>relevant units with the task of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent recurrence.</p> <p>F. The audit team of the group and its organizations shall submit to the chairman and board of directors a report on the whistleblowing case, actions taken, and subsequent reviews and corrective measures.</p> <p><b>4.20 Handling of unethical conduct by others</b> (Omitted)</p> <p><b>4.21 Establishment of a system for <u>internal education, rewards, penalties, and complaints, and related disciplinary measures</u></b></p> <p>The responsible unit of the group and its organizations shall organize awareness sessions each year <u>and arrange for the chairperson, general manager, or senior management</u> to communicate the importance of ethics <u>to its directors, employees, and mandataries.</u></p> <p>The group and its organizations shall link ethical management to employee performance evaluations and human resources policy, and establish clear and effective systems for rewards, penalties, and complaints.</p> <p>If any personnel of this Corporation seriously violates ethical conduct, this Corporation shall dismiss the personnel from his or her position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of this Corporation.</p> <p>This Corporation shall disclose on its intranet information the content and the actions taken in response.</p> <p><b>4.22 Enforcement</b> (Omitted)</p>	<p>relevant units with the task of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent recurrence.</p> <p>F. The audit team of the group and its organizations shall submit to the chairman and board of directors a report on the whistleblowing case, actions taken, and subsequent reviews and corrective measures.</p> <p><b>4.20 Handling of unethical conduct by others</b> (Omitted)</p> <p><b>4.21 Establishment of a system for rewards, penalties, and complaints, and related disciplinary measures</b></p> <p>The responsible unit of the group and its organizations shall organize awareness sessions each year to communicate the importance of ethics.</p> <p>The group and its organizations shall link ethical management to employee performance evaluations and human resources policy, and establish clear and effective systems for rewards, penalties, and complaints.</p> <p>If any personnel of this Corporation seriously violates ethical conduct, this Corporation shall dismiss the personnel from his or her position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of this Corporation.</p> <p>This Corporation shall disclose on its intranet information the content and the actions taken in response.</p> <p><b>4.22 Enforcement</b> (Omitted)</p>	
--	---	--

## **Annex 4**

### **Test-Rite International Co., Ltd. and Subsidiaries**

#### **Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Test-Rite International Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of Test-Rite International Co., Ltd. (the "Company") and its subsidiaries (collectively referred as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter of the Group's consolidated financial statements for the year ended December 31, 2019 is as follows:

#### Existence of Sales Revenue

The Group's main source of revenues is export sales, and one of the major customers of the export sales has been significant for the Group's revenue. We therefore considered that the existence of sales revenue from this major customer as a key audit matter for 2019. Refer to Note 4 to the consolidated financial statements for the Group's revenue recognition policies.

Our audit procedures in response to the existence of sales revenue are as follows:

1. Understanding and testing the design and the implementation of internal control of sales revenue.
2. Selecting samples of sales revenue items from this major customer to ensure the occurrence of transactions.
3. Obtaining the confirmation of the ending balance of accounting receivables and performing the test of subsequent collection of this customer to verify the occurrence of transactions.

#### **Other Matter**

We have also audited the parent company only financial statements of Test-Rite International Co., Ltd. as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

#### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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



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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chi-Ming Hsu and Hung-Bin Yu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 25, 2020

