

Stock Code : 4972

# Tons:

## TONS LIGHTOLOGY Inc.

### 2017 Annual Report

Notice to readers

*This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

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## **I. Letter to Shareholders**

**Dear Shareholders,**

First of all, TONS LIGHOLOGY Inc. would like to thank you for your continuing support throughout the year as well as your participation in the 2018 annual meeting of shareholders.

Global economy started to rebound in the second half of 2016 and continued to grow stably as of 2017. Fueled by oil prices, the U.S. encouraged investment, production, and trade. Domestic consumption and exports in Europe and Japan also rebounded due to global trade; in addition, the uncertainty of the easing monetary policy decreased, leading to better economic performance than that in 2016. Economy in China did not continue to decline as expected, but enjoyed a higher growth rate compared to 2016. Looking to the future, emerging markets and developing economies expect further expansion, which will offset the slowdown in growth of major economies and maintain the momentum for global growth in 2017.

In the face of the gradual recovery of global economy, it takes a longer time for the Company's performance to go up again. With a stable growth of economic indicators in major countries, the Company is optimistic about business development next year. The Company had continued the lean policy of the last few years, including substantially improving production efficiency internally, controlling costs, developing high value-added products, optimizing the quality of customers, and refining product portfolio. In terms of branding effort, the Company had won over the lighting engineering projects from Southern Branch of National Palace Museum, Chimei Museum, and Chung Tai Zen Centers Portal of Taiwan that had helped Tons Lightology Inc. secured a leading position in the lighting engineering of museum in Taiwan. The Company will continue this momentum to root in Taiwan's professional lighting market and to convey the experience to Chinese market in order to increase brand awareness. In addition, the Company will continue to enhance the working environment and employee benefits, and protect the stability of human resources so the Company can stay competitive while facing economic fluctuations and uncertainties externally.

Overall, there was a decline in the Company's operation in 2017. With the

support of shareholders and colleagues, the Company maintained a certain level of profits in such a competitive market. We would like to show our appreciation for the support of the shareholders on behalf of the Board of Directors of the Company. The Company's 2017 business operation and 2018 operational plans are briefed as follows.

#### I. The 2017 business operation

##### (I) Operating results and operating income and expense

In 2017, the Company's individual and consolidated net operating revenue were NT\$933,157 thousand and NT\$986,926 thousand respectively, a decrease of 15.61% and 16.10% respectively compared with NT\$1,105,702 thousand and NT\$1,176,289 thousand in 2016. The Company's individual and consolidated net income after tax were the same as NT\$121,083 thousand, a decrease of 3.14% (NT\$3,928 thousand) compared with NT\$125,011 thousand in 2016.

##### (II) Profitability analysis

The Company's operating revenue in 2017 was less than that in 2016. The increase in clients, optimized portfolios, and brand revenue led to the maintenance in profit margins; operating expenses reduced due to the proper control and non-operating income. In 2017, the Company's net income after tax was NT\$3,928 thousand less than that in 2016, accounting for 12.27% of the consolidated operating revenue.

##### (III) Research and development status

In 2017, the Company developed various products and obtained many awards and patents. Products, such as DA-012A, DL-301Q, DH-593, DG-068C, DG-125R, DL-771B, DW-383R, DH-671W and RA-503/RA-593 LED recessed ceiling luminaires, SA-9500A, HSP-371C, SH-523C, SA-4700 and SA-8700 LED spotlights, BR-01 and BR-113 wall-mounted luminaires, PA-114A LED chandeliers, WG-608R 及 WA-771B pendant luminaires, OFA-108C, ODG-106A, OBS-105R, OLG-105R outdoor lamps, were developed. LED zoomable track lighting (SA4500B) winning the 26th Taiwan Excellence, track lighting (SA-9500A) winning the China Good Design Award. In addition, new patents on lightweight anti-glare lighting and recessed luminaries were also obtained.

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

## II. The 2018 business plan outline

### (I) The important marketing policy and business policy

#### 1. Products

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

#### 2. Marketing:

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

#### 3. Production:

- A. Simplify product lines, use common parts, and build safety stock for the frequently used parts in order to shorten delivery lead time.
- B. Strengthen automated production, improve manufacturing processes, increase efficiency, and reduce the impact of rising labor cost.

### (II) The Company's future development strategy

Continue the business model of OEM and branding. In terms of OEM business, continue to attract more big customers in Europe for cooperation currently. In terms of branding business, there is significant success achieved in Taiwan market recently. The future focus will be on deploying sales outlets in the Greater China area and working with the OEM manufacturers in Japan, Brazil, and Indonesia in order to create a stable revenue source.

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

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

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

Chairman : TANG, SHIH-CHUAN

CEO : TANG, SHIH-CHUAN

CFO : WANG, CHIH-YUAN



## II. Company Profile

**2.1 Date of Incorporation:** August 20, 1992

### 2.2 Company History

| Year           | Milestones  |
|----------------|---|
| August 1992    | TONS Enterprise Co., Ltd. was founded with the capital of NT\$5,000 thousand.   |
| December 2000  | The capital increased by NT\$15,000 thousand and the paid-in capital reached NT\$20,000 thousand.   |
| June 2001      | Zhongshan Titan Lighting Co., Ltd. was founded to manufacture lighting.   |
| August 2003    | High efficient HID products (CDM series) were developed.  |
| August 2004    | High efficient LED products were developed.   |
| September 2005 | Zhongshan Titan Lighting Co., Ltd. passed the certification of ISO9001.   |
| September 2006 | The capital increased by NT\$80,000 thousand and the paid-in capital reached NT\$100,000 thousand.  |
| December 2006  | The capital increased by NT\$40,000 thousand and the paid-in capital reached NT\$140,000 thousand.  |
| January 2007   | The ERP system was implemented to improve the business operation and the application of resources.  |
| June 2007      | The capital increased by NT\$10,000 thousand and the paid-in capital reached NT\$150,000 thousand.  |
| July 2007      | The factory of Zhongshan Titan Lighting Co., Ltd. was inaugurated.  |
| August 2007    | The capital increased by NT\$30,000 thousand and the paid-in capital reached NT\$180,000 thousand. The corporate investment was introduced.                     |
| August 2007    | The Company was renamed TONS LIGHOLOGY Inc.   |
| October 2007   | Zhongshan Titan Lighting Co., Ltd. was owned by a holding company invested by the Company.  |
| November 2007  | The capital increased by NT\$10,000 thousand and the paid-in capital reached NT\$190,000 thousand.  |
| March 2008     | The Company moved into the new office building in Shulin City, Taipei County.   |
| May 2008       | LED products (LDC series) won Taiwan Excellence Award.  |
| August 2008    | The capital increased by NT\$26,600 thousand from earnings and NT\$2,900 thousand from employees' bonuses and the paid-in capital reached NT\$219,500 thousand. |

| Year           | Milestones   |
|----------------|--|
| January 2009   | LED spotlights, recessed ceiling luminaires, track lights, and display lights won Taiwan Excellence Award.   |
| June 2009      | The product-high efficient track lights was subsidized by Industrial Development Bureau through the Conventional Industry Technology Development (CITD).   |
| October 2009   | The capital increased by NT\$10,975 thousand from earnings and NT\$525 thousand from employees' bonuses and the paid-in capital reached NT\$231,000 thousand.  |
| July 2010      | The product-LED table lamps was subsidized by Industrial Development Bureau through the Conventional Industry Technology Development (CITD).   |
| September 2010 | IPO was approved by Securities and Futures Bureau, Financial Supervisory Commission.   |
| October 2010   | ISO14001 certified.  |
| December 2010  | The short-form merger between the Company and Hongbo Investment Co., Ltd. was completed.   |
| January 2011   | The capital increased by NT\$20,000 thousand in cash and NT\$4,968 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT\$255,968 thousand.                                  |
| February 2011  | The Company was listed at Taiwan emerging stock market.  |
| May 2011       | The Company participated in the Overseas Marketing Program for Taiwanese Branding Companies organized by Taiwan External Trade Development Council under authorization of Bureau of Foreign Trade, Ministry of Economic Affairs. |
| October 2011   | The capital increased by NT\$15,358 thousand from earnings and NT\$724 thousand from employees' bonuses and the paid-in capital reached NT\$272,050 thousand.  |
| November 2011  | LED micro track system won 2012 iF Design Award.   |
| December 2011  | LED recessed ceiling luminaires, outdoor luminaires, LED micro track system, and table lamps won the 20th Taiwan Excellence Award.   |
| January 2012   | The capital increased by NT\$1,351 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT\$273,401 thousand.  |
| March 2012     | LED micro track system won 2012 Red Dot Design Award.  |
| April 2012     | The Company was selected by Taiwan External Trade Development Council to set up the 2012 comprehensive brand management system under guidance.   |
| May 2012       | The capital increased by NT\$1,588 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT\$274,989 thousand.  |

| Year          | Milestones  |
|---------------|---|
| October 2012  | The capital increased by NT\$16,499 thousand from earnings and NT\$695 thousand from employees' bonuses and the paid-in capital reached NT\$292,183 thousand.   |
| November 2012 | The capital increased by NT\$2,066 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT\$294,249 thousand.<br>DW-409R LED lights won 2013 iF Design Award.   |
| April 2013    | The capital increased by NT\$440 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT\$294,689 thousand.   |
| June 2013     | The Company was listed at Taiwan stock exchange market on June 17. The capital increased by NT\$39,300 thousand in cash and the paid-in capital reached NT\$333,989 thousand.   |
| August 2013   | The capital increased by NT\$17,681 thousand from earnings and the paid-in capital reached NT\$351,670 thousand.  |
| December 2013 | The capital increased by NT\$198 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT\$351,868 thousand.<br>DW-202C LED recessed spotlights, BA-001M recessed reading lights, SA-8700 track lights, FA315A LED outdoor spotlights, and DG-150C LED recessed ceiling luminaires won the 22nd Taiwan Excellence Award. |
| March 2014    | DW-303 won 2014 Red Dot Design Award.   |
| May 2014      | The capital increased by NT\$588 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT\$352,456 thousand.   |
| August 2014   | The capital increased by NT\$10,573 thousand from earnings and the paid-in capital reached NT\$363,029 thousand.  |
| December 2014 | The capital increased by NT\$3,950 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT\$366,979 thousand.   |
| March 2015    | The capital increased by NT\$500 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT\$367,479 thousand.   |
| April 2015    | The capital increased by NT\$2,130 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT\$369,609 thousand.   |
| July 2015     | Hongbo Investment Co., Ltd. was established.<br>The capital increased by NT\$11,088 thousand from earnings and the paid-in capital reached NT\$380,698 thousand.  |

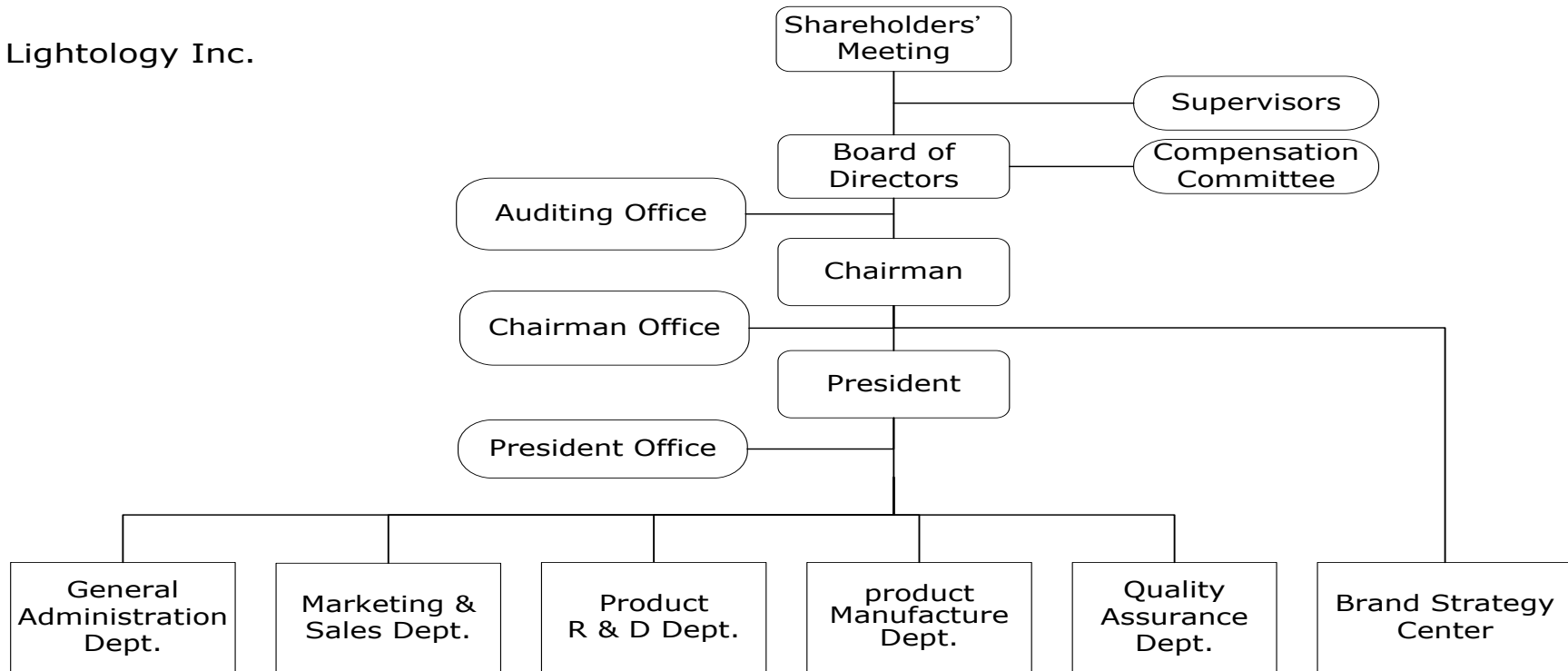
| Year          | Milestones   |
|---------------|--|
| November 2015 | The capital increased by NT\$680 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT\$381,378 thousand.<br>TONS LIGHOLOGY Inc. Hong Kong Branch was founded to sell lighting products.                                   |
| December 2015 | DG-984S(C18) LED square recessed luminaires, DD-982S(C7) LED square recessed luminaires, SA513C/BH513C LED lights, SA8200-D/SA8500-D/SA8700-D LED track lights, DA-922R(C12) LED recessed luminaires, and SA-501H KIT micro track system won the 24th Taiwan Excellence Award. |
| March 2016    | The capital increased by NT\$802 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT\$382,180 thousand.<br>RA-501R mini display spotlight won the 2016 Red Dot Design Award.   |
| April 2016    | SA-501H KIT won the 24th Taiwan Excellence Silver Award.   |
| August 2016   | The capital increased by NT\$7,644 thousand from earnings and the paid-in capital reached NT\$389,824 thousand.  |
| November 2016 | The capital increased by NT\$865 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT\$390,689 thousand.  |
| December 2016 | SH-523C asymmetric track lights, SA-8500-D+Beveled Cover/SA-8500-D+Cover track lights, DW-301Q LED recessed spotlights, RA-771R display spotlights, and RA-501R/RA-501S display spotlights won the 25th Taiwan Excellence Award.   |
| January 2017  | Shanghai TONS LIGHOLOGY Inc. was founded to sell lighting products.  |
| March 2017    | The capital increased by NT\$3,487 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT\$394,176 thousand.  |
| August 2017   | The capital increased by NT\$3,942 thousand from earnings and the paid-in capital reached NT\$398,118 thousand.  |
| December 2017 | SA-4500B LED zoomable track lighting won the 26th Taiwan Excellence Award.   |
| March 2018    | The capital increased by NT\$830 thousand from shares converted from employee stock option certificates and the paid-in capital reached NT\$398,948 thousand.  |

### III. Corporate Governance Report

#### 3.1 Organization

##### 3.1.1 Organizational Chart

Tons Lightology Inc.



### 3.1.2 Major Corporate Functions

| Department                   | Primary Functions   |
|------------------------------|---|
| Auditing Office              | <ul style="list-style-type: none"> <li>-to audit all business execution circumstances of each unit, the sales, purchasing, production, payroll, finance, fixed assets, investments, computer and research and development affairs.</li> <li>-to recommend for improving internal controls, internal audit and other related matters.</li> </ul>   |
| Chairman Office              | <ul style="list-style-type: none"> <li>-to assist in Board Meeting related issues.</li> <li>-to perform routine tasks assigned by Chairman.</li> </ul>  |
| President Office             | <ul style="list-style-type: none"> <li>-Collect all kinds of business intelligence, analysis of industry trends, trends for decision making, and a variety of programs to assist program.</li> <li>-to establish the company management system, to assess the operational management and integration of the various departments plan to ensure business objectives of reaching.</li> <li>-Set up company operating principle and track management indicators.</li> </ul>  |
| General Administration Dept. | <p>HR and general administration section:</p> <ul style="list-style-type: none"> <li>-Review and advice to modify the company's organization structure, rules of personnel management, and other important human resource matters.</li> <li>-Plan and implement human resource policies to reduce relevant risks and maintain employee relationship.</li> <li>-Handle the affairs of general services and legal affairs.</li> </ul> <p>IT section:</p> <ul style="list-style-type: none"> <li>-Cope with all affairs relating to information operation system, office automation, internal and external website applications and information security to the needs of operation.</li> </ul> |

| Department                | Primary Functions   |
|---------------------------|---|
|                           | <p>Accounting &amp; financial section:</p> <ul style="list-style-type: none"> <li>-Handle all accounting matters including the costs, accounts, taxation to ensure management efficiency of the company's operation, and adherence of related accounting regulations to reduce company operation risks.</li> <li>-Responsible for operational financial strategy, investment strategy, financial management and strategy, dividend strategy as well as investor relationship in order to minimize financial exposure, uphold financial opportunity and maximize shareholders' best interest.</li> </ul> |
| Marketing & Sales Dept.   | <p>responsible for all affairs as follows:</p> <ul style="list-style-type: none"> <li>-Commodity management, planning, design and promotion.</li> <li>-to develop new product specifications, assess the feasibility of the development, and take control of the schedule of the development.</li> <li>-Development of product marketing strategy and pricing strategy.</li> <li>-perform market and product trends surveys.</li> <li>-Set up annual business operating goals and plans.</li> <li>-ODM and OEM product sales plan and execute the project.</li> </ul>                                   |
| Product R & D Dept.       | <ul style="list-style-type: none"> <li>-Responsible for the development and commercialization of the research project of the new products.</li> <li>-R &amp; D project integration and management.</li> <li>-Plan for Intellectual Property Development.</li> </ul>   |
| Product Manufacture Dept. | <ul style="list-style-type: none"> <li>-Responsible for the operation of logistics supplies, including procurement, materials management and production scheduling and other matters.</li> <li>- Responsible for all product manufacturing.</li> <li>- Control the manufacturing yield and the production planning to achieve all goals of efficiency.</li> </ul>   |

| Department              | Primary Functions   |
|-------------------------|---|
|                         | <ul style="list-style-type: none"> <li>-Production coordination of manufacturing resources and complete shipment targets.</li> <li>-Implement the quality management system to ensure the product quality and meet customer needs.</li> </ul>   |
| Quality Assurance Dept. | <ul style="list-style-type: none"> <li>-Responsible for establishing quality control systems, follow up and deal with a variety of quality issues.</li> <li>-Improve the reliability of the product quality and thus enhance product quality</li> <li>-Responsible for the implementation of ISO system, IQC management and product management of IPQC and OQC.</li> <li>-Pursue and implement education and training related to QA management system and quality system of planning.</li> <li>-lead internal audit activities and external certification oversight and supervise effectiveness of the implementation of TQM</li> </ul> |
| Brand Strategy Center   | <p>In charge of the affairs as follows:</p> <ul style="list-style-type: none"> <li>-own-brand strategy development and execution of marketing plans</li> <li>-own-brand product planning and market analysis</li> <li>-lighting design and technical application support</li> <li>-own-brand product sales and promotion</li> </ul>   |



### 3.2 Directors, Supervisors and Management Team

#### 3.2.1 Directors

04 01, 2018

| Title    | Nationality/<br>Country of<br>Origin | Name                | Gender | Date<br>Elected | Term<br>(Years) | Date<br>First<br>Elected | Shareholding when<br>Elected |       | Current<br>Shareholding |       | Spouse & Minor<br>Shareholding |       | Shareholding<br>by Nominee<br>Arrangement |   | Experience ( Education )   | Other Position  | Executives, Directors or<br>Supervisors who are<br>spouses or within two<br>degrees of kinship |      |          |
|----------|--------------------------------------|---------------------|--------|-----------------|-----------------|--------------------------|------------------------------|-------|-------------------------|-------|--------------------------------|-------|---|---|--|---|--|------|----------|
|          |                                      |                     |        |                 |                 |                          | Shares                       | %     | Shares                  | %     | Shares                         | %     | Shares                                    | % |  |   | Title  | Name | Relation |
| Chairman | R.O.C.                               | TANG,<br>SHIH-CHUAN | male   | 05<br>26,2016   | 3               | 08 14,<br>1992           | 3,500,627                    | 8.88% | 3,535,633               | 8.86% | 1,385,567                      | 3.47% | -   | - | Oriental Institute of<br>Technology / Dept. of<br>Clothes Manufacturing<br>Tons Lightology Inc. /<br>Founder                       | Tons Lightology Inc. / Chairman&G.M.<br>Titan Lighting Co., Ltd. / Chairman<br>ZhongshanTons Lighting Co., Ltd. /<br>Chairman<br>Tons Lighting Co., Ltd. / Director<br>World Extend Holding Inc. / Director<br>Greatsuper Technology Ltd. / Director<br>Hong-Bo investment Co., Ltd. / Chairman<br>Luminous Holding Incorporated/ Director<br>Shanghai Tons Lightology Co., Ltd./<br>Chairman<br>HEP Tech Co.,Ltd./ Director. | -  | -    | -        |
| Director | R.O.C.                               | HUNG,<br>CHIA-CHENG | male   | 05<br>26,2016   | 3               | 03<br>08,2002            | 1,253,962                    | 3.18% | 1,200,881               | 3.01% | 512,062                        | 1.28% | -   | - | Kainan Vocational High<br>School / Dept. of Electronic<br>Engineering<br>Tons Lightology Inc. / Senior<br>Executive Vice President | Tons Lightology Inc. / Senior Executive Vice<br>President<br>Titan Lighting Co., Ltd. / Director&G.M.<br>ZhongshanTons Lighting Co., Ltd. /<br>Director&G.M.<br>Hong-Bo Investment Co., Ltd. / Director<br>Shanghai Tons Lightology Co., Ltd / Director   | -  | -    | -        |

| Title    | Nationality/<br>Country of<br>Origin | Name                   | Gender | Date<br>Elected | Term<br>(Years) | Date<br>First<br>Elected | Shareholding when<br>Elected |   | Current<br>Shareholding |   | Spouse & Minor<br>Shareholding |   | Shareholding<br>by Nominee<br>Arrangement |   | Experience ( Education )   | Other Position   | Executives, Directors or<br>Supervisors who are<br>spouses or within two<br>degrees of kinship |      |          |
|----------|--------------------------------------|------------------------|--------|-----------------|-----------------|--------------------------|------------------------------|---|-------------------------|---|--------------------------------|---|---|---|--|--|--|------|----------|
|          |                                      |                        |        |                 |                 |                          | Shares                       | % | Shares                  | % | Shares                         | % | Shares                                    | % |  |  | Title  | Name | Relation |
| Director | R.O.C.                               | CHEN,<br>MING-HS<br>IN | male   | 05<br>26,2016   | 3               | 05<br>26,2016            | -                            | - | -                       | - | -                              | - | -   | - | Bachelor of Accounting,<br>National Chengchi<br>University<br>Doctor of Business<br>Administration, Nankai<br>University<br>Taiwan Stock Exchange-<br>Listing Review and Chief<br>Accountant<br>Hung Mao Technology Co.,<br>Ltd.- President  | HEP Tech Co.,Ltd./ Supervisor                            | -  | -    | -        |
| Director | R.O.C.                               | TSAI,<br>SHAO-C<br>HUN | male   | 05<br>26,2016   | 3               | 06<br>16,2014            | -                            | - | -                       | - | -                              | - | -   | - | Arapahoe Community<br>College / Associate of Arts -<br>Business Degree<br>Mercuries & Associates,<br>LTD.- Section Head of<br>Information Management<br>Mercuries Furniture CO.,<br>LTD.- Manager of<br>Information Department,<br>Commodity Department, and<br>Operation Department | Mercuries Furniture CO., LTD / Deputy<br>General Manager | -  | -    | -        |