Notice to Readers

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

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

**TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 1,462,426	4	\$ 1,995,662	8
Financial assets at fair value through profit or loss - current (Note 7)	620,732	2	303,131	1
Financial assets at amortized cost - current (Notes 4 and 8)	22,937	-	30,810	-
Contract assets - current (Notes 4 and 22)	216,962	1	204,203	1
Notes receivable from unrelated parties (Note 9)	51,707	-	64,925	-
Trade receivables from unrelated parties (Note 9)	4,165,566	12	4,485,420	17
Finance lease receivables	21,544	-	-	-
Other receivables	101,865	-	127,351	1
Inventories (Note 10)	6,493,270	18	5,779,602	22
Prepayments	367,967	1	317,108	1
Other current financial assets	41,705	-	17,755	-
Other current assets	34,208	-	36,609	-
Total current assets	<u>13,600,889</u>	<u>38</u>	<u>13,362,576</u>	<u>51</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 11)	54,069	-	49,213	-
Financial assets at amortized cost - non-current (Notes 4 and 8)	9,268	-	43,991	-
Property, plant and equipment (Note 13)	6,490,332	18	6,886,512	27
Right-of-use assets (Note 14)	9,606,013	27	-	-
Goodwill (Note 15)	2,356,155	7	2,361,198	9
Other intangible assets (Note 16)	220,981	1	229,985	1
Deferred tax assets (Note 4)	1,545,315	4	1,436,403	6
Finance lease receivables - non-current	113,350	-	-	-
Refundable deposits (Note 6)	1,253,155	4	993,070	4
Other non-current assets (Notes 4 and 20)	426,423	1	635,071	2
Total non-current assets	<u>22,075,061</u>	<u>62</u>	<u>12,635,443</u>	<u>49</u>
<b>TOTAL</b>	<u>\$ 35,675,950</u>	<u>100</u>	<u>\$ 25,998,019</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 17)	\$ 1,307,151	4	\$ 2,146,783	8
Short-term bills payable (Note 17)	49,978	-	99,966	-
Financial liabilities at fair value through profit or loss - current (Note 7)	321	-	16,017	-
Contract liabilities - current (Notes 4 and 22)	72,066	-	65,816	-
Notes payable to unrelated parties	27,571	-	40,095	-
Trade payables to unrelated parties	6,399,111	18	6,118,110	24
Other payables (Notes 18 and 19)	1,630,551	5	1,621,052	6
Current tax liabilities (Note 4)	77,628	-	122,687	1
Lease liabilities - current (Note 14)	1,721,577	5	-	-
Advance receipts	541,394	2	597,015	2
Current portion of long-term borrowings (Note 17)	85,180	-	1,073,571	4
Other current liabilities	124,728	-	151,537	1
Total current liabilities	<u>12,037,256</u>	<u>34</u>	<u>12,052,649</u>	<u>46</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 17)	9,424,773	26	6,094,520	23
Deferred tax liabilities (Note 4)	18,218	-	20,907	-
Lease liabilities - non-current (Note 14)	7,348,041	21	-	-
Net defined benefit liabilities - non-current (Notes 4 and 20)	154,425	-	130,585	1
Guarantee deposits received	209,262	1	225,527	1
Other non-current liabilities	47,328	-	60,347	-
Total non-current liabilities	<u>17,202,047</u>	<u>48</u>	<u>6,531,886</u>	<u>25</u>
Total liabilities	<u>29,239,303</u>	<u>82</u>	<u>18,584,535</u>	<u>71</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF TEST-RITE</b>				
Share capital				
Ordinary shares (Note 21)	5,098,875	14	5,098,875	20
Capital surplus (Note 21)	353,084	1	647,962	2
Retain earnings (Note 21)				
Legal reserve	1,229,705	4	1,189,056	4
Special reserve	241,414	1	180,438	1
Unappropriated earnings	84,233	-	462,938	2
Total retain earnings	1,555,352	5	1,832,432	7
Other equity (Note 21)	(396,905)	(1)	(241,414)	(1)
Treasury shares (Note 21)	(313,256)	(1)	-	-
Total equity attributable to owners of the Company	6,297,150	18	7,337,855	28
<b>NON-CONTROLLING INTERESTS</b>	139,497	-	75,629	1
Total equity	<u>6,436,647</u>	<u>18</u>	<u>7,413,484</u>	<u>29</u>
<b>TOTAL</b>	<u>\$ 35,675,950</u>	<u>100</u>	<u>\$ 25,998,019</u>	<u>100</u>