| Title                   | Nationality/<br>Country of<br>Origin | Name                | Gender | Date<br>Elected | Term<br>(Years) | Date<br>First<br>Elected | Shareholding when<br>Elected |   | Current<br>Shareholding |   | Spouse & Minor<br>Shareholding |   | Shareholding<br>by Nominee<br>Arrangement |   | Experience ( Education )   | Other Position  | Executives, Directors or<br>Supervisors who are<br>spouses or within two<br>degrees of kinship |      |          |
|-------------------------|--------------------------------------|---------------------|--------|-----------------|-----------------|--------------------------|------------------------------|---|-------------------------|---|--------------------------------|---|---|---|--|---|--|------|----------|
|                         |                                      |                     |        |                 |                 |                          | Shares                       | % | Shares                  | % | Shares                         | % | Shares                                    | % |  |   | Title  | Name | Relation |
| Independent<br>Director | R.O.C.                               | YUAN,<br>JIAN-CHUAN | male   | 05<br>26,2016   | 3               | 05<br>23,2011            | -                            | - | -                       | - | -                              | - | -   | - | State University of New York<br>at Buffalo with degrees of<br>MSEE and Ph.D<br>Data General Inc., USA<br>China Market Development<br>and IC Design Manager<br>Universal Automation, USA<br>IC Design Manger and<br>Partner | Adjunct Professor of Institute of Management<br>of Technology, National Chiao-Tung<br>University<br>ChungHwa Picture Tubes, LTD.<br>-Independent Director 、 Member of<br>Remuneration Committee 、 Member of Audit<br>Committee<br>Analog Technology Inc .<br>-Independent Director 、 Chairman of<br>Remuneration Committee<br>Unitech Printed Circuit Board Corp<br>-Independent Director 、 Member of<br>Remuneration Committee | -  | -    | -        |
| Independent<br>Director | R.O.C.                               | HSU,<br>CHUNG-YUAN  | male   | 05<br>26,2016   | 3               | 05<br>28,2015            | -                            | - | -                       | - | -                              | - | -   | - | Ph.D. in Accounting,<br>University of Memphis<br>(USA)<br>Supervisor of Securities and<br>Futures Investors Protection<br>Center   | Adjunct Professor of Accounting, National<br>Chengchi University<br>Hua Nan Financial Holdings Co., Ltd.<br>- Independent Director 、 Member of<br>Remuneration Committee 、 Chairman of Audit<br>Committee 、 Member of Ethical Corporate<br>Management Committee<br>Hua Nan Commercial Bank Ltd.<br>- Independent Director 、 Member of Legal<br>Compliance Committee   | -  | -    | -        |

| Title                   | Nationality/<br>Country of<br>Origin | Name                     | Gender | Date<br>Elected | Term<br>(Years) | Date<br>First<br>Elected | Shareholding when<br>Elected |   | Current<br>Shareholding |   | Spouse & Minor<br>Shareholding |   | Shareholding<br>by Nominee<br>Arrangement |   | Experience ( Education )  | Other Position  | Executives, Directors or<br>Supervisors who are<br>spouses or within two<br>degrees of kinship |      |          |
|-------------------------|--------------------------------------|--------------------------|--------|-----------------|-----------------|--------------------------|------------------------------|---|-------------------------|---|--------------------------------|---|---|---|---|---|--|------|----------|
|                         |                                      |                          |        |                 |                 |                          | Shares                       | % | Shares                  | % | Shares                         | % | Shares                                    | % |   |   | Title  | Name | Relation |
| Independent<br>Director | R.O.C.                               | CHOU,<br>LIANG-C<br>HENG | female | 05<br>26,2016   | 3               | 05<br>26,2016            | -                            | - | -                       | - | -                              | - | -   | - | Rootlaw Firm- Attorney<br>Li Cheng Law Firm-<br>Attorney<br>Xin Fu International Law<br>Firm- Attorney<br>Jia Hua Attorneys-At-Law<br>Firm,- Attorney | Jia Hua Attorneys-At-Law Firm, -Founding<br>Attorney<br>Career Technology Co., Ltd. -Independent<br>Director 、 Member of Remuneration<br>Committee 、 Member of Audit Committee<br>Shih-Kuen Plastics Co., Ltd. -Independent<br>Director | -  | -    | -        |

Note : Former Independent Director CHIANG,HSIANG-TSAI 、 Director Chunghwa Investment Co., Ltd Representative LEE, SHYH-CHIN 、 Supervisor SHA, HUNG 、 Supervisor TING, CHIH-CHIANG 、 Supervisor CHEN, MING-HSIN had left on May 26, 2017.

**Professional qualifications and independence analysis of directors**

04 30, 2018

| Name              | Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience |  |   | Independence Criteria(Note)  |   |   |   |   |   |   |   |   |   | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |    |
|-------------------|--|--|---|--|---|---|---|---|---|---|---|---|---|---|----|
|                   | Criteria   | An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University | A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company | Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |   | 10 |
| TANG, SHIH-CHUAN  |  |  | ✓   |  |   |   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓   | 0  |
| HUNG, CHIA-CHENG  |  |  | ✓   |  |   |   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓   | 0  |
| CHEN, MING-HSIN   |  |  | ✓   | ✓  |   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |   | 0  |
| TSAI, SHAO-CHUN   |  |  | ✓   | ✓  | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓   | 0  |
| YUAN, JIAN-CHUAN  | ✓  |  | ✓   | ✓  | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓   | 3  |
| HSU, CHUNG-YUAN   | ✓  |  | ✓   | ✓  | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓   | 2  |
| CHOU, LIANG-CHENG |  |  | ✓   | ✓  | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓   | 2  |

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company's affiliates (excluding independent directors set up by the Company or its parent or subsidiaries according to laws or local regulations).
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the “Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX“.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

### 3.2.2 Management Team

04 01, 2018

| Title                         | Nationality/<br>Country of<br>Origin | Name                    | Gender | Date<br>Effective | Shareholding |       | Spouse & Minor<br>Shareholding |       | Shareholding<br>by Nominee<br>Arrangement |   | Experience ( Education )  | Other Position  | Managers who are<br>Spouses or Within Two<br>Degrees of Kinship |      |          |
|-------------------------------|--------------------------------------|-------------------------|--------|-------------------|--------------|-------|--------------------------------|-------|---|---|---|---|---|------|----------|
|                               |                                      |                         |        |                   | Shares       | %     | Shares                         | %     | Shares                                    | % |   |   | Title   | Name | Relation |
| General<br>Manager            | R.O.C                                | TANG,<br>SHIH-CHU<br>AN | male   | 02<br>26,2015     | 3,535,633    | 8.86% | 1,385,567                      | 3.47% | -   | - | Oriental Institute of Technology /<br>Dept. of Clothes Manufacturing<br>Tons Lightology Inc. / Founder  | Titan Lighting Co., Ltd. / Chairman<br>ZhongshanTons Lighting Co., Ltd. /<br>Chairman<br>Tons Lighting Co., Ltd. / Director<br>World Extend Holding Inc. / Director<br>Greatsuper Technology Ltd. / Director<br>Hong-Bo investment Co., Ltd. / Chairman<br>Luminous Holding Incorporated/ Director<br>Shanghai Tons Lightology Co., Ltd./<br>Chairman<br>HEP Tech Co.,Ltd./ Director. | -   | -    | -        |
| Excutive<br>Vice<br>President | R.O.C                                | HUNG,<br>CHIA-CHE<br>NG | male   | 01<br>01,2008     | 1,200,881    | 3.01% | 512,062                        | 1.28% | -   | - | Kainan Vocational High School /<br>Dept. of Electronic Engineering<br>Tons Lightology Inc. / Senior<br>Vice President   | Titan Lighting Co., Ltd. / Director&G.M.<br>ZhongshanTons Lighting Co., Ltd. /<br>Director&G.M.<br>Hong-Bo Investment Co., Ltd. / Director<br>Shanghai Tons Lightology Co., Ltd / Director  | -   | -    | -        |
| Senior<br>Vice<br>President   | R.O.C                                | HU,<br>CHEN-KU<br>ANG   | male   | 08<br>01,2008     | 113,875      | 0.29% | 675                            | 0.00% | -   | - | WuFeng University/Department<br>of Digital Electronics<br>TÛ V Rheinland Co., Ltd./Vice<br>President<br>TÛ V Rheinland Co.,<br>Ltd./Manager<br>Phihong Technology Co.,<br>Ltd./Deputy Manager | Titan Lighting Co., Ltd. / Senior Vice<br>President   | -   | -    | -        |

| Title  | Nationality/<br>Country of<br>Origin | Name                    | Gender | Date<br>Effective | Shareholding |       | Spouse & Minor<br>Shareholding |       | Shareholding<br>by Nominee<br>Arrangement |   | Experience ( Education )   | Other Position   | Managers who are<br>Spouses or Within Two<br>Degrees of Kinship |      |          |
|--|--------------------------------------|-------------------------|--------|-------------------|--------------|-------|--------------------------------|-------|---|---|--|--|---|------|----------|
|  |                                      |                         |        |                   | Shares       | %     | Shares                         | %     | Shares                                    | % |  |  | Title   | Name | Relation |
| Assistant<br>Vice<br>President<br>of<br>Accounting<br>&<br>Financial<br>Dept.    | R.O.C                                | WANG,<br>CHIH-YUAN      | male   | 08<br>01,2008     | 374,100      | 0.94% | -                              | -     | -   | - | Chung Yuan Christian<br>University/Department of<br>Accounting<br>Evervision Electronics Co.,<br>Ltd./Manager<br>U-Tech Media Corporation/Senior<br>Manager<br>Everlight Electronics.,<br>Ltd./Section Head<br>Sampo Inc./Section Head | Titan Lighting Co., Ltd. / Assistant Vice<br>President of Accounting & Financial Dept.<br>Hong-Bo Investment Co., Ltd. /Supervisor<br>Shanghai Tons Lightology Co.,<br>Ltd/Supervisor  | -   | -    | -        |
| Assistant<br>Vice<br>President<br>of Product<br>Design<br>Dept.                  | R.O.C                                | HUANG,<br>YI-PO         | male   | 09<br>01,2009     | 812,926      | 2.04% | 1,451,470                      | 3.63% | -   | - | National United<br>University/Department of<br>Mechanical Engineering<br>TONS Lightology Inc./Assistant<br>Vice President  | Titan Lighting Co., Ltd. / Director<br>· Assistant Vice President of Product Design<br>Dept.<br>ZhongshanTons Lighting Co., Ltd. / Director<br>Hong-Bo Investment Co., Ltd. / Director | -   | -    | -        |
| Assistant<br>Vice<br>President<br>of<br>Research<br>and<br>Developm<br>ent Dept. | R.O.C                                | KUO,<br>CHING-HS<br>ING | male   | 09<br>01,2012     | 222,874      | 0.56% | -                              | -     | -   | - | Nan Jeon University of Science<br>and Technology/Department of<br>Electronics<br>QUATEK CO., LTD./R&D<br>Manager<br>Guo Xuan Industrial Co.,<br>Ltd./Manager   | Titan Lighting Co., Ltd. / Assistant Vice<br>President of Research and Development<br>Dept.  | -   | -    | -        |
| Assistant<br>Vice<br>President<br>of<br>Chairman<br>office                       | R.O.C                                | CHAN,<br>YI-CHEN        | male   | 09<br>01,2012     | 297,514      | 0.75% | -                              | -     | -   | - | Ming Chuan University/Graduate<br>Institute of Finance<br>Horizon Securities/Assistant Vice<br>President   | Titan Lighting Co., Ltd. / Assistant Vice<br>President of Chairman office<br>Shanghai Tons Lightology Co., Ltd / Director  | -   | -    | -        |



| Title   | Nationality/<br>Country of<br>Origin | Name              | Gender | Date<br>Effective | Shareholding |       | Spouse & Minor<br>Shareholding |       | Shareholding<br>by Nominee<br>Arrangement |   | Experience ( Education )  | Other Position   | Managers who are<br>Spouses or Within Two<br>Degrees of Kinship |      |          |
|---|--------------------------------------|-------------------|--------|-------------------|--------------|-------|--------------------------------|-------|---|---|---|--|---|------|----------|
|   |                                      |                   |        |                   | Shares       | %     | Shares                         | %     | Shares                                    | % |   |  | Title   | Name | Relation |
| Assistant<br>Vice<br>President<br>of Oversea<br>Sales<br>Dept.        | R.O.C                                | KUO,<br>CHUNG-TSU | male   | 09<br>01,2012     | 34,000       | 0.09% | -                              | -     | -   | - | National Central<br>University/Department of<br>Mechanical Engineering<br>Drexel University(USA) MBA<br>Shanghai Cheng Xin Electronics<br>Company/Business Manager<br>Dongguan BESDATA<br>Company/Business Manager<br>SPACIOUS INDUSTRIAL CO.,<br>LTD./Assistant Vice President | Titan Lighting Co., Ltd. / Assistant Vice<br>President of Sales Dept.          | -   | -    | -        |
| Assistant<br>Vice<br>President<br>of Grand<br>China<br>Sales<br>Dept. | R.O.C                                | HUNG,<br>YAO-YANH | male   | 10<br>01,2013     | 218,373      | 0.55% | 10,100                         | 0.03% | -   | - | National Yuanlin Agricultural and<br>Industrial Vocational High<br>School/Department of Animal<br>Husbandry<br>TOPTRONIC INDUSTRIAL<br>CO., LTD./Factory Manager<br>CHAO-SHENG TEXTILE CO.,<br>LTD./QA Manager  | Zhongshan Tons Lighting Co., Ltd. /<br>Assistant Vice President of Sales Dept. | -   | -    | -        |
| Assistant<br>Vice<br>President<br>of Hong<br>Kong<br>Office           | HONG<br>KONG                         | LAM,<br>KWOK-FAI  | male   | 01<br>01,2016     | -            | -     | -                              | -     | -   | - | CCC Kung Lee<br>College/Department of Science<br>Berkin Lighting Ltd./President<br>CLI (Foshan) lighting Ltd./Sales<br>Director<br>Guangzhou City Cefion Lighting<br>Limited/Sales Manager  | -  | -   | -    |          |

### 3.2.3 Remuneration of Directors, Supervisors, President, and Vice President

#### Remuneration of Directors

Unit: NT\$ thousands

| Title  | Name   | Remuneration          |  |                   |  |                        |  |                |  | Ratio of Total Remuneration (A+B+C+D) to Net Income (%) |  | Relevant Remuneration Received by Directors Who are Also Employees |  |                   |  |                                    |       | Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) |       | Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary |             |  |
|--|--|-----------------------|--|-------------------|--|------------------------|--|----------------|--|---|--|--|--|-------------------|--|------------------------------------|-------|---|-------|---|-------------|--|
|  |  | Base Compensation (A) |  | Severance Pay (B) |  | Bonus to Directors (C) |  | Allowances (D) |  |   |  | Salary, Bonuses, and Allowances (E)                                |  | Severance Pay (F) |  | Profit Sharing- Employee Bonus (G) |       |   |       |   |             |  |
|  |  | The company           | All companies in the consolidated financial statements | The company       | Companies in the consolidated financial statements | The company            | Companies in the consolidated financial statements | The company    | Companies in the consolidated financial statements | The company   | Companies in the consolidated financial statements | The company  | Companies in the consolidated financial statements | The company       | Companies in the consolidated financial statements | Cash                               | Stock | Cash  | Stock |   | The company | Companies in the consolidated financial statements |
| Director   | TANG, SHIH-CHUAN                               |                       |  |                   |  |                        |  |                |  |   |  |  |  |                   |  |                                    |       |   |       |   |             |  |
| Director   | HUNG, CHIA-CHENG                               |                       |  |                   |  |                        |  |                |  |   |  |  |  |                   |  |                                    |       |   |       |   |             |  |
| Director   | TSAI, SHAO-CHUN                                |                       |  |                   |  |                        |  |                |  |   |  |  |  |                   |  |                                    |       |   |       |   |             |  |
| Director   | CHEN, MING-HSIN                                |                       |  |                   |  |                        |  |                |  |   |  |  |  |                   |  |                                    |       |   |       |   |             |  |
| Director   | Chunghwa Investment Co., Ltd<br>LEE, SHYH-CHIN | 1,894                 | 1,894  | -                 | -  | 1,708                  | 1,708  | 186            | 186  | 3.13  | 3.13   | 3,985  | 6,206  | 91                | 91   | 1,059                              | -     | 1,059   | -     | 7.37  | 9.20        | -  |
| Independent Director   | YUAN, JIAN-CHUAN                               |                       |  |                   |  |                        |  |                |  |   |  |  |  |                   |  |                                    |       |   |       |   |             |  |
| Independent Director   | CHIANG, HSIANG-TSAI                            |                       |  |                   |  |                        |  |                |  |   |  |  |  |                   |  |                                    |       |   |       |   |             |  |
| Independent Director   | HSU, CHUNG-YUAN                                |                       |  |                   |  |                        |  |                |  |   |  |  |  |                   |  |                                    |       |   |       |   |             |  |
| Independent Director   | CHOU, LIANG-CHENG                              |                       |  |                   |  |                        |  |                |  |   |  |  |  |                   |  |                                    |       |   |       |   |             |  |
| Except for the above disclosure, the remuneration paid to the Company's directors for all services rendered last year is NT\$0 thousand. |  |                       |  |                   |  |                        |  |                |  |   |  |  |  |                   |  |                                    |       |   |       |   |             |  |

| Range of Remuneration            | Name of Directors   |   |   |  |
|----------------------------------|---|---|---|--|
|                                  | Total of (A+B+C+D)  |   | Total of (A+B+C+D+E+F+G)  |  |
|                                  | The company   | Companies in the consolidated financial statements  | The company   | Companies in the consolidated financial statements   |
| Under NT\$ 2,000,000             | TANG,SHIH-CHUAN,<br>HUNG,CHIA-CHENG,<br>TSAI,SHAO-CHUN,<br>Chunghwa Investment Co.,<br>Ltd<br>LEE,SHYH-CHIN,<br>YUAN,JIAN-CHUAN,<br>CHIANG,HSIANG-TSAI,<br>HSU,CHUNG-YUAN<br>CHEN, MING-HSIN<br>CHOU, LIANG-CHENG | TANG,SHIH-CHUAN,<br>HUNG,CHIA-CHENG,<br>TSAI,SHAO-CHUN,<br>Chunghwa Investment Co.,<br>Ltd<br>LEE,SHYH-CHIN,<br>YUAN,JIAN-CHUAN,<br>CHIANG,HSIANG-TSAI,<br>HSU,CHUNG-YUAN<br>CHEN, MING-HSIN<br>CHOU, LIANG-CHENG | TSAI,SHAO-CHUN,<br>Chunghwa Investment Co.,<br>Ltd<br>LEE,SHYH-CHIN,<br>YUAN,JIAN-CHUAN,<br>CHIANG,HSIANG-TSAI,<br>HSU,CHUNG-YUAN<br>CHEN, MING-HSIN<br>CHOU, LIANG-CHENG | TSAI,SHAO-CHUN,<br>Chunghwa Investment Co.,<br>Ltd<br>LEE,SHYH-CHIN,<br>YUAN,JIAN-CHUAN,<br>CHIANG,HSIANG-TSAI,<br>HSU,CHUNG-YUAN<br>CHOU, LIANG-CHENG |
| NT\$2,000,001 ~ NT\$5,000,000    | -   | -   | TANG,SHIH-CHUAN,<br>HUNG,CHIA-CHENG   | TANG,SHIH-CHUAN,<br>HUNG,CHIA-CHENG  |
| NT\$5,000,001 ~ NT\$10,000,000   | -   | -   | -   | -  |
| NT\$10,000,001 ~ NT\$15,000,000  | -   | -   | -   | -  |
| NT\$15,000,001 ~ NT\$30,000,000  | -   | -   | -   | -  |
| NT\$30,000,001 ~ NT\$50,000,000  | -   | -   | -   | -  |
| NT\$50,000,001 ~ NT\$100,000,000 | -   | -   | -   | -  |
| Over NT\$100,000,000             | -   | -   | -   | -  |
| <b>Total</b>                     | <b>10</b>   | <b>10</b>   | <b>10</b>   | <b>10</b>  |

Note : Former Independent Director CHIANG,HSIANG-TSAI 、 Director Chunghwa Investment Co., Ltd Representative LEE, SHYH-CHIN had left on May 26, 2017

## Remuneration of Supervisors

Unit: NT\$ thousands

| Title      | Name              | Remuneration          |  |                          |  |                |  | Ratio of Total Remuneration (A+B+C) to Net Income (%) |  | Compensation Paid to Supervisors from an Invested Company Other than the Company's Subsidiary |
|------------|-------------------|-----------------------|--|--------------------------|--|----------------|--|---|--|---|
|            |                   | Base Compensation (A) |  | Bonus to Supervisors (B) |  | Allowances (C) |  | The company   | Companies in the consolidated financial statements |   |
|            |                   | The company           | Companies in the consolidated financial statements | The company              | Companies in the consolidated financial statements | The company    | Companies in the consolidated financial statements |   |  |   |
| Supervisor | SHA, HUNG         | 146                   | 146  | 228                      | 228  | 39             | 39   | 0.34  | 0.34   | -   |
| Supervisor | TING, CHIH-CHIANG |                       |  |                          |  |                |  |   |  |   |
| Supervisor | CHEN, MING-HSIN   |                       |  |                          |  |                |  |   |  |   |

Note : The former supervisors had left on May 26, 2017 due to the establishment of the Audit Committee.

| Range of Remuneration            | Name of Supervisors                             |  |
|----------------------------------|---|--|
|                                  | Total of (A+B+C)                                |  |
|                                  | The company                                     | Companies in the consolidated financial statements |
| Under NT\$ 2,000,000             | SHA, HUNG, TING, CHIH-CHIANG<br>CHEN, MING-HSIN | SHA, HUNG, TING, CHIH-CHIANG<br>CHEN, MING-HSIN    |
| NT\$2,000,001 ~ NT\$5,000,000    | -   | -  |
| NT\$5,000,001 ~ NT\$10,000,000   | -   | -  |
| NT\$10,000,001 ~ NT\$15,000,000  | -   | -  |
| NT\$15,000,001 ~ NT\$30,000,000  | -   | -  |
| NT\$30,000,001 ~ NT\$50,000,000  | -   | -  |
| NT\$50,000,001 ~ NT\$100,000,000 | -   | -  |
| Over NT\$100,000,000             | -   | -  |
| Total                            | 3   | 3  |