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

## TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 22)	\$ 38,060,813	100	\$ 39,897,950	100
OPERATING COSTS (Note 10)	<u>27,751,671</u>	<u>73</u>	<u>29,636,961</u>	<u>74</u>
GROSS PROFIT	10,309,142	27	10,260,989	26
OPERATING EXPENSES				
Selling and marketing expenses	7,775,258	21	8,070,576	20
General and administrative expenses	1,678,519	4	1,702,533	5
Expected credit (gain) loss	<u>(1,257)</u>	<u>-</u>	<u>5,238</u>	<u>-</u>
Total operating expenses	<u>9,452,520</u>	<u>25</u>	<u>9,778,347</u>	<u>25</u>
PROFIT FROM OPERATIONS	<u>856,622</u>	<u>2</u>	<u>482,642</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	28,902	-	24,932	-
Other income	161,263	1	150,962	-
Gain on sale of investments, net	14,284	-	10,537	-
Foreign exchange gains	124,507	-	151,708	1
Net gain on financial instruments at fair value through profit or loss	34,566	-	5,022	-
Interest expense	(491,810)	(1)	(292,010)	(1)
Other expenses	(366,037)	(1)	(77,126)	-
Loss on disposal of property, plant and equipment	(34,809)	-	(86,454)	-
Impairment loss (Note 13)	<u>(236,139)</u>	<u>(1)</u>	<u>(24,156)</u>	<u>-</u>
Total non-operating income and expenses	<u>(765,273)</u>	<u>(2)</u>	<u>(136,585)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	91,349	-	346,057	1
INCOME TAX BENEFIT (Notes 4 and 23)	<u>20,151</u>	<u>-</u>	<u>72,864</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>111,500</u>	<u>-</u>	<u>418,921</u>	<u>1</u>
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(33,572)	-	(26,221)	-

(Continued)

# TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	2019		2018	
	Amount	%	Amount	%
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(3,313)	-	(1,161)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(152,262)</u>	<u>-</u>	<u>(34,193)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(189,147)</u>	<u>-</u>	<u>(61,575)</u>	<u>-</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u>\$ (77,647)</u>	<u>-</u>	<u>\$ 357,346</u>	<u>1</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 100,355	-	\$ 406,493	1
Non-controlling interests	<u>11,145</u>	<u>-</u>	<u>12,428</u>	<u>-</u>
	<u>\$ 111,500</u>	<u>-</u>	<u>\$ 418,921</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ (88,775)	-	\$ 344,713	1
Non-controlling interests	<u>11,128</u>	<u>-</u>	<u>12,633</u>	<u>-</u>
	<u>\$ (77,647)</u>	<u>-</u>	<u>\$ 357,346</u>	<u>1</u>
EARNINGS PER SHARE (Notes 4 and 24)				
Basic	<u>\$ 0.20</u>		<u>\$ 0.80</u>	
Diluted	<u>\$ 0.20</u>		<u>\$ 0.80</u>	

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

(Concluded)

**TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES**

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

	Equity Attributable to Owners of Test-Rite						Other Equity			Non-controlling Interests	Total Equity		
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
	Share (In Thousands)	Share Capital		Legal Reserve	Special Reserve	Unappropriated Earnings						Treasury Shares	Total
BALANCE AT JANUARY 1, 2018	509,888	\$ 5,098,875	\$ 647,962	\$ 1,110,326	\$ 166,380	\$ 787,297	\$ (180,463)	\$ 25	\$ -	\$ -	\$ 7,630,402	\$ 41,865	\$ 7,672,267
Effect of retrospective application	-	-	-	-	-	-	-	(25)	(25,370)	-	(25,395)	-	(25,395)
ADJUSTED BALANCE, JANUARY 1, 2018	509,888	5,098,875	647,962	1,110,326	166,380	787,297	(180,463)	-	(25,370)	-	7,605,007	41,865	7,646,872
Appropriation of 2017 earnings (Note 21)													
Legal reserve	-	-	-	78,730	-	(78,730)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	14,058	(14,058)	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	-	(611,865)	-	-	-	-	(611,865)	-	(611,865)
Cash dividends to subsidiaries' shareholders	-	-	-	-	-	-	-	-	-	-	-	(4,753)	(4,753)
Net profit for the year ended December 31, 2018	-	-	-	-	-	406,493	-	-	-	-	406,493	12,428	418,921
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	(26,199)	(34,420)	-	(1,161)	-	(61,780)	205	(61,575)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	380,294	(34,420)	-	(1,161)	-	344,713	12,633	357,346
Increase of non-controlling interests (Note 25)	-	-	-	-	-	-	-	-	-	-	-	25,884	25,884
BALANCE AT DECEMBER 31, 2018	509,888	5,098,875	647,962	1,189,056	180,438	462,938	(214,883)	-	(26,531)	-	7,337,855	75,629	7,413,484
Effect of retrospective application (Note 3)	-	-	-	-	-	13,125	-	-	-	-	13,125	604	13,729
ADJUSTED BALANCE, JANUARY 1, 2019	509,888	5,098,875	647,962	1,189,056	180,438	476,063	(214,883)	-	(26,531)	-	7,350,980	76,233	7,427,213
Appropriation of 2018 earnings (Note 21)													
Legal reserve	-	-	-	40,649	-	(40,649)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	60,976	(60,976)	-	-	-	-	-	-	-
Cash dividends	-	-	(295,735)	-	-	(356,921)	-	-	-	-	(652,656)	-	(652,656)
Cash dividends to subsidiaries' shareholders	-	-	-	-	-	-	-	-	-	-	-	(13,938)	(13,938)
Net profit for the year ended December 31, 2019	-	-	-	-	-	100,355	-	-	-	-	100,355	11,145	111,500
Other comprehensive loss for the year ended December 31, 2019	-	-	-	-	-	(33,639)	(152,178)	-	(3,313)	-	(189,130)	(17)	(189,147)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	66,716	(152,178)	-	(3,313)	-	(88,775)	11,128	(77,647)
Buy-back of ordinary shares (Note 21)	-	-	-	-	-	-	-	-	-	(313,256)	(313,256)	-	(313,256)
Changes in percentage of ownership interests in subsidiaries	-	-	857	-	-	-	-	-	-	-	857	66,074	66,931
BALANCE AT DECEMBER 31, 2019	509,888	\$ 5,098,875	\$ 353,084	\$ 1,229,705	\$ 241,414	\$ 84,233	\$ (367,061)	\$ -	\$ (29,844)	\$ (313,256)	\$ 6,297,150	\$ 139,497	\$ 6,436,647