**Remuneration of the President and Vice President**

Unit: NT\$ thousands

| Title                         | Name             | Salary(A)   |  | Severance Pay (B) |  | Bonuses and Allowances (C) |  | Profit Sharing- Employee Bonus (D) |       |  |       | Ratio of total compensation (A+B+C+D) to net income (%) |  | Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary |
|-------------------------------|------------------|-------------|--|-------------------|--|----------------------------|--|------------------------------------|-------|--|-------|---|--|--|
|                               |                  | The company | Companies in the consolidated financial statements | The company       | Companies in the consolidated financial statements | The company                | Companies in the consolidated financial statements | The company                        |       | Companies in the consolidated financial statements |       | The company   | Companies in the consolidated financial statements |  |
|                               |                  |             |  |                   |  |                            |  | Cash                               | Stock | Cash   | Stock |   |  |  |
| General Manager               | TANG, SHIH-CHUAN |             |  |                   |  |                            |  |                                    |       |  |       |   |  |  |
| Excutive Vice General Manager | HUNG, CHIA-CHENG | 4,670       | 7,225  | 170               | 170  | 918                        | 1,479  | 2,108                              | -     | 2,108  | -     | 6.50  | 9.07   | -  |
| Senior Vice General Manager   | HU, CHEN-KUANG   |             |  |                   |  |                            |  |                                    |       |  |       |   |  |  |

| Range of Remuneration            | Name of President and Vice President              |  |
|----------------------------------|---|--|
|                                  | The company                                       | Companies in the consolidated financial statements |
| Under NT\$ 2,000,000             | -   | -  |
| NT\$2,000,001 ~ NT\$5,000,000    | TANG,SHIH-CHUAN,HUNG,CHIA-CHENG,<br>HU,CHEN-KUANG | TANG,SHIH-CHUAN,HUNG,CHIA-CHENG,<br>HU,CHEN-KUANG  |
| NT\$5,000,001 ~ NT\$10,000,000   | -   | -  |
| NT\$10,000,001 ~ NT\$15,000,000  | -   | -  |
| NT\$15,000,001 ~ NT\$30,000,000  | -   | -  |
| NT\$30,000,001 ~ NT\$50,000,000  | -   | -  |
| NT\$50,000,001 ~ NT\$100,000,000 | -   | -  |
| Over NT\$100,000,000             | -   | -  |
| Total                            | 3   | 3  |

Unit: NT\$ thousands

|                    | Title                         | Name             | Employee's Remuneration<br>- in Stock<br>(Fair Market Value) | Employee's Remuneration<br>- in Cash | Total | Ratio of Total Amount to Net Income (%) |
|--------------------|-------------------------------|------------------|--|--------------------------------------|-------|---|
| Executive Officers | Excutive Vice General Manager | HUNG, CHIA-CHENG | -  | 6,177                                | 6,177 | 5.10                                    |
|                    | Senior Vice General Manager   | HU, CHEN-KUANG   |  |                                      |       |   |
|                    | Assistant Vice President      | WANG, CHIH-YUAN  |  |                                      |       |   |
|                    | Assistant Vice President      | HUANG, YI-PO     |  |                                      |       |   |
|                    | Assistant Vice President      | KUO, CHING-HSING |  |                                      |       |   |
|                    | Assistant Vice President      | CHAN, YI-CHEN    |  |                                      |       |   |
|                    | Assistant Vice President      | KUO, CHUNG-TSU   |  |                                      |       |   |
|                    | Assistant Vice President      | HUNG, YAO-YANH   |  |                                      |       |   |

### 3.2.4 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, presidents and vice presidents of the Company, to the net income.

| Title                          | Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%) |  |             |  |
|--------------------------------|--|--|-------------|--|
|                                | 2016   |  | 2017        |  |
|                                | The company  | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements |
| Directors                      | 2.85%  | 2.85%  | 3.13%       | 3.13%  |
| Supervisors                    | 0.81%  | 0.81%  | 0.34%       | 0.34%  |
| Presidents and Vice Presidents | 6.35%  | 9.29%  | 6.50%       | 9.07%  |

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance.

The remuneration paid to directors and supervisors included the remuneration, allowances and rewards paid to directors and supervisors. The remuneration paid to directors and supervisors was determined at the same level of the same trade. The allowances paid to directors and supervisors were determined based on the attendance at the board meetings. The rewards paid to directors and supervisors were appropriated according to the Company's articles of incorporation and reviewed by the Remuneration Committee and later submitted to the Board of Directors for resolution. The calculation for separate remuneration paid to each director was stipulated in "Regulations Governing the Remuneration and Rewards of Directors" based on the individual performance of directors appraised with "Regulations Governing Performance of the Board of Directors" after the submission at the shareholders' meeting and submitted to the Remuneration Committee for review. After the resolution was passed by the Board of Directors, the rewards would be paid to directors and supervisors.

The remuneration paid to the President and the Vice President, including salaries, bonuses, employees' remuneration, and employee stock option certificates, was determined based on the position and duties assumed and the



level of the same position in the same trade and the individual performance appraisal of each managers based on “Regulations Governing the Operation of Performance Appraisal”, and the results would serve as calculation basis for remuneration based in the employee performance evaluation. The separate distribution of employees’ remuneration and employee stock option certificates was submitted to the Remuneration Committee for review and resolved by the Board of Directors.

For the separate performance appraisal to directors and managers and the relevance and reasons of the contents and amounts of remuneration had been approved as “reasonable” after the review of the Remuneration Committee and the discussion of the Board of Directors, and would be submitted in the reports to the shareholders’ meeting of this annual period.

### 3.3 Implementation of Corporate Governance

#### 3.3.1 Board of Directors

A total of 8 (A) meetings of the Board of Directors were held in the previous period.

The attendance of director were as follows:

| Title                | Name  | Attendance in Person (B) | By Proxy | Attendance Rate (%) 【 B / A 】 | Remarks               |
|----------------------|---|--------------------------|----------|-------------------------------|-----------------------|
| Chairman             | TANG,SHIH-CHUAN   | 8                        | 0        | 100.00%                       | Re-elected            |
| Director             | HUNG,CHIA-CHENG   | 7                        | 1        | 87.50%                        | Re-elected            |
| Director             | Chunghwa Investment Co., Ltd Representative : LEE,SHYH-CHIN | 3                        | 0        | 100.00%                       | Left on 05 26,2017    |
| Director             | TSAI,SHAO-CHUN  | 7                        | 1        | 87.50%                        | Re-elected            |
| Director             | CHEN,MING-HSIN  | 5                        | 0        | 100.00%                       | Elected on 05 26,2017 |
| Independent Director | YUAN,JIAN-CHUAN   | 6                        | 2        | 75.00%                        | Re-elected            |
| Independent Director | CHIANG,HSIANG-TSAI  | 3                        | 0        | 100.00%                       | Left on 05 26,2017    |
| Independent Director | HSU,CHUNG-YUAN  | 8                        | 0        | 100.00%                       | Re-elected            |
| Independent Director | CHOU, LIANG-CHENG   | 5                        | 0        | 100.00%                       | Elected on 05 26,2017 |
| Total/Average        |   | 52                       | 4        | 92.86%                        |                       |

Other mentionable items:

1. If one of the following situations occurs, the date and period of the board meeting, the content of proposals, opinions given by all independent directors and the disposal of such opinions shall be specified:
  - (1) Matters specified in Article 14-3 of the Securities and Exchange Act.
  - (2) In addition to the above matters, other matters which independent directors object to or express reservations about in a record or a written statement.
2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:
  - (1) For the distribution of 2016 managers' bonuses proposed on February 24, 2017, the acting chairman Lee, Shih-Chin consulted all the attendees, except for Mr. Tang, Shih-Chuan and Mr. Hung, Chia-Cheng who were absent from the discussion and vote due to conflict of interest, without objection and passed the proposal.
  - (2) For the nomination of members of the 3rd Remuneration Committee proposed on June 30, 2017, the acting chairman consulted all the attendees, except for Mr. Yuan, Jian-Chung, Mr. Hsu, Chung-Yuan and Chou, Liang-Cheng who were absent from the discussion and vote due to conflict of interest, without objection and passed the proposal.
  - (3) For the number of managers distributed with the 2016 employee's remuneration proposed on July 28, 2017, the chairman consulted all the attendees, except for Mr. Hung, Chia-Cheng who was absent from the discussion and vote due to conflict of interest, without objection and passed the proposal.
  - (4) For the distribution of 2016 incentives proposed on July 28, 2017, the chairman consulted all the attendees, except for Mr. Hung, Chia-Cheng who was absent from the discussion and vote due to conflict of interest, without objection and passed the proposal.
3. Measures taken to strengthen the functionality of the board:
  - (1) The Company has included the procedures for board meetings in the internal control system and the procedures will be audited by the audit unit on a regular basis.
  - (2) To improve the transparency of information, the Company recorded on audio or video tape the entire proceedings of a board meeting in accordance with the Regulations Governing Procedures for Board Meetings.
  - (3) Last year, the Company's Directors participated in courses on corporate governance for 81 hours.
  - (4) The Company has formulated the Regulations Governing Evaluation of the Board's Performance on July 11, 2016 to implement the performance evaluation. In 2017. The result of the peer evaluation was reported in the board meeting on December 18, 2017.
  - (5) The Company has set up the Audit Committee On May 26, 2017.

Independent directors' opinions on major proposals and the disposal of such opinions last year are described as follows:

| Board Meeting   | Proposal and Subsequent Disposal   | Matters Specified in Article 14-3 of the Securities and Exchange Act | Objection or Reservation by Independent Directors |
|---|--|--|---|
| The 21 <sup>st</sup> Meeting of the 8 <sup>th</sup> Board of Directors on February 24, 2017 | Proposal of number of managers distributed with the 2016 employee's remuneration                                 | √  |   |
|   | Distribution of 2016 shareholders' bonuses through issuance of shares  | √  |   |
|   | Amendment of the Company's "Procedures for Acquisition or Disposition of Assets"                                 | √  |   |
|   | Nomination list of the 9 <sup>th</sup> Board of Directors  | √  |   |
|   | Proposal of the Company endorsing its sub-subsidiary GREATSUPER TECHNOLOGY LIMITED.                              | √  |   |
|   | Proposal of increasing investment quota to "Shanghai Tons Lightology Co., Ltd."                                  | √  |   |
|   | Opinions of independent directors: N/A   |  |   |
|   | Disposal of opinions of independent directors: N/A   |  |   |
| Resolution: Passed by all attendees   |  |  |   |
| The 22 <sup>nd</sup> Meeting of the 8 <sup>th</sup> Board of Directors on April 28, 2017    | Reviewing the nomination list of the 9 <sup>th</sup> Board of Directors and independent directors of the Company | √  |   |
|   | Proposal of relieving the restrictions of non-compete clause on newly-elected directors                          | √  |   |
|   | Opinions of independent directors: N/A   |  |   |
|   | Disposal of opinions of independent directors: N/A   |  |   |
| Resolution: Passed by all attendees   |  |  |   |
| The 3 <sup>rd</sup> Meeting of the 9 <sup>th</sup> Board of Directors on July 28, 2017      | Distribution of the 2016 remuneration of directors and supervisors   | √  |   |
|   | Amendment of "Regulations Governing the Remuneration and Rewards of Directors" of the Company                    | √  |   |
|   | Amendment of the Company's "Endorsement Procedures"  | √  |   |
|   | Amendment of the Company's "Fund Lending and   | √  |   |

| Board Meeting   | Proposal and Subsequent Disposal   | Matters Specified in Article 14-3 of the Securities and Exchange Act | Objection or Reservation by Independent Directors |
|---|--|--|---|
|   | Operation Procedures”  |  |   |
|   | Opinions of independent directors: N/A   |  |   |
|   | Disposal of opinions of independent directors: N/A                               |  |   |
|   | Resolution: Passed by all attendees  |  |   |
| The 4 <sup>th</sup> Meeting of the 9 <sup>th</sup> Board of Directors on November 3, 2017 | Amendment of the Company's “Procedures for Acquisition or Disposition of Assets” | √  |   |
|   | Amendment of the Company's internal control system and partial auditing system   | √  |   |
|   | Opinions of independent directors: N/A   |  |   |
|   | Disposal of opinions of independent directors: N/A                               |  |   |
|   | Resolution: Passed by all attendees  |  |   |

Advanced studies and training organized for directors last year are described as follows:

| Title                | Name             | Date       | Course Name   | Hour |
|----------------------|------------------|------------|---|------|
| Director             | TANG, SHIH-CHUAN | 08 25,2017 | Governance Forum – Sustainable Business Operation   | 3    |
|                      |                  | 12 05,2017 | On the Function of Board of Directors in the Prevention and Control of Corporate Fraud  | 3    |
| Director             | HUNG, CHIA-CHENG | 09 07,2017 | How Internal Auditors Assist in Response to "Corporate Crisis" – From the Perspective Internal Audit and Control and Legal Compliance | 6    |
| Director             | CHEN, MING-HSIN  | 04 26,2017 | Corporate Governance Forum - Family Business Succession   | 3    |
|                      |                  | 06 22,2017 | Corporate Governance - Prevention of Labor Disputes and Due Processes   | 3    |
| Director             | TSAI, SHAO-CHUN  | 04 26,2017 | Corporate Governance Forum - Family Business Succession   | 3    |
|                      |                  | 06 22,2017 | Corporate Governance - Prevention of Labor Disputes and Due Processes   | 3    |
| Independent Director | YUAN, JIAN-CHUAN | 02 10,2017 | Commercial Considerations and Legal Risk Analysis of Business Management  | 3    |

| Title                | Name              | Date       | Course Name  | Hour |
|----------------------|-------------------|------------|--|------|
|                      |                   |            | Decision-making  |      |
|                      |                   | 10 25,2017 | The 13 <sup>th</sup> International Summit Forum on Corporate Governance  | 3    |
| Independent Director | HSU, CHUNG-YUAN   | 01 10,2017 | The Responsibilities of Directors and Supervisors in M&A – From the Cases of Unsolicited M&A                   | 3    |
|                      |                   | 03 28,2017 | Study Course for Directors and Supervisors - Thoughts and Challenges of the Industry in Current Online Economy | 3    |
| Independent Director | CHOU, LIANG-CHENG | 01 18,2016 | M&A Professional Training Course - Preliminary Course  | 24   |
|                      |                   | 05 27,2016 | A Study on the Elements of Crime of Manipulating Securities and Futures Markets                                | 3    |
|                      |                   | 09 30,2016 | M&A Professional Training Course - Advanced Course   | 18   |

### 3.3.2 Audit Committee (or Attendance of Supervisors at Board Meetings)

#### Attendance of Supervisors at Board Meetings

A total of 8 (A) meetings of the Board of Directors were held in the previous period. The attendance of supervisors was as follows: (The Audit Committee was established on May 26, 2017 to take over the functions of Supervisors)

| Title   | Name                 | Attendance in Person (B) | Attendance Rate (%)<br>【 B/A 】 | Remarks              |
|---|----------------------|--------------------------|--------------------------------|----------------------|
| Supervisor  | SHA,<br>HUNG         | 3                        | 100.00%                        | Left on May 26, 2017 |
| Supervisor  | TING,<br>CHIH-CHIANG | 3                        | 100.00%                        | Left on May 26, 2017 |
| Supervisor  | CHEN,<br>MING-HSIN   | 2                        | 66.67%                         | Left on May 26, 2017 |
| <p>Other mentionable items:</p> <p>1. Composition and responsibilities of supervisors:</p> <p>(1) Communications between supervisors and the Company's employees and shareholders (e.g. communication channels and methods, etc.):<br/>The Company assigned the staff to establish contact with supervisors and the Company's employees and shareholders.</p> <p>(2) Communications between supervisors and the Company's chief internal auditor and CPA (e.g. items, methods and results of the audits of corporate finance or operations, etc.):</p> <ol style="list-style-type: none"> <li>1. The Company's chief internal auditor submitted the audit report to supervisors after completing the audit and supervisors had no objection.</li> <li>2. The Company's chief internal auditor attended the board meeting as a non-voting delegate and supervisors had no objection.</li> <li>3. Supervisors may establish contact with CPAs at any time to discuss the Company's financial status.</li> </ol> <p>2. If a supervisor expresses an opinion during a meeting of the Board of Directors, the dates of the meetings, sessions, contents of motion, resolutions of the directors' meetings and the company's response to the supervisor's opinion should be specified: None</p> |                      |                          |                                |                      |

### Attendance of Independent Directors at Audit Committee Meetings

A total of 2 (A) meetings of the Audit Committee were held in the previous period.

The attendance of Independent Directors was as follows:

| Title   | Name              | Attendance in Person (B) | Attendance Rate (%)<br>【 B / A 】 | Remarks                 |
|---|-------------------|--------------------------|----------------------------------|-------------------------|
| Independent Director  | YUAN, JIAN-CHUAN  | 2                        | 100.00%                          | Elected on May 26, 2017 |
| Independent Director  | HSU, CHUNG-YUAN   | 2                        | 100.00%                          | Elected on May 26, 2017 |
| Independent Director  | CHOU, LIANG-CHENG | 2                        | 100.00%                          | Elected on May 26, 2017 |
| Other mentionable items:  |                   |                          |                                  |                         |
| <p>1. The date, period, the contents of the proposal, the resolution of the Audit Committee and the Company's treatment of the Audit Committee's opinions shall be clarified when one of the following circumstances occurs during the operation of the Audit Committee.</p> <p>(1) Items listed in Article 14-5 of Securities and Exchange Act.</p> <p>(2) Items not passed by the Audit Committee but approved by more than two-thirds of all directors, except for the aforesaid ones.</p> <p>2. The names of independent directors, the contents of the motions, the reasons for the conflict of interest, and participation in voting shall be stated within the implementation of avoidance of independent directors due to conflict of interest: No such situation occurred.</p> <p>3. Communication between independent directors and managers of internal audit and accountants (shall include major events, methods, and conclusions in communicating the Company's financial and business conditions, etc.).</p> |                   |                          |                                  |                         |

### Opinions on Major Proposals or Results of Resolutions by Audit Committee of the Most Recent Annual Period

| Board Meeting  | Proposal and Subsequent Disposal   | Matters Specified in Article 14-5 of the Securities and Exchange Act | Resolutions not passed by the Audited Committee but approved by more than two thirds of overall directors |
|--|--|--|---|
| The 3rd Meeting of the 9th Board of Directors on July 28, 2017 | Submission of the consolidated financial report of the second quarter of 2017 of the Company                           | √  |   |
|  | Amendment of the Company's "Endorsement Procedures"  | √  |   |
|  | Amendment of the Company's "Fund Lending and Operation Procedures"   | √  |   |
|  | Audit Committee resolution results (July 28, 2017): all the attending members passed the resolutions without objection |  |   |
|  | The Company's handling of the opinions of the Audit Committee: all the   |  |   |



| Board Meeting  | Proposal and Subsequent Disposal   | Matters Specified in Article 14-5 of the Securities and Exchange Act | Resolutions not passed by the Audited Committee but approved by more than two thirds of overall directors |
|--|--|--|---|
|  | attending directors passed the proposal without objection  |  |   |
| The 4th Meeting of the 9th Board of Directors on November 03, 2017 | Amendment of the Company's "Procedures for Acquisition or Disposition of Assets"   | √  |   |
|  | Amended regulations in response to the establishment of the Audit Committee and request of the competent authority               | √  |   |
|  | Amendment of the Company's internal control system and partial auditing system   | √  |   |
|  | Audit Committee resolution results (November 3, 2017): all the attending members passed the resolutions without objection        |  |   |
|  | The Company's handling of the opinions of the Audit Committee: all the attending directors passed the proposal without objection |  |   |

Communication between Independent Directors and Managers of Internal Audit of the Most Recent Annual Period

| Date       | Major resolutions  |
|------------|--|
| 11 03,2017 | <ul style="list-style-type: none"> <li>● Audit in the first half of the annual period<br/>Inspected the cycles of production, purchasing, sales and operation, payroll, financing, and other operating methods, and there were no significant anomalies from the audit results.</li> <li>● 2018 Annual Risk Assessment Instructions<br/>The audit plan of 2018 was formulated with quantitative standards according to the risk factors of each operational cycle.</li> </ul> <p>Opinions of Independent Directors: N/A.</p> |
| 12 18,2017 | <ul style="list-style-type: none"> <li>● Audit in the second half of the annual period<br/>Inspected the cycles of purchasing, sales and operation, and other operating methods, and there were no significant anomalies from the audit results.</li> <li>● 2018 Annual Audit Plan Report</li> </ul> <p>Opinions of Independent Directors: N/A.</p>  |

Communication between Independent Directors and Accountants of the Most Recent Annual Period

| Date       | Major resolutions  |
|------------|--|
| 02 24,2017 | <ul style="list-style-type: none"> <li>● Basis of inspections and opinions of the 2016 annual financial report</li> <li>● 2016 annual inspection highlights               <ol style="list-style-type: none"> <li>1. Key check items, 2. Significance, major adjustments and unadjusted entries of such period, 3. Scope of check on transactions between related parties/group financial report, 4. Changes in major accounting estimates and principles, 5. Reminders of special surpluses, 6. Fraud and non-compliance with statutory events/post-period events, 7. Client statement/significant internal control deficiency/Inconsistency with management opinions</li> </ol> </li> <li>● Independence of accountants</li> </ul> <p>Opinions of Independent Directors: N/A.</p> |
| 11 03,2017 | <ul style="list-style-type: none"> <li>● 2017 annual audit communication plan between accountants and governance units</li> <li>● Confirmation on accounting firm independence</li> <li>● Auditing and non-auditing services for such annual period</li> <li>● The scope of the annual audit and annual audit service plan</li> <li>● Preliminary reviews on key audit items of such annual period</li> <li>● Adoption of 2016 new check report for financial report of listed (OTC) companies</li> <li>● Impact of new accounting principles and the amendments</li> </ul> <p>Opinions of Independent Directors: N/A.</p>   |

**3.3.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”**

| Evaluation Item  | Implementation Status |    |  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|--|
|  | Yes                   | No | Abstract Illustration  |  |
| 1.Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”? | ✓                     |    | The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” on 12/26/2014. The information has been disclosed on the Company’s website <a href="http://www.tonslight.com/tw">http://www.tonslight.com/tw</a> . | None   |
| 2.Shareholding structure & shareholders’ rights  |                       |    |  |  |
| (1)Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?        | ✓                     |    | (1) The Company established a spokesperson system and an e-mail box to deal with shareholders’ suggestions, doubts, disputes and litigations.  | None   |
| (2)Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?   | ✓                     |    | (2) The Company authorized the share agency to be in charge of the list of its major shareholders as well as the ultimate owners of those shares and followed up the change through monthly declaration.   | None   |
| (3)Does the company establish and execute the risk management and firewall system within its conglomerate structure?   | ✓                     |    | (3) The Company has formulated the Regulations Governing Supervision and Management of Subsidies and the Regulations Governing Transactions between Related Parties, Specific Companies and Conglomerates and executed the risk management based on the internal control   | None   |

| Evaluation Item  | Implementation Status |    |   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|---|--|
|  | Yes                   | No | Abstract Illustration   |  |
| (4) Does the company establish internal rules against insiders trading with undisclosed information?   | ✓                     |    | system.<br>(4) The Company has formulated the Regulations Governing Insider Declaration, which expressly prohibit insiders from trading securities with undisclosed information.  | None   |
| 3. Composition and Responsibilities of the Board of Directors<br>(1) Does the Board develop and implement a diversified policy for the composition of its members? | ✓                     |    | (1) The Company has developed and implemented a diversified policy for the composition of the Board’s members in the Corporate Governance Best Practice Principles: The composition of the Board’s members shall have the knowledge, skills, and experience necessary to perform their duties and shall not be limited to basic requirements and values, such as gender, age, nationality, and culture, and professional knowledge and skills, such as a professional background, professional skills, and industry experience. Directors of the 9 <sup>th</sup> Board of Directors have expertise in each professional field as lighting industry, optical technology, business management, laws, accounting, financial investment and leadership decision-making, and one female director had been enlisted to the Board. | None   |
| (2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?                          |                       | ✓  | (2) The Company has established the Remuneration Committee and established the Audit Committee in 2017. In the future, the Company will voluntarily establish other functional committees as needed.  | Will be added as needed  |

| Evaluation Item   | Implementation Status |    |  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|--|--|
|   | Yes                   | No | Abstract Illustration  |  |
| (3) Does the company establish a standard to measure the performance of the Board, and implement it annually? | ✓                     |    | (3) The Company has formulated the Regulations Governing Evaluation of the Board’s Performance approved by the Board of Directors on July 11, 2016 to implement the performance evaluation. In 2017, the evaluation of the Board’s performance was implemented through internal self-evaluation and peer evaluation. The result of the self-evaluation showed that the Board met the standard operation in 30 items of five dimensions. The peer evaluation covered 20 items in 6 dimensions. Except one director who did not attend the shareholders meeting and one director attended less than 80% of the meetings of the Board of Directors not qualified to obtain self-appraisal requirements, the rest of the directors achieved the given items. Among 140 item, 7 directors achieved 138 items, with an achievement rate of 98.57%. The result of the peer evaluation was reported in the board meeting on December 18, 2017. | None   |
| (4) Does the company regularly evaluate the independence of CPAs?   | ✓                     |    | (4) The Company evaluated the independence of CPAs once every year. The evaluation reviewed the requirements for the independence of CPAs (such as sharing of financial interests, a collateral relative within the second degree of kinship of any person of the Company assuming major duties, and other 12 items), the operation of the independence of CPAs (such as avoidance of conflict of interest that may affect impartiality and independence, substantive and formal   | None   |

| Evaluation Item   | Implementation Status |    |  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|---|-----------------------|----|--|--|
|   | Yes                   | No | Abstract Illustration  |  |
|   |                       |    | independence of the audit and audit report, and other 6 items), and the competency of CPAs (such as CPA disciplinary record in the last 2 years, sufficient resources and area coverage in terms of the accounting firm’s audit service, and other 4 items). The result of the evaluation showed that CPAs Wang, Yu-Chuan and Hung, Shu-Hua conformed to the standards. The result of the evaluation was reported in the board meeting on December 18, 2017.   |  |
| 4. Does the Company set up a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters relating to board meetings and shareholders meetings according to laws, handling corporate registration and amendment registration, and producing minutes of board meetings and shareholders meetings)? | ✓                     |    | The Company had put a full-time corporate governance officer in the finance and accounting department taking charge of corporate governance related affairs and reported such appointment to the Board of Directors on February 23, 2018. The manager in charge of supervision was the Assistant General Manager of the finance and accounting department responsible for the provision of information required by directors for the implementation of the business operation and latest regulatory developments relating to company operation for assisting directors in complying with laws and regulations and conducting tasks related to meetings of the Board of Directors and shareholders in accordance with laws (eight meetings of Board of Directors and one shareholder meeting), as well as assisting the Company in complying with relevant laws and regulations of meetings of the Board of Directors and shareholders, conducting registration and change of Company registration (three changes of registration), producing | None   |

| Evaluation Item  | Implementation Status |    |  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|--|
|  | Yes                   | No | Abstract Illustration  |  |
|  |                       |    | meeting minutes of meetings of the Board of Directors and shareholders (agenda and meeting minutes for the meeting of the Board of Directors, meeting handbooks for shareholders' meetings of English and Chinese versions, and annual reports of shareholders' meetings of English and Chinese versions), conducting tasks related to investor relations (two investor conferences), arranging for continuing education for directors, arranging meeting for independent directors, accountants and auditing managers (two times for each position), and reporting the implementation to directors once an annual period. The implementation of the Company's corporate governance in 2017 was reported to the Board of Directors on February 23, 2018. |  |
| 5. Does the Company set up channels of communication with stakeholders (including but not limited to its shareholders, employees, clients, and suppliers), designate a stakeholders section on its website, and properly reply to any major issues which stakeholders are concerned about regarding the corporate social responsibility? | ✓                     |    | The Company has designate a stakeholders section on its website (( <a href="https://www.tonslight.com/tw/stakeholder/">https://www.tonslight.com/tw/stakeholder/</a> ) to facilitate an open and two-way channel of communication with shareholders and to properly reply to any issues which all stakeholders are concerned about. The stakeholders of the Company shall refer to internal or external groups or individuals that may affect the Company or be affected by the Company, including employees, clients, suppliers, investors, government organizations, and communities/non-government/non-profit organizations.  | None   |
| 6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?  | ✓                     |    | The Company designates Horizon Securities CO., LTD. to deal with shareholder affairs.  | None   |

| Evaluation Item   | Implementation Status |    |   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|---|--|
|   | Yes                   | No | Abstract Illustration   |  |
| <p>7. Information Disclosure</p> <p>(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?</p> <p>(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</p>                 | <p>✓</p> <p>✓</p>     |    | <p>(1) The Company has a corporate website (<a href="http://www.tonslight.com/tw">http://www.tonslight.com/tw</a>) to disclose both financial standings and the status of corporate governance. Such information is also disclosed in the Market Observation Post System according to laws.</p> <p>(2) The Company has multiple ways of disclosing information, including appointing designated people to handle information collection and disclosure, building an English website and creating a spokesman system. In addition, the Company held two investor conferences (on November 23, 2017 and December 21, 2017) in a year.</p> | <p>None</p> <p>None</p>  |
| <p>8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer</p> | <p>✓</p>              |    | <p>The Company established the Remuneration Committee on December 28, 2011 and appointed 3 independent directors to serve as the members of the Remuneration Committee and operate in accordance with the Articles of Association of the Remuneration Committee.</p> <p>Other important information to facilitate a better understanding of the company’s corporate governance practices is described as follows (such as employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk</p>                              | <p>None</p>  |



| Evaluation Item  | Implementation Status |    |  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|--|
|  | Yes                   | No | Abstract Illustration  |  |
| relations policies, and purchasing insurance for directors and supervisors)? |                       |    | <p>management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors):</p> <ol style="list-style-type: none"> <li>1. The Company values the labor relation. In addition to employee rights set up in accordance with the Labor Standards Act and related laws and regulations, the Company also established the Employee Welfare Committee and the Supervisory Committee of Workers' Retirement Fund to handle employees' welfare and retirement funds. The employees' rights and welfare are maintained and implemented according to laws.</li> <li>2. The Company has maintained a good relationship with customers, suppliers, financial institutions and shareholders.</li> <li>3. The Company's directors participated in training courses on corporate governance for 81 hours in 2017.</li> <li>4. The Company has instituted internal management policies and implemented the risk evaluation of each operation before drafting the next year's audit plan at the end of the year. The result of risk evaluation and the audit plan in 2018 were submitted to the independent directors for discussion in the internal audit meeting held on November 03, 2017 and December 18, 2017.</li> <li>5. The Company has purchased the liability insurance for</li> </ol> |  |

| Evaluation Item  | Implementation Status |    |  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|--|
|  | Yes                   | No | Abstract Illustration  |  |
|  |                       |    | directors and supervisors at the amount of USD2 million and reported it to the Board of Directors on November 3, 2017. |  |
| <p>9. Explain the improvements made based on the evaluation results of the corporate governance published by Taiwan Stock Exchange Corporate Governance Center and the prioritized matters to be improved and the measures to be taken.</p> <p>The Company obtains the top 5% ranking of 3rd corporate governance evaluation, matters lower than the index and improved in the 4th evaluation:<br/> 1. An English annual report shall be uploaded 7 days prior to the annual shareholders’ meeting; 2. the Audit Committee shall be established according to regulations; 3. the Board of Directors shall include at least 1 female director; 4. major information shall be reported in both Chinese and English at the same time; and 5. an exclusively dedicated (concurrently dedicated) unit in charge of promoting corporate social responsibilities shall be established to explain its operation and implementation in the annual report and on the Company’s website..</p> <p>The Company continues to obtain the top 5% ranking of 4th corporate governance evaluation. Prioritized matters to be reviewed and improved for items which 5th corporate governance evaluation index:<br/> 1. Delegate full-time personnel to corporate governance with responsibility in corporate governance related affairs and describing the operation and execution status of delegated unit on the annual report and company website. 2. The company annual report shall disclose the connection between the director performance evaluation and salary remuneration. 3. Call for at least one investor conference quarterly or call for the investor conference based on the quarterly operation status. 4. Formulate the policy of human right protection with consideration of International Bill of Human Rights and disclose such information on the annual report or company website. 5. Formulate the policy to appropriately reflect management performance or outcome on employee salary and disclose such information on the annual report or company website. 6. The company website or annual report will disclose the establishment of policy on ethical corporate management with development of specific practice and proposals for preventing unethical conducts.</p> |                       |    |  |  |

### 3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' and executives' compensation.

#### A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

| Title                | Criteria          | Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience   |   |   | Independence Criteria (Note) |   |   |   |   |   |   |   | Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member | Remarks |
|----------------------|-------------------|--|---|---|------------------------------|---|---|---|---|---|---|---|---|---------|
|                      |                   | An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university | A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company | Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company | 1                            | 2 | 3 | 4 | 5 | 6 | 7 | 8 |   |         |
| Independent Director | YUAN, JIAN-CHUAN  | ✓  |   | ✓   | ✓                            | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 3   |         |
| Independent Director | HSU, CHUNG-YUAN   | ✓  | ✓   | ✓   | ✓                            | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1   |         |
| Independent Director | CHOU, LIANG-CHENG |  | ✓   | ✓   | ✓                            | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1   |         |

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates, except for independent directors set up by the Company or its parent company or subsidiaries in accordance with the laws or local laws and regulations.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds

5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.

6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not a person of any conditions defined in Article 30 of the Company Law.

### **B. Attendance of Members at Remuneration Committee Meetings**

There are 3 members in the Remuneration Committee. A total of 4 (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

| Title            | Name                | Attendance in Person(B) | By Proxy | Attendance Rate (%) 【 B / A 】 | Remarks                  |
|------------------|---------------------|-------------------------|----------|-------------------------------|--------------------------|
| Convener         | YUAN, JIAN-CHUAN    | 3                       | 1        | 75.00%                        | Re-elected               |
| Committee Member | CHIANG, HSIANG-TSAI | 1                       | 0        | 100.00%                       | Left on May 26, 2017     |
| Committee Member | HSU, CHUNG-YUAN     | 4                       | 0        | 100.00%                       | Re-elected               |
| Committee Member | CHOU, LIANG-CHENG   | 3                       | 0        | 100.00%                       | Elected on June 30, 2017 |

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

### 3.3.5 Corporate Social Responsibility

| Evaluation Item  | Implementation Status |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Abstract Explanation   |   |
| 1. Corporate Governance Implementation   |                       |    |  |   |
| (1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?   | ✓                     |    | (1) The Company has instituted the Corporate Social Responsibility Best Practice Principles on April 27, 2012 and included the corporate social responsibility in its directions for business operation and development. For the purpose of perfecting the corporate governance, the corporate governance structure and ethical standards were established in accordance with the Code of Ethical Conduct.   | None  |
| (2) Does the company provide educational training on corporate social responsibility on a regular basis?   | ✓                     |    | (2) The Company promoted corporate social responsibilities in major meetings and on the intranet.  | None  |
| (3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board? | ✓                     |    | (3) The Company has established the dedicated unit in charge of proposing the corporate social responsibility policies. Department of Administration serves as the concurrently dedicated unit in charge of promoting corporate social responsibilities proposing and implementing of CSR policies or organization, and reporting the result of implementation to the Board of Directors once every year. The result of implementing the 2017 social responsibility was reported to the Board of Directors on February 23, 2018. | None  |

| Evaluation Item  | Implementation Status |    |   | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|---|---|
|  | Yes                   | No | Abstract Explanation  |   |
| (4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system? | ✓                     |    | (4) The Company has specified the employee performance appraisal system and the reward and disciplinary system in the Regulations Governing Performance Operations and the Code of Ethical Conduct in order to fulfill its corporate social responsibility policy.  | None  |
| 2. Sustainable Environment Development   |                       |    |   |   |
| (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?  | ✓                     |    | (1) The Company has authorized qualified suppliers to be in charge of waste recycling and handling. The Company also set up recycling bins to collect resources and advised employees on recycling.   | None  |
| (2) Does the company establish proper environmental management systems based on the characteristics of their industries?   | ✓                     |    | (2) According to the Company’s operational guidelines and EU regulations, environmentally hazardous substances, such as lead, cadmium, mercury, hexavalent chromium, brominated flame retardants - PBBs and PBDEs and other hazardous substances, were prohibited from using in products to inhibit the damage to the environment and society caused in the product life cycle. With the Company’s design and inspection, products met the requirements of RoHS. The Company will continue to comply with RoHS. | None  |

| Evaluation Item   | Implementation Status |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|--|---|
|   | Yes                   | No | Abstract Explanation   |   |
| (3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction? | ✓                     |    | (3) In summer, the Company controlled the air conditioning temperature and used LED lighting to achieve the goal of energy conservation and carbon reduction. The factory instituted the Regulations Governing Consumption of Water, Electricity and Gas, which specify the method of management and responsible unit, and set up the annual goal of reduction by 1 % in 2019. Every month, the administration unit provided the actual consumption for the review and analysis of abnormal conditions. At the same time, energy-efficient projects for solar and air-source water heaters in the employees’ dorms, and old factory air compressors replacement and vibration finishing wastewater recycling projects had been completed in this year. In addition, the project for recycling wastewater of vibratory grinding machines was evaluated to achieve the goal of energy conservation and carbon reduction. | None  |
| 3. Preserving Public Welfare<br><br>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?           | ✓                     |    | (1) 1. The Company appointed employees to participate in training courses on labor laws and regulations from time to time and reviewed its management procedures afterward.<br>2. The Company understood employees’ needs through  | None  |

| Evaluation Item  | Implementation Status |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Abstract Explanation   |   |
| (2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?                               | ✓                     |    | <p>executive meetings and labor conferences or seminars in order to protect their interests.</p> <p>3. The Company established the document management website to propose its policies and laws and regulations instantly.</p> <p>(2) The Company has set up an opinion box, which serves as a channel of employee’s complaints in order to improve the labor relation. The Company handled complaints in accordance with the Employee Work Rules.</p>   | None  |
| (3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis? | ✓                     |    | <p>(3) Every year, the Company organizes related activities on a regular basis. Public safety inspections for buildings (in August), fire safety and life rescue (first aid) lectures (in September), employee health speeches (in November) and building fire inspections (in December) are provided in 2017 to ensure a safe and healthy working environment. The factory instituted the Regulations Governing Safety and Health Control, which was approved by the President. The Responsibility for Safe Production was implemented to clarify each department’s responsibility for safe production. This year, seminars on fire safety and 6S for a total of 453 hours were organized for China-based employees to improve their awareness of fire safety; according to the China’s Regulations Governing Prevention and Control of</p> | None  |



| Evaluation Item  | Implementation Status |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Abstract Explanation   |   |
| (4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them? | ✓                     |    | Occupational Diseases, workers holding special posts shall participate in the health examination every year to prevent occupational diseases. In addition, the Company has completed the construction of paint exhaust control and has installed plasma photocatalyst purifiers to provide a safe working environment for paint workers.<br>(4) The Company held an employer-labor meeting as a communication channel with employees on a regular basis in order to facilitate labor relations. In addition, the Company held the operational management meeting to allow employees to understand the Company’s operation. | None  |
| (5) Does the company provide its employees with career development and training sessions?  | ✓                     |    | (5) The Company encouraged employees to participate in in-service training sessions and job rotation to build up their competences and the second specialty. Every year, each department has a budget for training sessions to achieve the goal of employee training.  | None  |
| (6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?                               | ✓                     |    | (6) To improve customer satisfaction, the Company complied with national safety regulations and ISO specifications covering every stage from R&D to sales. The Company also set up the regulations governing handling of customer complaints, which specify how to handle appeals and  | None  |

| Evaluation Item  | Implementation Status |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Abstract Explanation   |   |
| (7) Does the company advertise and label its goods and services according to relevant regulations and international standards?   | ✓                     |    | complaints against products, proposals or customer dissatisfaction. In addition, the Company will hold a survey of customer satisfaction every year to understand the level of recognition and opinions and issues provided by customers and to facilitate the relationship between the Company and customers.<br>(7) The Company sold and labeled its products according to the requirements of customers’ countries, such as safety requirements and RoHS. | None  |
| (8) Does the company evaluate the records of suppliers’ impact on the environment and society before taking on business partnerships?  | ✓                     |    | (8) Before evaluating suppliers, the Company will consider their responsibilities for products produced in the past and the performance of social responsibilities.  | None  |
| (9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society? |                       | ✓  | (9) The contracts between the Company and its major suppliers did not include the termination clauses. In the future, the Company will include such termination clauses in the contracts based on actual needs.  | Included in the terms of the contract according to the actual situation.  |

| Evaluation Item  | Implementation Status |    |   | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|---|---|
|  | Yes                   | No | Abstract Explanation  |   |
| 4. Enhancing Information Disclosure<br>(1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?   | ✓                     |    | The Company did not compile the report on the corporate social responsibility but has disclosed its corporate social responsibility in the annual report. | None  |
| 5. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation:<br>The Company has established its Corporate Social Responsibility Best Practice Principles according to the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and operated for the purpose of fulfilling its corporate social responsibility.   |                       |    |   |   |
| 6. Other important information to facilitate better understanding of the company’s corporate social responsibility practices :<br><ol style="list-style-type: none"> <li>1. The Company has established the environmental protection system to meet the local regulations of wastewater arising from production and has invested in the project for the wastewater treatment, including automated improvement in wastewater and phosphorus and chromium removal. The Company also purchased the wastewater inspection equipment to check the compliance before emission. In addition, the Company has invested in the projects for the reduction in exhaust and hazardous waste.</li> <li>2. The Company has instituted the ISO14001 Handbook for Control of Quality and Environmentally Hazardous Substance to meet the local regulations in terms of environment, safety and health. Every year, the Company arranges the occupational health examination for workers that are likely to be exposed to occupational hazards and obtains the summary report on the occupational health examination.</li> <li>3. The Company has established the ACW-003 Guidelines for Supplier Control, Evaluation, and Assessment and the Environmental Protection Proposal, which require suppliers to comply with environmental laws and regulations, and upholds the policy of prevention and control in terms of environmental protection and safety.</li> <li>4. In response to environmental protection, the Company required that employees should replace paper with electronic files and take good advantage of recycled paper.</li> </ol> |                       |    |   |   |

| Evaluation Item   | Implementation Status |    |                      | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|----------------------|---|
|   | Yes                   | No | Abstract Explanation |   |
| <p>5. Regarding other social responsibilities and social welfare, The Company sponsored a prize worth 100,000 NTD for the 3<sup>rd</sup> creative lights design competition jointly organized by TILLA, Electronic and Optoelectronic System Research Laboratories of ITRI, TOSIA and TLFEA on March of 2017 for encouraging talents that design outstanding lighting devices. In May of 2017, the Company sponsored Nanzhuang Embroidery Festival 100,000 NTD to support local tourism industry. In July of 2017, the Company sponsored “2017 TAID Interior Design International Forum” held by TAID 50,000 NTD to condense consensus among the interior design community in Taiwan for declaring to the world the matureness of Taiwan's interior design capacity. In October of 2017, the Company donated lamps to MoNTUE for the promotion of art and aesthetics cultivation among citizens. In October of 2017, the Company donated National Chengchi University an academic fund worth 200,000 NTD. In October of 2017, the Company donated 100,000 NTD to the Andrew Center of Catholic Church and 100,000 NTD to Andrew Yi-feng Garden Construction Fund in Hualien, respectively. In November of 2017, the Company donated 250,000 NTD to the Chung Tai Chan Monastery. In 2017, the Company cooperated with the NTUST to complete the museum's aesthetic lighting research project with a transfer of technology of 850,000 NTD to enhance the lighting design quality of the museum. In March of 2018, the Company continued to sponsor the creative lights design competition 50,000 NTD. In March of 2018, the Company donated lighting products worth of 126,908 NTD to TAFAM for using them at Taiwan Pavilion of La Biennale di Venezias for illumination of Taiwanese features, and the Company would continue to fulfill its corporate social responsibility through practical actions.</p> |                       |    |                      |   |
| <p>7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions:<br/>According to the Company’s operational guidelines and EU regulations, environmentally hazardous substances and other hazardous substances were prohibited from using in products to inhibit the damage to the environment and society caused in the product life cycle.</p>  |                       |    |                      |   |

### 3.3.6 Ethical Corporate Management

| Evaluation Item   | Implementation Status |    |  | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|--|--|
|   | Yes                   | No | Abstract Illustration  |  |
| <p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p> <p>(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</p> | <p>✓</p> <p>✓</p>     |    | <p>(1) The Company has established the Ethical Corporate Management Best Practice Principles, which were approved in the shareholders’ meeting on May 23, 2011, and has disclosed the Principles on its website and Market Observation Post System.</p> <p>(2) The Company has established the Procedures for Ethical Management and Guidelines for Conduct to prevent unethical conduct and deal with receipt of illegal benefits. The Company proposed the ethical management policy through training, combined the policy with the evaluation of employees’ performance, and set up the clear and effective reward and disciplinary policy. Anyone may file appealing to independent directors, managers of internal auditors, spokesmen or representatives of labor-management meeting when discovering any act violating integrity, which, upon verification, will impose the punishments</p> | <p>None</p> <p>None</p>  |

| Evaluation Item   | Implementation Status |    |   | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|---|--|
|   | Yes                   | No | Abstract Illustration   |  |
| (3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies? | ✓                     |    | <p>in accordance with internal policies and related laws and regulations.</p> <p>(3) Regarding business activities involving high-potential unethical conducts within the Company’s scope of business, individual employees are required to sign the labor contracts and major proposals are resolved by the Board of Directors in accordance with laws and the avoidance of conflicts of interest to ensure that decisions are made publicly and transparently. Gifts or cash given by clients or suppliers shall be handed over to Administration Department. Private receipt is not allowed.</p> | None   |
| 2.Fulfill operations integrity policy<br><br>(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?   | ✓                     |    | <p>(1) Before developing a commercial relationship with another party in commercial dealings, the Company shall evaluate the legality and ethical management policy of the party and ascertain whether the party has a record of involvement in unethical conduct, in order to ensure that the party conducts business in a fair and</p>  | None   |

| Evaluation Item  | Implementation Status |    |  | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|--|
|  | Yes                   | No | Abstract Illustration  |  |
| (2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity? | ✓                     |    | transparent manner and will not request, offer, or take bribes.<br>(2) The Company has designated Administration Department as the concurrently dedicated unit in charge of the making and implementing of integrity management policy prevention plans, and reporting the result of implementation to the Board of Directors once a year on a regular basis. The implementation of corporate integrity in 2017 was reported to the Board of Directors on December 18, 2017. | None   |
| (3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?     | ✓                     |    | (3) When the Company’s director attending or present at a board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting, that director shall recuse himself or herself from any discussion and voting, where there is a likelihood that the interests of this Corporation would be prejudiced. In 2017, some directors had a stake in 3 proposals at the board meeting and recused themselves from the voting.                         | None   |
| (4) Has the company established effective systems for both accounting and internal   | ✓                     |    | (4) The Internal Audit Room audited the implementation of  | None   |

| Evaluation Item  | Implementation Status |    |  | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|--|
|  | Yes                   | No | Abstract Illustration  |  |
| <p>control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?</p> <p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p> | ✓                     |    | <p>the Company’s accounting system, internal control system, and ethical management in accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies and the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p> <p>In addition, lighting imported by the Company was tested and certified by the Electronics Testing Center to ensure the safety of lighting. In 2017, the following items were certified additionally: 16 LED chandelier models and 3 additional series of category 2 recessed lights series, the certification operation would be conducted by the Department of Materials..</p> <p>(5) The Company promoted corporate social responsibilities in major meetings and on the intranet.</p> | None   |
| <p>3.Operation of the integrity channel</p> <p>(1) Does the company establish both a reward/punishment system and an</p>   | ✓                     |    | <p>(1) The Company has established the Regulations Governing Handling of Reported Illegal and Unethical</p>  | None   |



| Evaluation Item   | Implementation Status |    |  | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|--|--|
|   | Yes                   | No | Abstract Illustration  |  |
| <p>integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?</p> <p>(3) Does the company provide proper whistleblower protection?</p> | <p>✓</p> <p>✓</p>     |    | <p>or Dishonest Cases and set up the unit in charge (spokesman, labor conference representative, and audit supervisor) based on the nature of reported cases. The informant may report a case in person, by phone or by letter. If the case is verified to be true, the related persons will be punished and the informant will be rewarded appropriately.</p> <p>(2) According to Article 5 of the Reporting Regulations, if a case is reported with the informant’s name and information required for verification through the channel specified in the Regulations, the unit in charge shall hold the entire process of the investigation confidential.</p> <p>(3) The unit in charge shall hold the process of handling the case confidential and carry out the investigation through a separate channel. The unit in charge is also required to keep documents and files used in the investigation in good condition and protect the identity of the informant.</p> | <p>None</p> <p>None</p>  |

| Evaluation Item   | Implementation Status |    |  | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|--|--|
|   | Yes                   | No | Abstract Illustration  |  |
| 4. Strengthening information disclosure<br>(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS? | ✓                     |    | The Company disclosed its Ethical Corporate Management Best Practice Principles and corporate governance on the company’s website and appointed a dedicated person to post information on the Company’s website ( <a href="http://www.tonslight.com/tw/csr/">http://www.tonslight.com/tw/csr/</a> ). The Company also set up the spokesperson system, which keeps shareholders, stakeholders, and competent authorities updated at any time. | None   |
| 5.Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation.<br>There have been no differences.                              |                       |    |  |  |
| 6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies).None.                      |                       |    |  |  |

### **3.3.7 Corporate Governance Guidelines and Regulations**

Please refer to the Company's website at <http://www.tonslight.com/tw>

### **3.3.8 Other Important Information Regarding Corporate Governance**

The Company has instituted the Procedures for Handling Major Internal Information, which were approved by the Board of Directors on May 15, 2009 and specify that directors, supervisors, managers, and employees shall not disclose to others the major internal information which they are aware of, or make an inquiry about major internal information or collect undisclosed major internal information that is irrelevant with their personal duties with those who are aware of such information and that directors, supervisors, managers, and employees shall not disclose to others undisclosed major internal information which they are aware of due to reasons other than the performance of their duties.