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

# TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 91,349	\$ 346,057
Adjustments for:		
Depreciation expense	2,558,398	611,339
Amortization expense	122,773	113,001
Expected credit (gain) loss recognized on trade receivables	(1,257)	5,238
Net loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(34,566)	(5,022)
Interest expense	491,810	292,010
Interest income	(28,902)	(24,932)
Compensation costs of share-based payment	776	-
Loss on disposal and impairment of property, plant and equipment	34,809	86,454
Gain on disposal of investments	(14,284)	(10,537)
Impairment loss	236,139	24,156
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(284,447)	318,427
Contract assets	(12,759)	(67,610)
Notes receivable	13,218	(18,871)
Trade receivables	321,111	(1,504,088)
Other receivables	25,589	250,054
Inventories	(713,668)	143,554
Prepayments	(117,933)	(24,797)
Other current assets	2,401	285
Other financial assets	(1)	1,319
Other operating assets	(14,969)	42,264
Contract liabilities	6,250	(24,256)
Notes payable	(12,524)	28,188
Trade payables	281,001	602,670
Other payables	37,667	156,120
Advance receipts	(55,621)	119,554
Other current liabilities	(26,809)	38,521
Other operating liabilities	(23,957)	(60,176)
Cash generated from operations	2,881,594	1,438,922
Interest received	28,799	25,073
Interest paid	(498,608)	(287,529)
Income tax paid	(169,665)	(191,384)
Net cash generated from operating activities	<u>2,242,120</u>	<u>985,082</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(155,527)	(28,588)
Proceeds from sale of financial assets at amortized cost	198,123	191,470
Net cash outflow on acquisition of subsidiaries	-	(46,195)

(Continued)

# TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	2019	2018
Purchase of financial assets at fair value through other comprehensive income	(8,567)	-
Payments for property, plant and equipment	(1,102,277)	(2,045,143)
Proceeds from disposal of property, plant and equipment	2,005	7,355
Increase in refundable deposits	(260,085)	(189,080)
Payments for intangible assets	(29,972)	(77,858)
Decrease in finance lease receivables	15,777	-
Other non-current assets	<u>(109,730)</u>	<u>-</u>
Net cash used in investing activities	<u>(1,450,253)</u>	<u>(2,188,039)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (repayments of) short-term borrowings	(839,632)	934,945
Proceeds from (repayments of) short-term bills payable	(49,988)	19,974
Proceeds from long-term borrowings	19,660,846	8,922,539
Repayments of long-term borrowings	(17,318,984)	(7,477,418)
Decrease in guarantee deposits received	(16,265)	(4,750)
Dividends paid	(652,656)	(611,865)
Repayment of the principal portion of lease liabilities	(1,790,268)	-
Payments for buy-back of ordinary shares	(313,256)	-
Changes in non-controlling interests	<u>52,217</u>	<u>(4,753)</u>
Net cash (used in) generated from financing activities	<u>(1,267,986)</u>	<u>1,778,672</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(57,117)</u>	<u>(41,200)</u>
NET(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(533,236)	534,515
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,995,662</u>	<u>1,461,147</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,462,426</u>	<u>\$ 1,995,662</u>