Newly-hired employees of the Company were enrolled in the training program and the Procedures for Handling Major Internal Information were posted on the Intranet (document and information sharing system/internal control regulations) for reference. The Procedures were proposed in business meetings from time to time. Newly-elected managers, directors, and supervisors would receive regulation-related documents by e-mail to avoid the insider trading.

To fulfill CSR utmost, the Company had established a CSR organization structure in February of 2017. It has separately arranged and assigned work functions for corporate governance, customer care, environmental protection, and employee and social care issues.

### **3.3.9 Internal Control Systems**

Please refer to page 38 of the Chinese annual report.

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

| Date       | Item          | Major resolutions   |
|------------|---------------|---|
| 02.24,2017 | Board meeting | <ol style="list-style-type: none"> <li>1. Adopted the proposal for the distribution of the 2016 remuneration of employees, directors, and supervisors.</li> <li>2. Adopted the proposal for the distribution of the 2016 managers' bonuses.</li> <li>3. Adopted the proposal for the distribution of 2016 special incentives.</li> <li>4. Adopted the proposal for establishing the date of the issuance of new common stock converted from the employee stock option certificates.</li> <li>5. Adopted the proposal for the 2016 statement of the internal control system.</li> <li>6. Adopted the proposal for the 2016 business report, individual financial statements and consolidated financial statements.</li> <li>7. Adopted the proposal for the distribution of the 2016 earnings.</li> <li>8. Adopted the proposal for the issuance of new shares from shareholders' bonuses by the 2016 earnings.</li> <li>9. Adopted the proposal for the amendment to the Company's Articles of Incorporation.</li> <li>10. Adopted the proposal for the amendment to the Procedures for the Acquisition and Disposal of Assets.</li> <li>11. Adopted the proposal for the formulation of the Articles of Association of the Audit Committee.</li> <li>12. Adopted the proposal for the nomination of candidates and the election of the 9th directors.</li> <li>13. Adopted the proposal for the list of candidates for the 9th directors.</li> <li>14. Adopted the proposal for the convention of the 2017 annual shareholders' meeting.</li> <li>15. Adopted the proposal for the line of credit applied with Bank SinoPac.</li> <li>16. Adopted the proposal for the endorsement and guarantee of the sub-subsidiary GREATSUPER TECHNOLOGY LIMITED.</li> <li>17. Adopted the proposal for the increase in the amount of investment in Shanghai TONS LIGHOLOGY Inc..</li> </ol> |

| Date       | Item                         | Major resolutions  |
|------------|------------------------------|--|
| 04.07,2017 | Board meeting                | <ol style="list-style-type: none"> <li>1. Adopted the proposal for the list of candidates for the 9<sup>th</sup> directors and independent directors.</li> <li>2. Adopted the proposal for the release of new directors from non-competition restrictions.</li> <li>3. Adopted the proposal for the increase in the investment in the common stock of StrongLED Lighting Systems (Cayman) Co., Ltd..</li> </ol>  |
| 05.26,2017 | Shareholders' meeting (Note) | <ol style="list-style-type: none"> <li>1. Recognized the 2016 business operating and financial reports.</li> <li>2. Recognized the distribution of earnings of 2016.</li> <li>3. Amendment of "Articles of Incorporation" of the Company.</li> <li>4. Election of the 7 seats of the 9<sup>th</sup> Board of Directors (including 3 seats of independent directors).</li> <li>5. Amendment of "Procedures for Acquisition and Disposal of Assets" of the Company.</li> <li>6. Proposal of issuing new shares with shareholders' bonuses by earnings.</li> <li>7. Proposal of relieving the restrictions of non-compete clause on newly-elected directors.</li> </ol> |
| 05.26,2017 | Board meeting                | <ol style="list-style-type: none"> <li>1. Mandatory president election due to complete re-election of directors.</li> </ol>  |
| 06.30,2017 | Board meeting                | <ol style="list-style-type: none"> <li>1. Approved the proposal of the distribution of cash dividends and the issuance of new shares by earnings of the Company.</li> <li>2. Approved the proposal of applying for credit applying for credit lines to The Shanghai Commercial &amp; Savings Bank by the Company.</li> <li>3. Approved the appointment of members for the 3<sup>rd</sup> Remuneration Committee of the Company.</li> </ol>   |
| 07.28,2017 | Board meeting                | <ol style="list-style-type: none"> <li>1. Approved the proposal of the 2016 separate distribution of remuneration to directors and supervisors.</li> <li>2. Approved the proposal of 2016 amount of employee remuneration for managers.</li> <li>3. Approved the proposal of 2016 amount of special incentives for managers.</li> <li>4. Approved the proposal of applying for credit applying for credit lines to E.SUN Commercial Bank by the Company.</li> <li>5. Approved the amendment of "Regulations Governing the</li> </ol>   |

| Date       | Item          | Major resolutions   |
|------------|---------------|---|
|            |               | <p>Remuneration and Rewards of Directors” of the Company.</p> <p>6. Approved the amendment of the Company's “Endorsement Procedures”.</p> <p>7. Approved the amendment of the Company’s “Fund Lending and Operation Procedures”.</p> <p>8. Approved the proposal of increase in investment to “Grand Canyon LED Lighting Systems” and “HEP Group”.</p>  |
| 11.03,2017 | Board meeting | <p>1. Approved the proposal of the amendment of the Company's “Procedures for Acquisition or Disposition of Assets”.</p> <p>2. Approved the proposal of the amendment of the Company's “Rules of Procedure for Shareholders Meetings”.</p> <p>3. Approved the amendment of “Regulations Governing the Elections of Directors” of the Company.</p> <p>4. Approved the proposal of abolishment of “Regulations Governing the Authority Scope of Supervisors” of the Company.</p> <p>5. Approved proposal of amendment of the Company’s related regulations due to the establishment of the Audit Committee and request from the competent authority.</p> <p>6. Approved the amendment of the Company's internal control system and partial auditing system.</p> |
| 12.18,2017 | Board meeting | <p>1. Approved the proposal of 2018 annual budget.</p> <p>2. Approved the proposal of applying for credit applying for credit lines to Mega International Commercial Bank by the Company.</p> <p>3. Approved the proposal of 2018 audit projects.</p> <p>4. Approved the proposal of launch of incentives reserves for employees.</p> <p>5. Approved the amendment of the Company's "Organizational Regulations for the Remuneration Committee".</p>  |
| 02.23,2018 | Board meeting | <p>1. Approved the proposal of the separate performance appraisal to directors and managers and the relevance and reasons of the contents and amounts of remuneration.</p> <p>2. Approved the proposal of distribution of 2017 remuneration of employees, directors and supervisors.</p> <p>3. Approved the proposal of distribution of 2017 managers’ bonuses.</p> <p>4. Approved the proposal of the 2017 incentives reserves for the Company’s employees.</p>  |

| Date       | Item          | Major resolutions  |
|------------|---------------|--|
|            |               | 5. Approved the amendment of “Regulations Governing the Remuneration and Rewards of Directors” of the Company.<br>6. Approved the proposal of remittance of earnings from the major subsidiary of the Company, Zhongshan Titan lighting Co.,Ltd.<br>7. Approved the proposal of record date for issuance of new shares by common stock exchanged from employee stock option certificates.<br>8. Approved the 2017 annual internal control system statement.<br>9. Approved the Company's 2017 annual business operating report, individual statement and consolidated financial reports.<br>10. Approved of the proposal of the distribution of 2017 earnings of the Company.<br>11. Approved of the proposal of call for 2017 Shareholders’ Meeting.<br>12. Approved the proposal of changing and professional fees of CPA. |
| 04.13,2018 | Board meeting | 1. Approved the amendment of “Articles of Incorporation” of the Company.<br>2. Approved the proposal of amendment of “Payroll List” of the Company.<br>3. Approved of the proposal of call for 2018 Shareholders’ Meeting (adding additional discussion items).<br>4. Proposal of applying for credit lines to Bank SinoPac by the Company.  |

Note : Implementation of the resolutions of the annual shareholders’ meeting:

1. For the proposal for the distribution of earnings and the issuance of new shares from shareholders’ bonuses by earnings, the ex-right (ex-dividend) date was resolved to be July 24, 2017 by the Board of Directors on June 30, 2017. The earnings and new shares were distributed and issued on August 23, 2017 (the stock dividend and cash dividend distributed per share are NT\$0.1 and NT\$2.6 respectively). The registration of the change in the issuance of new shares was approved by New Taipei City Government on August 04, 2017.
2. The amendment of “Articles of Incorporation” was posted on the Company's official website after being approved by the shareholders' meeting. New Taipei City Government granted the application of changes of registration on June 8, 2017 which would be implemented according to the amended “Articles of Incorporation”.
3. The election of the President was completed on May 26, 2017 by the 9<sup>th</sup> Board of Directors which was re-election, and the information of directors was promptly posted on the Company's official

website and the Company had obtained the grants for the changes of registration from New Taipei City Government on June 8, 2017.

4. "Procedures for Acquisition and Disposal of Assets" were posted promptly on the Company's official website and the Company after being approved by the shareholders' meeting and would be implemented according to the amended contents.

### 3.3.11 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

None

### 3.3.12 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D

None

## 3.4 Information Regarding the Company's Audit Fee and Independence

### 3.4.1 Audit Fee

| Accounting Firm                  | Name of CPA       |                  | Period Covered by CPA's Audit | Remarks |
|----------------------------------|-------------------|------------------|-------------------------------|---------|
| PricewaterhouseCoopers<br>Taiwan | WANG,<br>YU-CHUAN | HUNG,<br>SHU-HUA | 2017.01.01~2017.12.31         |         |

Note: If the Company has changed CPA or Accounting Firm during the current fiscal year, the company shall report the information regarding the audit period covered by each CPA and the replacement reason.

Unit: NT\$ thousands

| Fee Range |                                | Fee Items | Audit Fee | Non-audit Fee | Total |
|-----------|--------------------------------|-----------|-----------|---------------|-------|
| 1         | Under NT\$ 2,000,000           |           |           | 730           |       |
| 2         | NT\$2,000,001 ~ NT\$4,000,000  |           | 3,500     |               |       |
| 3         | NT\$4,000,001 ~ NT\$6,000,000  |           |           |               | 4,230 |
| 4         | NT\$6,000,001 ~ NT\$8,000,000  |           |           |               |       |
| 5         | NT\$8,000,001 ~ NT\$10,000,000 |           |           |               |       |
| 6         | Over NT\$100,000,000           |           |           |               |       |



Unit: NT\$ thousands

| Accounting Firm               | Name of CPA    | Audit Fee | Non-audit Fee    |                      |                |        | Subtotal | Period Covered by CPA's Audit | Remarks                                     |
|-------------------------------|----------------|-----------|------------------|----------------------|----------------|--------|----------|-------------------------------|---|
|                               |                |           | System of Design | Company Registration | Human Resource | Others |          |                               |   |
| PricewaterhouseCoopers Taiwan | WANG, YU-CHUAN | 3,500     |                  |                      |                |        | 3,500    | 2017.01.01~2017.12.31         | Quarterly report, annual report, tax return |
|                               | HUNG, SHU-HUA  |           |                  |                      |                |        |          |                               |   |
| PricewaterhouseCoopers Taiwan | LEE, PEI-HSUAN |           |                  | 260                  |                |        | 260      | 2017.01.01~2017.12.31         | Registration of change                      |
| PricewaterhouseCoopers Taiwan | LEE, PEI-HSUAN |           |                  |                      |                | 420    | 420      | 2017.01.01~2017.12.31         | Transfer pricing report                     |
| PricewaterhouseCoopers Taiwan | WANG, YU-CHUAN |           |                  |                      |                | 50     | 50       | Not applicable                | Earnings                                    |

### 3.4.2 Replacement of CPA

None

### 3.4.3 Audit Independence

The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2017.

### 3.5 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

| Title   | Name             | 2017                        |                                     | As of April 30, 2018        |                                     |
|---|------------------|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
|   |                  | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Director<br>Chairman<br>General Manager       | TANG,SHIH-CHUAN  | 35,006                      | -                                   | -                           | -                                   |
| Director<br>Executive Vice<br>General Manager | HUNG,CHIA-CHENG  | (35,581)                    | -                                   | (60,000)                    | -                                   |
| Director                                      | TSAI,SHAO-CHUN   | -                           | -                                   | -                           | -                                   |
| Director                                      | CHEN,MING-HSIN   | -                           | -                                   | -                           | -                                   |
| Independent<br>Director                       | YUAN,JIAN-CHUAN  | -                           | -                                   | -                           | -                                   |
| Independent<br>Director                       | HSU,CHUNG-YUAN   | -                           | -                                   | -                           | -                                   |
| Independent<br>Director                       | CHOU,LIANG-CHENG | -                           | -                                   | -                           | -                                   |
| Senior Vice<br>President                      | HU,CHEN-KUANG    | 72,266                      | -                                   | (23,000)                    | -                                   |
| Assistant Vice<br>President                   | WANG,CHIH-YUAN   | 5,950                       | -                                   | 10,500                      | -                                   |
| Assistant Vice<br>President                   | HUANG,YI-PO      | (59,952)                    | -                                   | -                           | -                                   |
| Assistant Vice<br>President                   | KUO,CHUNG-TSU    | (36,548)                    | -                                   | 34,000                      | -                                   |
| Assistant Vice<br>President                   | KUO,CHING-HSING  | 50,884                      | -                                   | (27,000)                    | -                                   |
| Assistant Vice<br>President                   | CHAN,YI-CHEN     | 32,195                      | -                                   | -                           | -                                   |
| Assistant Vice<br>President                   | HUNG,YAO-YANG    | (49,175)                    | -                                   | -                           | -                                   |
| Assistant Vice<br>President                   | LAM, KWOK FAI    | -                           | -                                   | -                           | -                                   |

### 3.5.1 Shares Trading with Related Parties

| Name             | Reason for Transfer | Date of Transaction | Transferee        | Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders | Shares | Transaction Price (NT\$) |
|------------------|---------------------|---------------------|-------------------|---|--------|--------------------------|
| HUNG, CHIA-CHENG | Gift                | 04 18,2017          | HUNG, YU-JOU      | Father and daughter   | 62,000 | -                        |
| HUNG, YAO-YANG   | Gift                | 07 05,2017          | HUNG, HSUAN-CHIEH | Father and daughter   | 60,000 |                          |
| HUANG, YI-PO     | Gift                | 07 07,2017          | HUANG, TZU-YUN    | Father and daughter   | 68,000 |                          |
| HUNG, CHIA-CHENG | Gift                | 04 11,2018          | HUNG, YU-JOU      | Father and daughter   | 60,000 |                          |

### 3.5.2 Shares Pledge with Related Parties

None

### 3.6 Relationship among the Top Ten Shareholders

As of 04/01/2018

| Name                               | Current Shareholding |       | Spouse's/minor's Shareholding |       | Shareholding by Nominee Arrangement |   | Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees |   | Remarks |
|------------------------------------|----------------------|-------|-------------------------------|-------|-------------------------------------|---|--|---|---------|
|                                    | Shares               | %     | Shares                        | %     | Shares                              | % | Name   | Relationship  |         |
| TANG, SHIH-CHUAN                   | 3,535,633            | 8.86% | 1,385,567                     | 3.47% | -                                   | - | 1.YU, HUI-CHEN<br>2.TANG, CHENG-HAN<br>3.TANG, MIN<br>4.TANG,YUN<br>5.YU,WEN-CHANG                           | 1.Spouse<br>2.Father and son<br>3.Father and daughter<br>4.Father and daughter<br>5.brother-in-law (wife's younger brother) | -       |
| Chengmin Investment Corp. (Note 1) | 1,950,182            | 4.89% | -                             | -     | -                                   | - | YU, HUI-CHEN   | Director  | -       |
| TANG, CHENG-HAN                    | 1,588,034            | 3.98% | -                             | -     | -                                   | - | 1.TANG, SHIH-CHUAN<br>2.YU, HUI-CHEN<br>3.TANG, MIN<br>4.TANG,YUN  | 1.Father and son<br>2.Mother and son<br>3.Brother and sister<br>4.Brother and sister  | -       |
| YU, HUI-CHEN (Note 1)              | 1,385,567            | 3.47% | 3,535,633                     | 8.86% | -                                   | - | 1.TANG, SHIH-CHUAN<br>2.TANG, CHENG-HAN<br>3.TANG, MIN<br>4.TANG,YUN<br>5.YU,WEN-CHANG                       | 1.Spouse<br>2.Mother and son<br>3.Mother and daughter<br>4.Mother and daughter<br>5.Elder sister and younger brother        | -       |
| HUNG, CHIA-CHENG                   | 1,200,881            | 3.01% | 512,062                       | 1.28% | -                                   | - | -  | -   | -       |

| Name          | Current Shareholding |       | Spouse's/minor's Shareholding |       | Shareholding by Nominee Arrangement |   | Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees |  | Remarks |
|---------------|----------------------|-------|-------------------------------|-------|-------------------------------------|---|--|--|---------|
|               | Shares               | %     | Shares                        | %     | Shares                              | % | Name   | Relationship   |         |
| TANG, MIN     | 1,191,337            | 2.99% | -                             | -     | -                                   | - | 1.TANG, SHIH-CHUAN<br>2.YU, HUI-CHEN<br>3.TANG, CHENG-HAN<br>4.TANG,YUN                                      | 1. Father and daughter<br>2.Mother and daughter<br>3. Brother and sister<br>4. Sisters | -       |
| TANG, YUN     | 1,145,721            | 2.87% | -                             | -     | -                                   | - | 1.TANG, SHIH-CHUAN<br>2.YU, HUI-CHEN<br>3.TANG, CHENG-HAN<br>4. TANG, MIN                                    | 1. Father and daughter<br>2.Mother and daughter<br>3. Brother and sister<br>4. Sisters | -       |
| LU, HUI-CHUAN | 949,558              | 2.38% | 1,314,838                     | 3.29% | -                                   | - | HUANG, YI-PO   | Spouse   | -       |
| HUANG, YI-PO  | 812,926              | 2.04% | 1,451,470                     | 3.63% | -                                   | - | LU, HUI-CHUAN  | Spouse   | -       |
| YU, WEN-CHANG | 714,352              | 1.79% | -                             | -     | -                                   | - | 1.TANG, SHIH-CHUAN<br>2.YU, HUI-CHEN   | 1.Brother-in-law (husband of elder sister)<br>2.Elder sister and younger brother       |         |

Note 1: YU, HUI-CHEN is the representative of Chengmin Investment Corp.

Note 2: The data shown in the table is as of the book closure date on April 01, 2018. The paid-in share capital is 39,894,803shares.

### 3.7 Ownership of Shares in Affiliated Enterprises

Unit: thousands shares/ %

| Affiliated Enterprises             | Ownership by the Company |        | Direct or Indirect Ownership by Directors, Supervisors, Managers |        | Total Ownership |        |
|------------------------------------|--------------------------|--------|--|--------|-----------------|--------|
|                                    | Shares                   | %      | Shares   | %      | Shares          | %      |
| WORLD EXTEND HOLDING INC.          | 18,333                   | 100.00 | -  | -      | 18,333          | 100.00 |
| TONS LIGHTING CO., LTD.            | -                        | -      | 500  | 100.00 | 500             | 100.00 |
| GREATSUPER TECHNOLOGY LIMITED      | -                        | -      | 28   | 100.00 | 28              | 100.00 |
| LUMINOUS HOLDING INCORPORATED      | -                        | -      | 3,250  | 100.00 | 3,250           | 100.00 |
| TITAN LIGHTING CO., LTD.           | -                        | -      | -  | 100.00 | -               | 100.00 |
| ZHONGSHAN TONS LIGHTING CO., LTD.  | -                        | -      | -  | 100.00 | -               | 100.00 |
| SHANGHAI TONS LIGHTOLOGY CO., LTD. | -                        | -      | -  | 100.00 | -               | 100.00 |
| HONG-BO INVESTMENT CO., LTD.       | 12,500                   | 100.00 | -  | -      | 12,500          | 100.00 |

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Capital

##### A. Issued Shares

As of 04/30/2018, Unit: thousand shares, NT\$ thousands

| Month/<br>Year | Par<br>Value<br>(NT\$) | Authorized Capital |                               | Paid-in Capital |                               | Remark   |  |        |
|----------------|------------------------|--------------------|-------------------------------|-----------------|-------------------------------|--|--|--------|
|                |                        | Shares             | Amount<br>(NT\$<br>thousands) | Shares          | Amount<br>(NT\$<br>thousands) | Sources of Capital   | Capital<br>Increased by<br>Assets Other<br>than Cash | Other  |
| 08/1992        | 1,000                  | 5                  | 5,000                         | 5               | 5,000                         | Establishment  | -  | Note1  |
| 12/2000        | 1,000                  | 20                 | 20,000                        | 20              | 20,000                        | Increase in 15 thousand shares by cash   | -  | Note2  |
| 09/2006        | 10                     | 10,000             | 100,000                       | 10,000          | 100,000                       | Increase in 8,000 thousand shares by cash  | -  | Note3  |
| 12/2006        | 20                     | 14,000             | 140,000                       | 14,000          | 140,000                       | Increase in 4,000 thousand shares by cash  | -  | Note4  |
| 06/2007        | 35                     | 15,000             | 150,000                       | 15,000          | 150,000                       | Increase in 1,000 thousand shares by cash  | -  | Note5  |
| 08/2007        | 75                     | 18,000             | 180,000                       | 18,000          | 180,000                       | Increase in 3,000 thousand shares by cash  | -  | Note6  |
| 11/2007        | 30                     | 24,000             | 240,000                       | 19,000          | 190,000                       | Increase in 1,000 thousand shares by cash  | -  | Note7  |
| 08/2008        | 10                     | 24,000             | 240,000                       | 21,950          | 219,500                       | Increase in 2,660 thousand shares by earnings and 290 thousand shares by employees' bonuses    | -  | Note8  |
| 10/2009        | 10<br>27.49            | 30,000             | 300,000                       | 23,100          | 231,000                       | Increase in 1,097.5 thousand shares by earnings and 52.5 thousand shares by employees' bonuses | -  | Note9  |
| 01/2011        | 63<br>23.5~23.9        | 30,000             | 300,000                       | 25,597          | 255,968                       | Increase in 2,000 thousand shares by cash and 496.8 thousand shares by employee stock options  | -  | Note10 |
| 10/2011        | 10<br>27.18            | 50,000             | 500,000                       | 27,205          | 272,050                       | Increase in 1,535.8 thousand shares by earnings and 72.4 thousand shares by employees' bonuses | -  | Note11 |
| 01/2012        | 21.5~21.8              | 50,000             | 500,000                       | 27,340          | 273,401                       | Increase in 135.1 thousand shares by employee stock options                                    | -  | Note12 |
| 05/2012        | 21.5~21.8              | 50,000             | 500,000                       | 27,499          | 274,989                       | Increase in 158.8 thousand shares by employee stock options                                    | -  | Note13 |

| Month/<br>Year | Par<br>Value<br>(NT\$) | Authorized Capital |                               | Paid-in Capital |                               | Remark   |  |        |
|----------------|------------------------|--------------------|-------------------------------|-----------------|-------------------------------|--|--|--------|
|                |                        | Shares             | Amount<br>(NT\$<br>thousands) | Shares          | Amount<br>(NT\$<br>thousands) | Sources of Capital   | Capital<br>Increased by<br>Assets Other<br>than Cash | Other  |
| 10/2012        | 10<br>28.62            | 50,000             | 500,000                       | 29,218          | 292,183                       | Increase in 1,649.9 thousand shares by earnings and 69.5 thousand shares by employees' bonuses | -  | Note14 |
| 11/2012        | 19.3~25.0              | 50,000             | 500,000                       | 29,424          | 294,249                       | Increase in 206.5 thousand shares by employee stock options                                    | -  | Note15 |
| 04/2013        | 19.60                  | 50,000             | 500,000                       | 29,469          | 294,689                       | Increase in 44 thousand shares by employee stock options                                       | -  | Note16 |
| 06/2013        | 31                     | 50,000             | 500,000                       | 33,399          | 333,989                       | Increase in 3,930 thousand shares by cash  | -  | Note17 |
| 08/2013        | 10                     | 50,000             | 500,000                       | 35,167          | 351,670                       | Increase in 1,768.1 thousand shares by earnings  | -  | Note18 |
| 12/2013        | 22.9                   | 50,000             | 500,000                       | 35,187          | 351,868                       | Increase in 19.8 thousand shares by employee stock options                                     | -  | Note19 |
| 05/2014        | 22.9<br>29             | 50,000             | 500,000                       | 35,246          | 352,456                       | Increase in 58.8 thousand shares by employee stock options                                     | -  | Note20 |
| 08/2014        | 10                     | 50,000             | 500,000                       | 36,303          | 363,029                       | Increase in 1,057.4 thousand shares by earnings  | -  | Note21 |
| 12/2014        | 21.2<br>26.9           | 50,000             | 500,000                       | 36,698          | 366,979                       | Increase in 395 thousand shares by employee stock options                                      | -  | Note22 |
| 03/2015        | 21.2<br>26.9           | 50,000             | 500,000                       | 36,748          | 367,479                       | Increase in 50 thousand shares by employee stock options                                       | -  | Note23 |
| 04/2015        | 21.2<br>26.9           | 50,000             | 500,000                       | 36,961          | 369,609                       | Increase in 213 thousand shares by employee stock options                                      | -  | Note24 |
| 07/2015        | 10                     | 50,000             | 500,000                       | 38,070          | 380,698                       | Increase in 1,108.8 thousand shares by earnings  | -  | Note25 |
| 11/2015        | 24.9                   | 50,000             | 500,000                       | 38,138          | 381,378                       | Increase in 68 thousand shares by employee stock options                                       | -  | Note26 |
| 03/2016        | 24.9<br>24             | 50,000             | 500,000                       | 38,218          | 382,180                       | Increase in 80.25 thousand shares by employee stock options                                    | -  | Note27 |
| 08/2016        | 10                     | 50,000             | 500,000                       | 38,982          | 389,824                       | Increase in 764.36 thousand shares by earnings   | -  | Note28 |
| 11/2016        | 22.7<br>21.9           | 50,000             | 500,000                       | 39,069          | 390,689                       | Increase in 86.5 thousand shares by employee stock options                                     | -  | Note29 |



| Month/<br>Year | Par<br>Value<br>(NT\$) | Authorized Capital |                               | Paid-in Capital |                               | Remark   |  |        |
|----------------|------------------------|--------------------|-------------------------------|-----------------|-------------------------------|--|--|--------|
|                |                        | Shares             | Amount<br>(NT\$<br>thousands) | Shares          | Amount<br>(NT\$<br>thousands) | Sources of Capital   | Capital<br>Increased by<br>Assets Other<br>than Cash | Other  |
| 03/2017        | 22.7<br>21.9<br>23.8   | 50,000             | 500,000                       | 39,418          | 394,176                       | Increase in 348.75 thousand shares by employee stock options | -  | Note30 |
| 08/2017        | 10                     | 50,000             | 500,000                       | 39,812          | 398,118                       | Increase in 394.18 thousand shares by earnings               | -  | Note31 |
| 03/2018        | 21.7                   | 50,000             | 500,000                       | 39,895          | 398,948                       | Increase in 83 thousand shares by employee stock options     | -  | Note32 |

Note 1: The issuance of 5,000 shares with the par value of NT\$1,000 was approved by Reconstruction Department of Taiwan Provincial Government Order (81) Jian-San-Zi No. 332995 dated August 20, 1992. The par value was changed from NT\$1,000 to NT\$10 with the approval of Ministry of Economic Affairs Order Jing-Shou-Zhong-Zi No. 09532806890 dated September 11, 2006.

Note 2: The issuance of 15 thousand shares with the par value of NT\$1,000 was approved by Ministry of Economic Affairs Order Jing-Shou-Zhong-Zi No. 89543100 dated December 15, 2000. The par value was changed from NT\$1,000 to NT\$10 with the approval of Ministry of Economic Affairs Order Jing-Shou-Zhong-Zi No. 09532806890 dated September 11, 2006.

Note 3: 20 thousand shares issued previously were changed to 2,000 thousand shares and the par value of NT\$1,000 was changed to NT\$10 with the approval of Ministry of Economic Affairs Order Jing-Shou-Zhong-Zi No. 09532806890 dated September 11, 2006. Plus the registration of the change in 8,000 thousand shares issued on September 11, 2006, the total number of common stock issued was 10,000 thousand with the par value of NT\$10 and the total paid-in capital of NT\$100,000 thousand.

Note 4: Approved by Ministry of Economic Affairs Order Jing-Shou-Zhong-Zi No. 09533276850 dated December 12, 2006.

Note 5: Approved by Taipei City Government Fu-Jian-Shang-Zi No. 09686097700 dated June 27, 2007.

Note 6: Approved by Taipei City Government Fu-Jian-Shang-Zi No. 09688700200 dated August 28, 2007.

Note 7: Approved by Taipei City Government Fu-Chan-Ye-Shang-Zi No. 09691489300 dated November 8, 2007.

Note 8: Approved by Ministry of Economic Affairs Order Jing-Shou-Zhong-Zi No. 09732843240 dated August 12, 2008.

Note 9: Approved by Ministry of Economic Affairs Order Jing-Shou-Zhong-Zi No. 09833261900 dated October 15, 2009.

Note 10: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1005000963 dated January 21, 2011.

Note 11: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1005064754 dated October 14, 2011.

Note 12: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1015002252 dated January 12, 2012.

Note 13: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1015029007 dated May 18, 2012.

Note 14: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1015061849 dated October 1, 2012.

Note 15: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1015074210 dated November 27, 2012.

Note 16: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1025022702 dated April 23, 2013.

Note 17: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1025038935 dated June 25, 2013.

Note 18: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1025051230 dated August 15, 2013.

Note 19: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1025079090 dated December 23, 2013.

Note 20: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1035150087 dated May 19, 2014.

Note 21: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1035171410 dated August 12, 2014.

Note 22: Approved by New Taipei City Order Bei-Fu-Jing-Deng-Zi No. 1035201178 dated December 12, 2014.

Note 23: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1045134519 dated March 16, 2015.

Note 24: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1045144890 dated April 29, 2015.

Note 25: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1045167748 dated July 31, 2015.

Note 26: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1045195683 dated November 24, 2015.

Note 27: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1055151272 dated March 31, 2016.

Note 28: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1055302995 dated August 16, 2016.

Note 29: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1055325642 dated November 24, 2016.

Note 30: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1068015582 dated March 17, 2017.

Note 31: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1068049364 dated August 04, 2017.

Note 32: Approved by New Taipei City Order Xin-Bei-Fu-Jing-Deng-Zi No. 1078016307 dated March 20, 2018.  
**B. Type of Stock**

As of 04/01/2018

| Share Type    | Authorized Capital |                  |              | Remarks                         |
|---------------|--------------------|------------------|--------------|---------------------------------|
|               | Issued Shares      | Un-issued Shares | Total Shares |                                 |
| Common Shares | 39,894,803         | 10,105,197       | 50,000,000   | Shares of GTSM listed companies |

**C. Information for Shelf Registration**

None

**4.1.2 Status of Shareholders**

As of 04/01/2018

| Item                   | Government Agencies | Financial Institutions | Other Juridical Persons | Domestic Natural Persons | Foreign Institutions & Natural Persons | Total      |
|------------------------|---------------------|------------------------|-------------------------|--------------------------|--|------------|
| Number of Shareholders | -                   | 2                      | 22                      | 5,083                    | 11                                     | 5,118      |
| Shareholding (shares)  | -                   | 51,000                 | 2,933,722               | 36,358,993               | 551,088                                | 39,894,803 |
| Percentage             | -                   | 0.13%                  | 7.35%                   | 91.14%                   | 1.38%                                  | 100.00%    |

**4.1.3 Shareholding Distribution Status**

**A. Common Shares**

As of 04/01/2018

| Class of Shareholding (Unit: Share) | Number of Shareholders | Shareholding (Shares) | Percentage |
|-------------------------------------|------------------------|-----------------------|------------|
| 1 ~ 999                             | 1,591                  | 162,921               | 0.41       |
| 1,000 ~ 5,000                       | 2,734                  | 5,139,546             | 12.88      |
| 5,001 ~ 10,000                      | 386                    | 2,934,522             | 7.36       |
| 10,001 ~ 15,000                     | 129                    | 1,561,439             | 3.91       |
| 15,001 ~ 20,000                     | 65                     | 1,166,094             | 2.92       |
| 20,001 ~ 30,000                     | 66                     | 1,634,644             | 4.10       |
| 30,001 ~ 40,000                     | 37                     | 1,279,035             | 3.21       |
| 40,001 ~ 50,000                     | 26                     | 1,225,140             | 3.07       |
| 50,001 ~ 100,000                    | 36                     | 2,495,994             | 6.26       |
| 100,001 ~ 200,000                   | 24                     | 3,425,741             | 8.59       |
| 200,001 ~ 400,000                   | 12                     | 3,480,274             | 8.72       |
| 400,001 ~ 600,000                   | 2                      | 915,262               | 2.29       |
| 600,001 ~ 800,000                   | 1                      | 714,352               | 1.79       |
| 800,001 ~ 1,000,000                 | 2                      | 1,762,484             | 4.42       |
| 1,000,001 or over                   | 7                      | 11,997,355            | 30.07      |
| Total                               | 5,118                  | 39,894,803            | 100.00     |

## B. Preferred Shares

None

### 4.1.4 List of Major Shareholders

As of 04/01/2018

| Shareholder's Name        | Shares    | Percentage |
|---------------------------|-----------|------------|
| TANG,SHIH-CHUAN           | 3,535,633 | 8.86%      |
| Chengmin Investment Corp. | 1,950,182 | 4.89%      |
| TANG, CHENG-HAN           | 1,588,034 | 3.98%      |
| YU, HUI-CHEN              | 1,385,567 | 3.47%      |
| HUNG, CHIA-CHENG          | 1,200,881 | 3.01%      |
| TANG, MIN                 | 1,191,337 | 2.99%      |
| TANG, YUN                 | 1,145,721 | 2.87%      |
| LU, HUI-CHUAN             | 949,558   | 2.38%      |
| HUANG, YI-PO              | 812,926   | 2.04%      |
| YU,WEN-CHANG              | 714,352   | 1.79%      |

#### 4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

| Items                        |  | 2016                                | 2017          | 01/01/2018-<br>03/31/2018 |   |
|------------------------------|--|-------------------------------------|---------------|---------------------------|---|
| Market<br>Price per<br>Share | Highest Market Price                         | 46.00                               | 37.50         | 50.50                     |   |
|                              | Lowest Market Price                          | 33.80                               | 29.20         | 29.55                     |   |
|                              | Average Market Price                         | 40.58                               | 32.95         | 41.08                     |   |
| Net Worth<br>per Share       | Before Distribution                          | 29.59                               | 29.66         | 39.24                     |   |
|                              | After Distribution                           | 26.72                               | ( Note 1)     | ( Note 1)                 |   |
| Earnings<br>per Share        | Weighted Average Shares<br>(thousand shares) | 39,016                              | 39,796        | 39,875                    |   |
|                              | Diluted Earnings Per Share                   | 3.20                                | 3.04          | 5.69                      |   |
|                              | Adjusted Diluted Earnings Per Share          | 3.17                                | ( Note 1)     | ( Note 1)                 |   |
| Dividends<br>per Share       | Cash Dividends                               | 2.60                                | 2.30( Note 1) | -                         |   |
|                              | Stock<br>Dividends                           | Dividends from Retained<br>Earnings | 0.10          | 0.00( Note 1)             | - |
|                              |  | Dividends from Capital<br>Surplus   | -             | ( Note 1)                 | - |
|                              | Accumulated Undistributed Dividends          | -                                   | ( Note 1)     | -                         |   |
| Return on<br>Investment      | Price / Earnings Ratio (Note 2)              | 12.68                               | 10.84         | -                         |   |
|                              | Price / Dividend Ratio (Note 3)              | 15.61                               | 14.33         | -                         |   |
|                              | Cash Dividend Yield Rate% (Note 4)           | 6.41                                | 6.98          | -                         |   |

Note 1: The proposal for the distribution of the 2017 earnings was resolved and adopted by the Board of Directors on February 23, 2018 and to be resolved and adopted by the shareholders' meeting.

Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

#### 4.1.6 Dividend Policy and Implementation Status

##### A. Dividend Policy

##### 1. Dividend Policy set up in the Company's Articles of Incorporation

Any remaining balance of annual net income shall be appropriated in the following order:

- (1) Offset the deficit.
- (2) Set aside 10% of any remaining balance for legal reserve and set aside or reverse special reserve based on needs.

(3)The remaining balance plus the undistributed earnings of last year is the distributable earnings. The Board of Directors proposes a distribution of earnings in the shareholders' meeting to decide whether to distribute or retain.

The Company is currently at the stage of growth. The Company shall consider the current and future development plans, the investment environment, capital requirements, and competitions at home and abroad while taking care of shareholders' interests and balancing dividends and its long-term financial planning. In addition to the regulations of the distribution of earnings specified in the preceding paragraph, the distribution ratio of shareholders' bonuses shall not be less than 50% of accumulated distributable earnings and shareholders' bonuses shall be issued in the form of shares as a priority; the distribution ratio of bonuses in cash shall not be less than 10% of total shareholders' bonuses. However, the Board of Directors may adjust the distribution ratio depending on the overall operation of the Company and propose it in the shareholders' meeting for resolution.

## **B. Proposed Distribution of Dividend**

The proposal for the distribution of 2017 profits was passed at the meeting of the Board of Directors. The proposal for a cash dividend of NT\$ 2.3 per share will be discussed at the annual shareholders' meeting.

### **4.1.7 Employees', Directors' and Supervisors' Remuneration**

#### **A. Information Relating to Employees' and Directors' and Supervisors' Remuneration in the Articles of Incorporation**

According to Article 23-1 of the Company's Articles of Incorporation:

A company shall distribute 8%~12% of profits of the current year as employees' compensation and up to 2% as the compensation for directors. However, the company's accumulated losses shall have been covered.

A company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive shares or cash, may be set up by the Board of Directors.

The foregoing profit shall refer to pre-tax benefits before deducting compensation for employees, directors and shall be distributed all at a time.

B. The Estimated Basis for Calculating the Employee Bonus and Directors' and Supervisors' Remuneration

The estimated amount of compensation for employees, directors, and supervisors (including that before/after the reelection in 2017) is based on the current pre-tax net profit using the percentage specified in the Company's Articles of Incorporation and shall be recognized as operating expenses. If there is a difference between the actual amount of compensation paid and the estimated amount, the change in the accounting estimate occurs and shall be recognized as the next year's profit or loss.

C. Profit Distribution for Employee Bonus and Directors' and Supervisors' Remuneration for 2016 Approved in Board of Directors Meeting

(1) Recommended Distribution of Employees' and Directors' and Supervisors' Remuneration:

The proposal for the distribution of the 2017 compensation for employees, directors and supervisors was approved by the Board of Directors on February 23, 2018. The compensation distributed to employees, directors and supervisors is as follows:

Unit: NT\$

| Distributed to            | Amount of Distribution Resolved by the Board of Directors (A) | Estimate Recognized as Expense (B) | Difference (A)-(B) | Reason for Difference and Handling |
|---------------------------|---|------------------------------------|--------------------|------------------------------------|
| Employees                 | 12,906,000  | 12,906,000                         | 0                  | N/A                                |
| Directors and Supervisors | 1,936,000   | 1,936,000                          | 0                  | N/A                                |

(2) Ratio of Recommended Employee Stock Remuneration to Capitalization of Earnings:

The employees' compensation not distributed in the form of shares was distributed in the form of cash at the amount of NT\$12,906,000.

D. Information of 2016 Earnings Set Aside for Employee Bonus and Directors' and Supervisors' Remuneration:

There was no difference between the actual amount of the 2016 compensation distributed to employees, directors and supervisors and the estimate.

(1) Compensation distributed to employees: NT\$13,548,000.

(2) Compensation distributed to directors and supervisors: NT\$2,391,000.

#### **4.1.8 Buyback of Treasury Stock**

None

#### **4.2 Bonds**

None

#### **4.3 Global Depository Receipts**

None

## 4.4 Employee Stock Options

### 4.4.1 Issuance of Employee Stock Options

As of 04/30/2018, Unit: NT, Share, %

| Type of Stock Option   | 3 <sup>rd</sup> Tranche (Note 1.2) |                        | 4 <sup>th</sup> Tranche | 5 <sup>th</sup> Tranche |
|--|------------------------------------|------------------------|-------------------------|-------------------------|
| Approval date  | 01.05,2012                         | 01.05,2012             | 09.18,2014              | 12.06,2016              |
| Issue date   | 03.21,2012                         | 12.26,2012             | 11.13,2014              | 12.23,2016              |
| Units issued   | 600,000                            | 70,000                 | 600,000                 | 600,000                 |
| Shares of stock options to be issued as a percentage of outstanding shares(Note 3) | 1.50%                              | 0.18%                  | 1.50%                   | 1.50%                   |
| Duration   | 5 years                            | 5 years                | 5 years                 | 5 years                 |
| Conversion measures  | Issuance of new shares             | Issuance of new shares | Issuance of new shares  | Issuance of new shares  |
| Conditional conversion periods and percentages                                     | 50% over 2 years                   | 50% over 2 years       | 50% over 2 years        | 50% over 2 years        |
|  | 75% over 3 years                   | 75% over 3 years       | 75% over 3 years        | 75% over 3 years        |
|  | 100% over 4 years                  | 100% over 4 years      | 100% over 4 years       | 100% over 4 years       |
| Converted shares   | 434,000                            | 14,000                 | 308,500                 | 0                       |
| Exercised amount   | 10,587,450                         | 317,625                | 7,168,000               | 0                       |
| Number of shares yet to be converted   | 0                                  | 0                      | 185,000                 | 571,000                 |
| Adjusted exercise price for those who have yet to exercise their rights            | -                                  | -                      | 21.7                    | 31.8                    |
| Unexercised shares as a percentage of total issued shares(Note 4)                  | 0.00%                              | 0.00%                  | 0.46%                   | 1.43%                   |



| Type of Stock Option   | 3 <sup>rd</sup> Tranche (Note1.2) |   | 4 <sup>th</sup> Tranche  | 5 <sup>th</sup> Tranche  |
|--|-----------------------------------|---|--|--|
| Impact on possible dilution of shareholdings (Note 5)  | -                                 | - | If 100% employee stock options are converted, the share capital will increase NT\$1,850 thousand with the equity dilution rate of 0.46%. According to grant conditions, the employee stock option certificate was executed by batch over 2~5 years from the date of grant, which had no significant or immediate impact on shareholders' equity. | If 100% employee stock options are converted, the share capital will increase NT\$5,710 thousand with the equity dilution rate of 1.41%. As of the date of publication, the employee stock option certificate has not yet reached the executable period. According to grant conditions, the employee stock option certificate was executed by batch over 2~5 years from the date of grant, which had no significant or immediate impact on shareholders' equity. |
| <p>Note1 : With the approval of the competent authority, 1,000,000 units of the 3<sup>rd</sup> employee stock option certificate were granted at a time within 1 year or by batch from the date of approval. The Company granted the certificate by batch, including 600,000 units on March 21, 2012 and 70,000 units on December 26, 2012, and waived the grant of remaining 333,000 shares.</p> <p>Note 2 : The term of the 3<sup>rd</sup> employee stock option certificate will expire on December 25, 2017. All executable shares have been subscribed.</p> <p>Note 3 : Each unit may subscribe 1 share of common stock; refer to the percentage of shares originally granted to outstanding shares as of the date of publication.</p> <p>Note 4 : Refer to the percentage of unexercised shares to outstanding shares as of the date of publication</p> <p>Note 5 : The dilution rate of shareholders' equity is calculated as follows: <math>(\text{Number of shares increased after the exercise of all employee stock options}) \div (\text{Number of outstanding shares before conversion} + \text{Number of shares increased after the exercise of all employee stock options})</math>.</p> |                                   |   |  |  |