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

(Concluded)





**Annex 5**

**Test Rite International Co., Ltd  
2019 Profits Distribution Table**

(NTD)

Item	Amonut	Notes
Beginning balance of retained earnings	4,391,623	
Net profit after tax(a)	100,354,709	
Less : Adjusted retained earnings for Investments accounted for using equity method(b)	(13,421,771)	
Less : Remeasurement of defined benefit plans recognized in retained earnings (c)	(7,091,669)	
Net profit after tax add adjustments (d)	79,841,269	(a+b+c)
Less : Legal reserve appropriation(10%)	(7,984,127)	b*10%
Less : Special reserve appropriation	(76,248,765)	
Earnings available for pay-out	0	
Allocation:		
Cash dividend	0	
Ending balance of retained earnings	0	
1、The Company should set aside the special reserve in accordance with the article 41-1 of Securities and Exchange Act.		

Chairperson: Judy Lee

GM: Judy Lee

Controller: Linda Lin



## Annex 6

### **TEST RITE International Co., Ltd. Rules of Procedure for Shareholders Meetings (Amended)**

#### Article 1

To establish a strong governance system and sound supervisory capabilities for this Corporation's shareholders meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

#### Article 2

The rules of procedures for this Corporation's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

#### Article 3 (Convening shareholders meetings and shareholders meeting notices)

Unless otherwise provided by law or regulation, this Corporation's shareholders meetings shall be convened by the board of directors.

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

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

Election or dismissal of directors or supervisors, amendments to the articles of incorporation, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.



A shareholder holding 1 percent or more of the total number of issued shares may submit to this Corporation a written proposal for discussion at a regular shareholders meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.

Prior to the book closure date before a regular shareholders meeting is held, this Corporation shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.

Prior to the date for issuance of notice of a shareholders meeting, this Corporation shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

#### Article 4

For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by this Corporation and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to this Corporation before 5 days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to this Corporation, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to this Corporation before 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

#### Article 5 (Principles determining the time and place of a shareholders meeting)

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



Article 6 (Preparation of documents such as the attendance book)

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

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

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

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

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

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

Article 7 (The chair and non-voting participants of a shareholders meeting)

If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.

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

It is advisable that shareholders meetings convened by the board of directors be chaired by the chairperson of the board in person and attended by a majority of the directors, and at least one member of each functional committee on behalf of the committee.

The attendance shall be recorded in the meeting minutes.



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

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

#### Article 8 (Documentation of a shareholders meeting by audio or video)

This Corporation shall make a audio or video recording of the proceedings of the shareholders meeting.

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

#### Article 9

Attendance at shareholders meetings shall be calculated based on numbers of shares.

The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

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

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

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

#### Article 10 (Discussion of proposals)

If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting. The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions),



except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting. The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.

#### Article 11 (Shareholder speech)

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

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

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

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

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

#### Article 12 (Calculation of voting shares and recusal system)

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

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

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

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

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by



two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

#### Article 13

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

When this Corporation holds a shareholders meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means (in accordance with the proviso of Article 177-1 of the Company Act regarding companies that shall adopt electronic voting: When this Corporation holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence). When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that this Corporation avoid the submission of extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to this Corporation before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to this Corporation, by the same means by which the voting rights were exercised, before 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order



in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation.

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

#### Article 14

(Election of directors and supervisors)

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

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

#### Article 15

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

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

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of this Corporation.

#### Article 16

(Public disclosure)

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

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





#### Article 17

(Maintaining order at the meeting place)

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

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

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

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

#### Article 18

(Recess and resumption of a shareholders meeting)

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

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue. A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

#### Article 19

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