#### 4.4.2 List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Options

As of 04/30/2018, Unit: NT\$, Share, %

|            | Title                          | Name                   | No. of Stock Options | Stock Options as a Percentage of Shares Issued | Exercised               |              |           |   | Unexercised             |              |           |   |
|------------|--------------------------------|------------------------|----------------------|--|-------------------------|--------------|-----------|---|-------------------------|--------------|-----------|---|
|            |                                |                        |                      |  | No. of Shares Converted | Strike Price | Amount    | Converted Shares as a Percentage of Shares Issued | No. of Shares Converted | Strike Price | Amount    | Converted Shares as a Percentage of Shares Issued |
| Executives | Senior Vice General Manager    | HU, CHEN-KUANG         | 1,034,000            | 2.59%  | 20,500                  | 29.00        | 594,500   | 1.15%   | 121,750                 | 21.70        | 2,641,975 | 1.06%   |
|            | Assistant Vice President       | WANG, CHIH-YUAN        |                      |  | 29,000                  | 26.90        | 780,100   |   | 303,000                 | 31.80        | 9,635,400 |   |
|            | General Manager                | WEI, YI-MING (Note)    |                      |  | 75,000                  | 24.90        | 1,867,500 |   |                         |              |           |   |
|            | Assistant Vice President       | CHAN, YI-CHEN          |                      |  | 155,500                 | 22.70        | 3,529,850 |   |                         |              |           |   |
|            | Executive Vice General Manager | HUNG, CHIA-CHENG       |                      |  | 151,000                 | 23.80        | 3,593,800 |   |                         |              |           |   |
|            | Assistant Vice President       | KUO, CHUNG-TSU         |                      |  | 29,250                  | 21.70        | 634,725   |   |                         |              |           |   |
|            | Assistant Vice President       | KUO, CHING-HSING       |                      |  |                         |              |           |   |                         |              |           |   |
|            | Assistant Vice President       | HUNG, YAO-YANG         |                      |  |                         |              |           |   |                         |              |           |   |
|            | Assistant Vice President       | HUANG, YI-PO           |                      |  |                         |              |           |   |                         |              |           |   |
|            | Assistant Vice President       | SU, SHUI-CHING (Note)  |                      |  |                         |              |           |   |                         |              |           |   |
|            | Assistant Vice President       | HU, TSUNG-HSIEN (Note) |                      |  |                         |              |           |   |                         |              |           |   |

|                   | Title             | Name                   | No. of Stock Options | Stock Options as a Percentage of Shares Issued | Exercised               |              |           |   | Unexercised             |              |           |   |         |       |           |
|-------------------|-------------------|------------------------|----------------------|--|-------------------------|--------------|-----------|---|-------------------------|--------------|-----------|---|---------|-------|-----------|
|                   |                   |                        |                      |  | No. of Shares Converted | Strike Price | Amount    | Converted Shares as a Percentage of Shares Issued | No. of Shares Converted | Strike Price | Amount    | Converted Shares as a Percentage of Shares Issued |         |       |           |
| Top Ten Employees | Manager           | CHANG, HUNG-YU         | 467,000              | 1.17%  | 31,500                  | 26.90        | 847,350   | 0.55%   | 46,750                  | 21.70        | 1,014,475 | 0.48%   |         |       |           |
|                   | Manager           | LEE, CHING-WEN         |                      |  | 53,500                  | 24.90        | 1,332,150 |   |                         |              |           |   | 144,000 | 31.80 | 4,579,200 |
|                   | Manager           | LEE, CHING-KUN         |                      |  | 33,000                  | 22.70        | 749,100   |   |                         |              |           |   |         |       |           |
|                   | Manager           | WANG, SU-LAN           |                      |  | 5,250                   | 24.00        | 126,000   |   |                         |              |           |   |         |       |           |
|                   | Assistant Manager | CHIEN, JENG-DAN        |                      |  | 1,750                   | 21.90        | 38,325    |   |                         |              |           |   |         |       |           |
|                   | Assistant Manager | LIN, CHING-WEI         |                      |  | 57,000                  | 23.80        | 1,356,600 |   |                         |              |           |   |         |       |           |
|                   | Special Assistant | YU, HUI-CHEN           |                      |  | 38,250                  | 21.70        | 830,025   |   |                         |              |           |   |         |       |           |
|                   | Assistant Manager | LIU, CHENG-KUN (Note)  |                      |  |                         |              |           |   |                         |              |           |   |         |       |           |
|                   | Administrator     | CHEN, HSIU-MEI         |                      |  |                         |              |           |   |                         |              |           |   |         |       |           |
|                   | Manager           | HUANG, LU-CHING (Note) |                      |  |                         |              |           |   |                         |              |           |   |         |       |           |

Note : WEI, YI-MING and LIU, CHENG-KUN left the Company in 2015; HUANG, LU-CHING and CHEN, YO-MING left the Company in 2014; and SU, SHUI-CHING and HU, TSUNG-HSIEN the Company in 2013.

#### **4.4.3 Issuance of New Restricted Employee Shares**

None

#### **4.4.4 List of Executives Receiving New Restricted Employee Shares and the Top Ten Employees with New Restricted Employee Shares**

None

#### **4.5 Status of New Shares Issuance in Connection with Mergers and Acquisitions**

None

#### **4.6 Financing Plans and Implementation**

##### **4.6.1 Finance Plans**

A. For each uncompleted public issue or private placement of securities, and for such issues and placements that were completed in the most recent three years but have not yet fully yielded the planned benefits.

None

B. Source of funds

None

##### **4.6.2 Implementation**

None

## V. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

##### A. Main areas of business operations

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

##### B. Revenue distribution

Unit ; NT\$ thousands

| Major Divisions    | Total Sales in Year 2017 | (%) of Total Sales |
|--------------------|--------------------------|--------------------|
| Lighting and parts | 986,926                  | 100%               |

##### C. Main products

The Company specializes in designing and manufacturing commercial lighting. Main products are high-efficient commercial lighting and are divided into the following categories based on different sources of light:

1. Light-emitting diode (LED) lighting
2. High-intensity discharge (HID) lighting
3. Fluorescent lighting
4. Halogen lighting

The above products are extensively applied to indoor and outdoor space and retail display.

#### D. New products development

In the future, the Company will focus on research and development of a variety of new sources of light and intend to design and manufacture lighting that best displays every source of light. The Company currently plans to develop the following new products:

1. LED basic recessed luminaires
2. LED functional recessed luminaires
3. LED cost-effective recessed luminaires
4. LED basic spotlights
5. LED cost-effective spotlights
6. LED zoom spotlights
7. LED basic ceiling-mounted luminaires
8. LED outdoor in-ground lamps
9. LED outdoor recessed luminaires
10. LED outdoor spotlights
11. LED outdoor wall-mounted luminaires
12. LED outdoor bollards
13. Internal drives for ultrathin power plugs
14. Internal drives and IOT dimming interfaces for ultrathin power plugs

#### 5.1.2 Industry Overview

Please refer to page 61 of the Chinese annual report.

- A. Current Status and Future Development of Lighting Industry
- B. Relationship with Up-, Middle- and Downstream Companies
- C. Product Trends
- D. Competition

#### 5.1.3 Research and Development

Please refer to page 68 of the Chinese annual report.

- A. Research and Development Expenses by the Central Research Institute (CRI) in the Past Two Years

Unit: NT\$ thousands

| Item     | 2016      | 2017    | 2018 (As of March 31) |
|----------|-----------|---------|-----------------------|
| Expenses | 38,368    | 34,771  | 8,535                 |
| Revenue  | 1,176,289 | 986,926 | 214,999               |
| (%)      | 3.26      | 3.52    | 3.97                  |

## B. Research and Development Achievements of the CRI in the Past Years

| Year   | Specific R&D Results   |
|--|--|
| 2017   | 1.MD-B3XX LED module series                                    |
|  | 2.DH-59XX LED cost-effective recessed luminaires series        |
|  | 3.RA-50XX LED recessed/projection luminaires series            |
|  | 4.RA-59XX LED recessed/projection luminaires series            |
|  | 5.DG-61XR LED large size hole-base recessed luminaires series  |
|  | 6.DW-61XR LED large size hole-base recessed luminaires series  |
|  | 7.DW-38XR LED wall washer recessed luminaires series           |
|  | 8.DG-068R LED anti-glare luminaires series                     |
|  | 9.DA-01XA LED deep cut-off angle recessed luminaires series    |
|  | 10.DH-6XXW Frameless grille lights series                      |
|  | 11.DA-54XR LED oscillating recessed luminaires series          |
|  | 11.HSP-370X GU10 spotlights series                             |
|  | 12.HSP-371X GU10 retractable spotlights series                 |
|  | 13.SA-4X00B LED focusing spotlights series                     |
|  | 14.SW-010S LED flood wall washer spotlights                    |
|  | 15.ODG-10XX LED outdoor ceiling recessed luminaires series     |
|  | 16.OGA-20XX LED outdoor fixed in-ground lights series          |
|  | 17.OGA-21XX LED outdoor oscillating in-ground lights series    |
|  | 18.OWG-72XX LED outdoor ceiling-mounted lights series          |
|  | 19.OFA-10XC LED outdoor surface-mounted wall lamps series      |
| 20.KR-514X LED outdoor surface-mounted wall lamps series |  |
| 2018   | 1.BS-205B LED electronic dimmer switch wall lamps              |
|  | 2.DA-533X LED basic recessed luminaires series                 |
|  | 3.DW-38XW LED frameless wall washer recessed luminaires series |
|  | 4.MD-050A LED MR16 module                                      |
|  | 5.BR-0X3X LED constant current recessed wall lamps series      |
|  | 6.BR-1X3X LED high-voltage embedded wall lamps series          |

### 5.1.4 Long-term and Short-term Development

#### A. Long-term Development

- Draft the product and manpower development plan to reserve the talents required for the business expansion and develop internationalized human resources.
- Form a strategic alliance with major international light source manufacturers to control the updated trend and develop products that meet the market need.
- Develop our own brand in a new market to separate from an existing OEM

market.

- d. Uphold a people-oriented spirit and promote the green lighting based on the core technology.

## B. Short-term Development

- a. Create a market segmentation and develop various product niches.
- b. Strengthen the product lines to offer the one-stop service that meets customers' needs.
- c. Control the market trend and provide custom products to meet customers' needs in different areas; develop a pricing strategy and create competitive advantages for the purpose of maximizing the profit.
- d. Install leading lab equipment and create the verifiable standards for quality of products.



## 5.2 Market and Sales Overview

### 5.2.1 Market Analysis

Please refer to page 72 of the Chinese annual report.

#### A. Sales (Service) Region

| Area       | 2017           |        |
|------------|----------------|--------|
|            | NT\$ thousands | %      |
| Taiwan     | 40,286         | 4.08   |
| Europe     | 681,451        | 69.05  |
| Asia       | 188,962        | 19.15  |
| Americas   | 8,816          | 0.89   |
| Other Area | 67,411         | 6.83   |
| Total      | 986,926        | 100.00 |

#### B. Market Share (%) of Major Product Categories

There are thousands of lighting manufacturers around the world selling different products in different areas; large multinational corporations are the leader in the market and enjoy economies of scale in terms of R&D, manufacturing, and channels of distribution; however, due to the diverse industrial characteristics of lighting, small manufacturers may occupy part of the market through product differentiation. According to HIS's statistics (2017/08), the top five manufacturers in the lighting market in 2016 were Philips, Acuity Brands, Zumtobel, Cree and Panasonic, accounting for 8% of the market share. Due to a variety of products and the industrial characteristics of lighting, it is not suitable to measure the Company's position in the market using the market share.

#### C. Future Supply and Demand and Growth of Market

Please refer to page 73 of the Chinese annual report.

#### D. Competitive Niche

- a. Have the underlying capacity for R&D and design of LED and traditional lighting, making the Company be able to provide diverse choices
- b. Have the key technology solutions to LED lighting, making the Company the leader of product development
- c. Have lasting marketing channels that allow the Company to respond to the needs of downstream application market
- d. Establish a well-equipped world-class lab which provides safe and quality products and facilitates product development

## E. Favorable and Unfavorable Factors in the Long Term

Please refer to page 77 of the Chinese annual report.

### 5.2.2 Production Procedures of Main Products

Please refer to page 79 of the Chinese annual report.

#### A. Major Products and Their Main Uses

Currently, the main products of the Company are LED lighting, HID lighting, fluorescent lighting and halogen lighting with extensive applications, as listed below.

- a. Architectural Lighting
- b. Retail Display Lighting
- c. Residential Lighting
- d. Entertainment Lighting
- e. Outdoor Area Lighting
- f. Commercial/Industrial Lighting

#### B. Major Products and Their Production Processes

### 5.2.3 Supply Status of Main Materials

| Major Raw Materials              | Source of Supply           | Country | Supply Situation |
|----------------------------------|----------------------------|---------|------------------|
| Starters, ballasts, transformers | Weisen, BAG Electronics    | China   | Good             |
| LED light source                 | Serial System Ltd.,        | China   | Good             |
| Metal and plastic products       | Jinhai, Zhenyang, Honestar | China   | Good             |

### 5.2.4 Major Suppliers and Clients

#### A. Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousands

| Item | 2016               |         |      |                      | 2017               |         |      |                      | 2018 (As of March 31) |        |      |                      |
|------|--------------------|---------|------|----------------------|--------------------|---------|------|----------------------|-----------------------|--------|------|----------------------|
|      | Company Name       | Amount  | %    | Relation with Issuer | Company Name       | Amount  | %    | Relation with Issuer | Company Name          | Amount | %    | Relation with Issuer |
| 1    | Vendor A           | 40,251  | 8.7  | N                    | Vendor A           | 38,586  | 9.4  | N                    | Vendor A              | 8,153  | 8.8  | N                    |
| 2    | Others             | 424,335 | 91.3 | -                    | Others             | 372,846 | 90.6 | -                    | Others                | 84,848 | 91.2 | -                    |
|      | Net Total Supplies | 464,586 | 100  | -                    | Net Total Supplies | 411,432 | 100  | -                    | Net Total Supplies    | 93,001 | 100  | -                    |

Note: Major suppliers refer to those commanding 10%-plus share of annual order volume.

## B. Major Clients in the Last Two Calendar Years

Unit: NT\$ thousands

| Item | 2016         |           |      |                      | 2017         |         |      |                      | 2018 (As of March 31) |         |      |                      |
|------|--------------|-----------|------|----------------------|--------------|---------|------|----------------------|-----------------------|---------|------|----------------------|
|      | Company Name | Amount    | %    | Relation with Issuer | Company Name | Amount  | %    | Relation with Issuer | Company Name          | Amount  | %    | Relation with Issuer |
| 1    | Clients A    | 218,566   | 18.6 | N                    | Clients A    | 198,697 | 20.1 | N                    | Clients A             | 41,678  | 19.4 | N                    |
| 2    | Clients B    | 136,789   | 11.6 | N                    | Clients B    | 92,044  | 9.3  | N                    | Clients B             | 24,129  | 11.2 | N                    |
|      | Others       | 820,934   | 69.8 | -                    | Others       | 696,185 | 70.6 | -                    | Others                | 149,192 | 69.4 |                      |
|      | Net Sales    | 1,176,289 | 100  | -                    | Net Sales    | 986,926 | 100  | -                    | Net Sales             | 214,999 | 100  |                      |

Note: Major Clients refer to those commanding 10%-plus share of annual order volume.

## 5.2.5 Production in the Last Two Years

Unit: Thousand ; NT\$ thousands

| Output<br>Year<br>Major Products<br>(or by department) | 2016     |          |         | 2017     |          |         |
|--|----------|----------|---------|----------|----------|---------|
|  | Capacity | Quantity | Amount  | Capacity | Quantity | Amount  |
| Lighting and parts                                     | 4,800    | 4,071    | 691,057 | 4,800    | 3,584    | 579,248 |
| Total  | 4,800    | 4,071    | 691,057 | 4,800    | 3,584    | 579,248 |

The Company's production base is located at mainland China and focuses on export. The production activities in Taiwan are mainly to sell the assembly operation to clients in Taiwan. Currently, products are manufactured in China and exported to Taiwan.

## 5.2.6 Shipments and Sales in the Last Two Years

Unit: Thousand ; NT\$ thousand

| Shipments & Sales<br>Year<br>Major Products | 2016     |        |          |           | 2017     |        |          |         |
|---|----------|--------|----------|-----------|----------|--------|----------|---------|
|   | Local    |        | Export   |           | Local    |        | Export   |         |
|   | Quantity | Amount | Quantity | Amount    | Quantity | Amount | Quantity | Amount  |
| Lighting and parts                          | 58       | 59,549 | 3,922    | 1,116,740 | 44       | 40,286 | 3,344    | 946,640 |
| Total                                       | 58       | 59,549 | 3,922    | 1,116,740 | 44       | 40,286 | 3,344    | 946,640 |

### 5.3 Human Resources

The number, average age, average years of service and educational background of employees over the last two years and up to the printing date of this annual report are summarized below.

| Year                     |                          | 2016   | 2017   | 2018<br>(As of March 31) |
|--------------------------|--------------------------|--------|--------|--------------------------|
| Number of Employees      | Management and Sales     | 127    | 132    | 130                      |
|                          | R&D                      | 38     | 32     | 33                       |
|                          | Technology & Operations  | 524    | 468    | 454                      |
|                          | Administration           | 87     | 78     | 74                       |
|                          | Total                    | 776    | 710    | 691                      |
| Average Age              |                          | 32.24  | 32.91  | 33.17                    |
| Average Years of Service |                          | 3.95   | 4.61   | 4.78                     |
| Education                | Ph.D.                    | 0      | 0      | 0                        |
|                          | Masters                  | 0.90%  | 0.85%  | 0.87%                    |
|                          | Bachelor's Degree        | 18.04% | 18.73% | 18.81%                   |
|                          | Senior High School       | 23.45% | 23.10% | 22.58%                   |
|                          | Below Senior High School | 57.61% | 57.32% | 57.74%                   |

Note: The total number of employees does not include 100 temporary employees in 2016, 102 temporary employees in 2017 and 114 temporary employees as of March 31, 2018.

### 5.4 Environmental Protection Expenditure

#### 5.4.1 Total Losses and Penalties

The loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report: None

#### 5.4.2 Countermeasures

The total amount of losses (including compensation) and penalties caused by environmental pollution during the latest year and up to the printing date of this annual report, countermeasures (including improvement measures) and possible expenses are described below:

The Company has no loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report.

## 5.5 Labor Relations

Please refer to page 82 of the Chinese annual report.

## 5.6 Important Contracts

As of 04/30/2018

| Agreement                       | Counterparty                                 | Period              | Major Contents                                      | Restrictions             |
|---------------------------------|--|---------------------|---|--------------------------|
| Loan contract                   | Bank SinoPac                                 | 2.1,2018~2.28,2019  | Working capital                                     | -                        |
| Loan contract                   | Shanghai Commercial and Savings Bank         | 5.20,2017~5.20,2018 | Working capital                                     |                          |
| Loan contract                   | Mega International Commercial Bank Co., Ltd. | 12.5,2017~12.4,2018 | Working capital                                     | -                        |
| Loan contract                   | E.SUN Commercial Bank, Ltd.                  | 7.13,2017~7.13,2018 | Working capital                                     |                          |
| Foreign exchange hedge contract | Bank SinoPac                                 | 2.1,2018~2.28,2019  | Foreign exchange hedge                              | -                        |
| Foreign exchange hedge contract | E.SUN Commercial Bank, Ltd.                  | 7.13,2017~7.13,2018 | Foreign exchange hedge                              | -                        |
| House lease contract            | ATW Technology Inc                           | 1.1,2017~12.31,2019 | Office and factory leased by the Company            | No subletting is allowed |
| House lease contract            | LIN,WEI-HSIANG                               | 1.1,2018~12.31,2018 | Factory leased by Zhongshan Tons Lighting Co., Ltd. | No subletting is allowed |

## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed Balance Sheet

## Consolidated Condensed Balance Sheet-Based on IFRS

Unit: NT\$ thousands

| Item  | Year                | Financial Summary for The Last Five Years (Note1) |           |           |           |           | As of<br>03/31/2018<br>(Note1) |
|---|---------------------|---|-----------|-----------|-----------|-----------|--------------------------------|
|   |                     | 2013  | 2014      | 2015      | 2016      | 2017      |                                |
| Current assets                                    |                     | 891,523   | 975,596   | 989,945   | 983,695   | 927,068   | 1,157,093                      |
| Property, Plant and Equipment                     |                     | 329,761   | 337,390   | 308,753   | 261,583   | 331,908   | 334,966                        |
| Intangible assets                                 |                     | 2,291   | 2,663     | 1,957     | 1,672     | 5,087     | 5,386                          |
| Other assets                                      |                     | 85,801  | 71,647    | 168,901   | 175,855   | 176,844   | 320,699                        |
| Total assets                                      |                     | 1,309,376   | 1,387,296 | 1,469,556 | 1,422,805 | 1,440,907 | 1,818,144                      |
| Current liabilities                               | Before distribution | 282,867   | 272,654   | 268,526   | 246,643   | 237,517   | 230,217                        |
|   | After distribution  | 335,735   | 339,184   | 375,536   | 349,129   | Note2     | Note2                          |
| Non-current liabilities                           |                     | 16,496  | 17,537    | 18,197    | 16,027    | 21,776    | 22,533                         |
| Total liabilities                                 | Before distribution | 299,363   | 290,191   | 286,723   | 262,670   | 259,293   | 252,750                        |
|   | After distribution  | 352,231   | 356,721   | 393,733   | 365,156   | Note2     | Note2                          |
| Equity attributable to shareholders of the parent |                     |   |           |           |           |           |                                |
| Capital stock                                     |                     | 351,868   | 367,148   | 381,378   | 393,941   | 398,655   | 398,948                        |
| Capital surplus                                   |                     | 478,517   | 485,546   | 491,590   | 495,612   | 502,257   | 503,627                        |
| Retained earnings                                 | Before distribution | 163,040   | 199,523   | 265,651   | 275,489   | 290,754   | 517,828                        |
|   | After distribution  | 99,598  | 121,905   | 150,997   | 169,061   | Note2     | Note2                          |
| Other equity interest                             |                     | 16,588  | 44,888    | 44,214    | (4,907)   | (10,052)  | 144,991                        |
| Treasury stock                                    |                     | 0   | 0         | 0         | 0         | 0         | 0                              |
| Non-controlling interest                          |                     | 0   | 0         | 0         | 0         | 0         | 0                              |
| Total equity                                      | Before distribution | 1,010,013   | 1,097,105 | 1,182,833 | 1,160,135 | 1,181,614 | 1,565,394                      |
|   | After distribution  | 957,145   | 1,030,575 | 1,075,823 | 1,057,649 | Note2     | Note2                          |

Note1 : The above financial data for the last 5 years and those as of March 31, 2018 have been audited by CPAs.

Note 2 : The proposal for the distribution of the 2017 earnings was resolved and adopted by the Board of Directors on February 23, 2018 and to be resolved and adopted by the shareholders' meeting.

## 6.1.2 Condensed Statement of Comprehensive Income

### . Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

| Item  | Year | Financial Summary for The Last Five Years (Note1) |           |           |           |         | As of                 |
|---|------|---|-----------|-----------|-----------|---------|-----------------------|
|   |      | 2013  | 2014      | 2015      | 2016      | 2017    | 03/31/2018<br>(Note1) |
| Operating revenue   |      | 1,057,511   | 1,173,986 | 1,306,683 | 1,176,289 | 986,926 | 214,999               |
| Gross profit  |      | 320,454   | 338,024   | 417,370   | 415,468   | 345,815 | 70,857                |
| Income from operations  |      | 84,909  | 101,867   | 157,362   | 147,221   | 96,950  | (2,337)               |
| Non-operating income and expenses                               |      | 10,530  | 20,812    | 24,865    | 15,514    | 56,520  | 235,198               |
| Income before tax   |      | 95,439  | 122,679   | 182,227   | 162,735   | 153,470 | 232,861               |
| Income from operations of continued segments - after tax        |      | 73,031  | 100,348   | 144,610   | 125,011   | 121,083 | 227,074               |
| Income from discontinued operations                             |      | 0   | 0         | 0         | 0         | 0       | 0                     |
| Net income (Loss)   |      | 73,031  | 100,348   | 144,610   | 125,011   | 121,083 | 227,074               |
| Other comprehensive income (income after tax)                   |      | 36,024  | 27,877    | (1,538)   | (49,640)  | (4,535) | 155,043               |
| Total comprehensive income                                      |      | 109,055   | 128,225   | 143,072   | 75,371    | 116,548 | 382,117               |
| Net income attributable to shareholders of the parent           |      | 73,031  | 100,348   | 144,610   | 125,011   | 121,083 | 227,074               |
| Net income attributable to non-controlling interest             |      | 0   | 0         | 0         | 0         | 0       | 0                     |
| Comprehensive income attributable to Shareholders of the parent |      | 109,055   | 128,225   | 143,072   | 75,371    | 116,548 | 382,117               |
| Comprehensive income attributable to non-controlling interest   |      | 0   | 0         | 0         | 0         | 0       | 0                     |
| Earnings per share (Note2)                                      |      | 2.00  | 2.60      | 3.69      | 3.17      | 3.04    | 5.69                  |

Note1 : The above financial data for the last 5 years and those as of March 31, 2018 have been audited by CPAs.

Note2 : The earning per share is calculated based on the retrospective adjustment of the post-tax earnings per share using the percentage of earnings or capital reserves transferred to capital increase.

### 6.1.3 Auditors' Opinions from 2013 to 2017

| Year | Accounting Firm                  | CPA                                 | Audit Opinion       |
|------|----------------------------------|-------------------------------------|---------------------|
| 2013 | PricewaterhouseCoopers<br>Taiwan | WANG, YU-CHUAN ,<br>HSIAO, CHEN-CHI | Unqualified opinion |
| 2014 | PricewaterhouseCoopers<br>Taiwan | WANG, YU-CHUAN ,<br>HUNG, SHU-HUA   | Unqualified opinion |
| 2015 | PricewaterhouseCoopers<br>Taiwan | WANG, YU-CHUAN ,<br>HUNG, SHU-HUA   | Unqualified opinion |
| 2016 | PricewaterhouseCoopers<br>Taiwan | WANG, YU-CHUAN ,<br>HUNG, SHU-HUA   | Unqualified opinion |
| 2017 | PricewaterhouseCoopers<br>Taiwan | WANG, YU-CHUAN ,<br>HUNG, SHU-HUA   | Unqualified opinion |



## 6.2 Five-Year Financial Analysis

### Consolidated Financial Analysis – Based on IFRS

| Item                    | Year  | Financial Analysis for the Last Five Years<br>(Note1) |          |          |          |          | As of<br>03/31/2018<br>(Note1) |
|-------------------------|---|---|----------|----------|----------|----------|--------------------------------|
|                         |   | 2013  | 2014     | 2015     | 2016     | 2017     |                                |
| Financial structure (%) | Debt Ratio  | 22.86   | 20.92    | 19.51    | 18.46    | 18.00    | 13.90                          |
|                         | Ratio of long-term capital to property, plant and equipment | 306.29  | 325.17   | 383.10   | 443.51   | 356.01   | 467.33                         |
| Solvency (%)            | Current ratio   | 315.17  | 357.81   | 368.66   | 398.83   | 390.32   | 502.61                         |
|                         | Quick ratio   | 257.12  | 278.22   | 295.51   | 329.87   | 315.87   | 423.94                         |
|                         | Interest earned ratio (times)                               | 193.81  | 2,556.81 | (Note 4) | (Note 4) | (Note 4) | (Note 4)                       |
| Operating performance   | Accounts receivable turnover (times)                        | 5.68  | 5.49     | 6.55     | 6.53     | 6.02     | 6.03                           |
|                         | Average collection period                                   | 64  | 66       | 56       | 56       | 61       | 61                             |
|                         | Inventory turnover (times)                                  | 4.40  | 4.36     | 4.23     | 4.08     | 3.76     | 3.25                           |
|                         | Accounts payable turnover (times)                           | 6.04  | 5.88     | 6.85     | 6.60     | 5.82     | 5.72                           |
|                         | Average days in sales                                       | 83  | 84       | 86       | 89       | 97       | 112                            |
|                         | Property, plant and equipment turnover (times)              | 3.14  | 3.52     | 4.04     | 4.12     | 3.33     | 2.58                           |
|                         | Total assets turnover (times)                               | 0.90  | 0.87     | 0.91     | 0.81     | 0.69     | 0.53                           |
| Profitability           | Return on total assets (%)                                  | 6.24  | 7.45     | 10.12    | 8.64     | 8.46     | 13.93                          |
|                         | Return on stockholders' equity (%)                          | 8.04  | 9.52     | 12.69    | 10.67    | 10.34    | 16.53                          |
|                         | Pre-tax income to paid-in capital (%)                       | 27.12   | 33.43    | 47.78    | 41.65    | 38.55    | 58.37                          |
|                         | Profit ratio (%)  | 6.91  | 8.55     | 11.07    | 10.63    | 12.27    | 105.62                         |
|                         | Earnings per share (NT\$)(Note2)                            | 2.00  | 2.60     | 3.69     | 3.17     | 3.04     | 5.69                           |
| Cash flow               | Cash flow ratio (%)   | 37.83   | 44.49    | 89.45    | 77.12    | 56.99    | 11.23                          |
|                         | Cash flow adequacy ratio (%)                                | 189.92  | 176.17   | 218.67   | 179.84   | 122.07   | (Note3)                        |
|                         | Cash reinvestment ratio (%)                                 | 5.15  | 4.47     | 10.52    | 5.13     | 1.97     | 1.24                           |
| Leverage                | Operating leverage  | 1.81  | 1.60     | 1.40     | 1.32     | 1.49     | (4.50)                         |
|                         | Financial leverage  | 1.01  | 1.00     | 1.00     | 1.00     | 1.00     | 1.00                           |

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. Decrease in cash flow ratio: due to the decrease in profit that resulted in a decrease in cash flow and its ratio.
2. Decrease in the cash flow adequacy ratio: due Shanghai Tons' property purchases that resulted in increase of capital expenditure and the decrease of such ratio.
3. Decrease in cash re-investment ratio: due to decrease in cash flow from operating activities and the increase in capital expenditure, resulting in the decrease of such ratio.

Note 1 : The above financial data for the last 5 years and those as of March 31, 2018 have been audited by CPAs.

Note 2 : The earning per share is calculated based on the retrospective adjustment of the post-tax earnings per share using the percentage of earnings or capital reserves transferred to capital increase.

Note 3 : The cash flow adequacy ratio is calculated based on the last 5 years and thus not applicable to the quarterly report.

Note 4 : There is no interest expense.

### **6.3 Supervisors' /Audit Committee's Report for the Most Recent Year**

Tons Lightology Inc.  
Audit Committee's Report

The Board of Directors had prepared and presented the Company's 2017 business report, financial report, and statement of retained earnings, of which, the financial report was consigned by the Board of Directors to be audited by CPA Yu-Jen Wang and CPA Su-Hua Hong of PWC Taiwan with an independent auditor's report issued.

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

Sincerely yours,

To: The 2018 Annual Shareholders' Meeting of Tons Lightology Inc.

Independent Director HSU, CHUNG-YUAN  
Independent Director YUAN, JIAN-CHUNG  
Independent Director CHOU, LIANG-CHENG

February 23, 2018

**6.4 Consolidated Financial Statements for the Years Ended December 31, 2017 and Independent Auditors' Report**

Please refer to page 95 of the Chinese annual report.

**6.5 Financial Statements for the Years Ended December 31, 2017 and Independent Auditors' Report**

Please refer to page 161 of the Chinese annual report.

## VII. Review of Financial Conditions, Financial Performance, and Risk Management

### 7.1 Analysis of Financial Status

Unit: NT\$ thousands

| Item   | Year | 2017             | 2016             | Difference     |               |
|--|------|------------------|------------------|----------------|---------------|
|  |      |                  |                  | Amount         | %             |
| Current Assets   |      | 927,068          | 983,695          | (56,627)       | (5.76)        |
| Property, Plant and Equipment  |      | 331,908          | 261,583          | 70,325         | 26.88         |
| Intangible assets  |      | 5,087            | 1,672            | 3,415          | 204.25        |
| Other Assets   |      | 176,844          | 175,855          | 989            | 0.56          |
| <b>Total Assets</b>  |      | <b>1,440,907</b> | <b>1,422,805</b> | <b>18,102</b>  | <b>1.27</b>   |
| Current Liabilities  |      | 237,517          | 246,643          | (9,126)        | (3.70)        |
| Non-current liabilities  |      | 21,776           | 16,027           | 5,749          | 35.87         |
| <b>Total Liabilities</b>   |      | <b>259,293</b>   | <b>262,670</b>   | <b>(3,377)</b> | <b>(1.29)</b> |
| Capital stock  |      | 398,655          | 393,941          | 4,714          | 1.20          |
| Capital surplus  |      | 502,257          | 495,612          | 6,645          | 1.34          |
| Retained Earnings  |      | 290,754          | 275,489          | 15,265         | 5.54          |
| Other equity interest  |      | (10,052)         | (4,907)          | (5,145)        | 104.85        |
| <b>Total Stockholders' Equity</b>  |      | <b>1,181,614</b> | <b>1,160,135</b> | <b>21,479</b>  | <b>1.85</b>   |
| <p>1. Explanation of the major reason for the major changes in items of assets, liabilities and shareholders' equity (with the change of 20% or NT\$10 million), and their impact and countermeasures.</p> <p>(1) Increase in Property, Plant and Equipment: due to the response to promotion of brand marketing, a subsidiary called Shanghai Tons Technology Co., Ltd. was established in 2017 and additional purchase of real estate had been conducted for it.</p> |      |                  |                  |                |               |

- **Effect of changes on the company's financial condition:**

The Company's financial condition has not changed significantly.

- **Future response actions:** Not applicable

## 7.2 Analysis of Financial Performance

Unit: NT\$ thousands

| Item   | Year     |           | Difference |         |
|--|----------|-----------|------------|---------|
|  | 2017     | 2016      | Amount     | %       |
| Net Sales  | 986,926  | 1,176,289 | (189,363)  | (16.10) |
| Cost of Sales  | 641,111  | 760,821   | (119,710)  | (15.73) |
| Gross Profit   | 345,815  | 415,468   | (69,653)   | (16.76) |
| Operating Expenses   | 248,865  | 268,247   | (19,382)   | (7.23)  |
| Operating Income   | 96,950   | 147,221   | (50,271)   | (34.15) |
| Non-operating Income and Loss  | 56,520   | 15,514    | 41,006     | 264.32  |
| Income Before Tax  | 153,470  | 162,735   | (9,265)    | (5.69)  |
| Tax Benefit (Expense)  | (32,387) | (37,724)  | 5,337      | (14.15) |
| Net income   | 121,083  | 125,011   | (3,928)    | (3.14)  |
| <p>The main reason for the change of 20% or NT\$10 million and its impact are analyzed as follows:</p> <p>(1). Decrease of operating income (loss): due to the decrease in operating revenue and although the operating expenses decreased, it did decrease on the same pro rata basis.</p> <p>(2). Increase of non-operating revenue and expenditure: due to the exchange gains generated by the appreciation of RMB and Euro, and financial assets income evaluation measured at fair value.</p> |          |           |            |         |

- **Effect of changes on the company's future business:** The Company's business scope has not changed significantly.
- **Future response actions:** Not applicable.

### 7.3 Analysis of Cash Flow

#### 7.3.1 Cash Flow Analysis for the Current Year

| Item   | Year | 2017   | 2016   | Variance (%) |
|--|------|--------|--------|--------------|
| Cash Flow Ratio (%)  |      | 56.99  | 77.12  | (26.10)      |
| Cash Flow Adequacy Ratio (%)   |      | 122.07 | 179.84 | (32.12)      |
| Cash Reinvestment Ratio (%)  |      | 1.97   | 5.13   | (61.60)      |
| Analysis of financial ratio change:  |      |        |        |              |
| (1) Decrease in cash flow ratio: due to the decrease in profit that resulted in a decrease in cash flow and its ratio of operating activities.                                     |      |        |        |              |
| (2) Decrease in the cash flow adequacy ratio: due Shanghai Tons' property purchases that resulted in increase of capital expenditure and the decrease of such ratio.               |      |        |        |              |
| (3) Decrease in cash re-investment ratio: due to decrease in cash flow from operating activities and the increase in capital expenditure, resulting in the decrease of such ratio. |      |        |        |              |

#### 7.3.2 Remedy for Cash Deficit and Liquidity Analysis

The Company had no cash deficit.

#### 7.3.3 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

| Cash and Cash Equivalents, Beginning of Year (1)   | Estimated Net Cash Flow from Operating Activities | Estimated Cash Outflow (3) | Cash Surplus (Deficit) (1)+(2)-(3) | Leverage of Cash Surplus (Deficit) |                 |
|--|---|----------------------------|------------------------------------|------------------------------------|-----------------|
|  |   |                            |                                    | Investment Plans                   | Financing Plans |
| 369,163  | 153,804   | 159,438                    | 363,529                            | -                                  | -               |
| 1. Analysis of change in cash flow in the coming year:   |   |                            |                                    |                                    |                 |
| (1) Operating activities: Refer to the estimated cash inflows arising from profits.  |   |                            |                                    |                                    |                 |
| (2) Investing and financing activities: Renovation of operating branches, purchase of additional equipment and distribution of cash dividends to shareholders. |   |                            |                                    |                                    |                 |
| 2. Remedy for Cash Deficit and Liquidity Analysis: N/A.  |   |                            |                                    |                                    |                 |

## 7.4 Major Capital Expenditure Items

None

## 7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

### 7.5.1 Investment Policy

The purpose of the Company's investment policy is to reduce the cost of production, expand marketing channels, and improve the Company's competitiveness.

### 7.5.2 Investment in the Last Year, Main Causes for Profits or Losses and Improvement Plans

As of 12/31/2017 Unit: NT\$ thousands

| Name of investor          | Name of subsidiary            | Amount of Profits made by Invested Companies in 2017 | Amount of Profits (losses) recognized by the Company in 2017 | Reasons for Gain or Loss  | Action Plan |
|---------------------------|-------------------------------|--|--|---|-------------|
| TONS LIGHTOLOGY INC.      | WORLD EXTEND HOLDING INC.     | 15,830   | 16,158   | Recognition of gains or losses on investment of GS and TL.                | None        |
| TONS LIGHTOLOGY INC.      | HONG BO INVESTMENT CO., LTD.  | 37,328   | 37,328   | Gains or losses arising from operation of investment business.            | None        |
| WORLD EXTEND HOLDING INC. | TONS LIGHTING CO., LTD.       | (7,273)  |  | The third-place company in charge of overseas trading in the Group.       | None        |
| WORLD EXTEND HOLDING INC. | LUMINOUS HOLDING INCORPORATED | (3,084)  |  | Recognition of investment profit/loss of invested business Shanghai Tons. | None        |



| Name of investor              | Name of subsidiary                 | Amount of Profits made by Invested Companies in 2017 | Amount of Profits (losses) recognized by the Company in 2017 | Reasons for Gain or Loss   | Action Plan |
|-------------------------------|------------------------------------|--|--|--|-------------|
| WORLD EXTEND HOLDING INC.     | GREATSUPER TECHNOLOGY LIMITED      | 26,249   |  | Recognition of gains or losses on investment of Zhongshan Titan Lighting Co., Ltd. and Zhongshan Tons Lighting Co., Ltd. | None        |
| GREATSUPER TECHNOLOGY LIMITED | TITAN LIGHTING CO., LTD.           | 23,174   |  | Production and delivery of products required by the parent company in Taiwan.  | None        |
| GREATSUPER TECHNOLOGY LIMITED | ZHONGSHAN TONS LIGHTING CO., LTD.  | (215)  |  | Production and delivery of products in mainland China and Taiwan   | None        |
| GREATSUPER TECHNOLOGY LIMITED | SHANGHAI TONS LIGHTOLOGY CO., LTD. | (3,045)  |  | The 2017 newly-established company responsible for taking orders and making delivery in mainland China.                  | None        |

### 7.5.3 Investment Plans for the Coming Year

None

## 7.6 Analysis of Risk Management

### 7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

#### (1) Interest rate

Unit: NT\$ thousands

| Item                 | 2017    | 03/31/2018 |
|----------------------|---------|------------|
| Short-term Loan      | 0       | 0          |
| Long-term Loan       | 0       | 0          |
| Interest expense(1)  | 0       | 0          |
| Operating Revenue(2) | 986,926 | 214,999    |
| Operating Profit(3)  | 96,950  | (2,337)    |
| (1)/(2)              | 0.00%   | 0.00%      |
| (1)/(3)              | 0.00%   | 0.00%      |

The Company has sufficient working capital and has no loan. Except for the handling of time deposits that may affect the interest income, changes in interest rates have an insignificant impact on the Company.

#### (2) Foreign exchange rates

Unit: NT\$ thousands

| Item                        | 2017    | 03/31/2018 |
|-----------------------------|---------|------------|
| Exchange gains (losses) (1) | 3,455   | 136        |
| Operating Revenue(2)        | 986,926 | 214,999    |
| Operating Profit(3)         | 96,950  | (2,337)    |
| (1)/(2)                     | 0.35%   | 0.06%      |
| (1)/(3)                     | 3.56%   | -5.82%     |

The amount of exported products in 2017 accounted for 96% of the total revenue. The foreign exchange gain of NT\$3,455 thousand in 2017 was caused by the appreciation of Euro and RMB, and accounted for 0.35% of the operating revenue and 3.56% of the operating profit respectively. As the Company's foreign currency sales accounted for 90% of the total revenue, foreign currency capital allocation was adopted to balance most of the impact of exchange rate changes on profits or losses. The Company made a close contact with major banks to control the trend of exchange rate changes and timely adjust foreign currency assets and liabilities based on its future capital requirements.

### **(3) Inflation**

According to the data published by Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the annual rate of increase in the consumer price index for March 2018 is 1.57%, which shows no significant concern about the inflation and has an insignificant impact on the Company.

#### **7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions**

##### **(1) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments**

The Company did not engage in any high-risk or high-leveraged investments.

##### **(2) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to Lending or Endorsement Guarantees, and Derivatives Transactions**

The transactions and procedures related to lending and endorsement are based on the Company's "Procedures for Lending" and "Procedures for Endorsement Guarantee". Furthermore, derivative transactions follow the "Procedures for Acquisition and Disposal of Assets".

### 7.6.3 Future Research & Development Projects and Corresponding Budget

| Item | Research Projects                         | Completion           | Expected Research Expenditure | Expected Completion Schedule | Major Risk Factors  |
|------|---|----------------------|-------------------------------|------------------------------|---|
| 1    | LED basic recessed luminaires             | Product verification | 45,181NT\$ thousands          | 2018Q2                       | The Company has engaged in lighting for 20 years with the integration of key technologies; the Company has engaged in LED lighting for over a decade and manufactures 500 LED commercial lighting products that can satisfy various needs of commercial space. In addition, the Company has set up its own verification lab and the complete quality assurance system to provide quick verification and quality products. |
| 2    | LED functional recessed luminaires        | Product verification |                               | 2018Q2                       |   |
| 3    | LED cost-effective recessed luminaires    | Product design       |                               | 2018Q3                       |   |
| 4    | LED basic spotlights                      | Product design       |                               | 2018Q3                       |   |
| 5    | LED cost-effective spotlights             | Product design       |                               | 2018Q3                       |   |
| 6    | LED zoom spotlights                       | Product design       |                               | 2018Q4                       |   |
| 7    | LED basic ceiling-mounted luminaires      | Product design       |                               | 2018Q3                       |   |
| 8    | LED outdoor in-ground lamps               | Product verification |                               | 2018Q2                       |   |
| 9    | LED outdoor recessed luminaires           | Product design       |                               | 2018Q2                       |   |
| 10   | LED outdoor spotlights                    | Product design       |                               | 2018Q4                       |   |
| 11   | LED outdoor wall-mounted luminaires       | Product design       |                               | 2018Q4                       |   |
| 12   | LED outdoor bollards                      | Product design       |                               | 2018Q4                       |   |
| 13   | Internal drives for ultrathin power plugs | Product design       |                               | 2018Q4                       |   |

#### **7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales**

According to Financial Supervisory Commission's regulations, listed companies at the emerging stock market and TWSE/GTSM listed companies are required to compile the financial statements based on IFRSs starting from January 1, 2013. The Company has set up the cross-department task force, which was approved by the Board of Directors in April 2011, and instituted the countermeasures and expected progress of the adoption of IFRSs and reported the implementation to the Board of Directors on a regular basis. The Company will continuously pay close attention to the impact of the amendments to IFRSs and related supporting laws and regulations on the Company.

In addition, the daily operations of the Company comply with related regulations at home and abroad. The Company shall pay attention to the trend of important policies and changes in laws and regulations at any time in order to fully control the changes in the business environment.

#### **7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales**

Looking at the trend of lighting development, the most watched products are LED lighting in recent years. Compared with other sources of light, LED has rapidly growing applications, given the continuous improvement in luminous efficiency and the reduction in costs, and is viewed as a new-generation source of light that replaces traditional ones.

The Company has received results in the development of lighting products using the LED light source. Four key technologies, thus light, machinery, electricity, and heat, showed a considerable achievement. The Company installed a set of professional testing equipment and set up a safety certification lab to verify functional requirements for lighting, such as high light, high color rendering, low glare and stability of light source and offer quality products. With the trend of technological innovation and green lighting, the Company's insistence on quality of products allows the Company to obtain the market opportunities and make progress step by step.

#### **7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures**

The Company has focused on the market operation of lighting since its establishment and has always had a good corporate image. There was no adverse impact of changes in corporate image on the Company.

#### **7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans**

The Company has no ongoing merger and acquisition activities. In considering future M&A activities, the Company will evaluate their efficiency, risks, vertical integration and other factors in accordance with its internal control system.

#### **7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans**

Any expansion of the Company's facilities will be subject to careful evaluation by a special task force in accordance with the Company's internal control system.

#### **7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration**

##### **(1) Risks Relating to and Response to Excessive Concentration of Purchasing Sources**

The suppliers of the Company (a consolidated entity) accounted for up to 8.66% and 9.38% in 2016 and 2017 respectively, both less than 20%. Thus, there was no risk related to excessive concentration of purchasing sources.

##### **(2) Risks Relating to and Response to Excessive Customer Concentration**

The top customer of the Company accounted for 18.58% and 20.13% of the revenue in 2016 and 2017 respectively, followed by 11.63% and 9.33% respectively. Other customers accounted for less than 10% of the revenue. Thus, there was no risk related to excessive customer concentration. In addition to maintaining a good relationship with existing customers, the Company actively

expanded the sales market and developed new customers in order to reduce the risks related to excessive customer concentration.

**7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%**

The shareholdings of the Company's directors and supervisors have been stable during the last few years, and there have been no major transfers or swaps of shares.

**7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights**

None

**7.6.12 Litigation or Non-litigation Matters**

- (1) Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.
- (2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

**7.6.13 Other Major Risks**

None

**VIII. Special Disclosure**

**8.1 Summary of Affiliated Companies**

Please refer to page 226 of the Chinese annual report.

**8.2 Private Placement Securities in the Most Recent Years:**

None

**8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years:**

None