

LOTES CO., LTD**2020 Annual General Shareholders' Meeting
Meeting Agenda**

Time: Friday, June 19, 2020. 9:00 a.m.

Place: No. 59, Wuxun St., Anle Dist., Keelung City 204, Taiwan (Dawulun with Reifang Industrial Parks Service Center).

Table of Contents

I. Meeting Procedures for 2020 Annual General Meeting.....	1
II. Agenda for the Regular Meeting of Shareholders in 2020	2
III. Reports.....	3
IV. Recognition.....	3
V. Discussion.....	4
VII. Extempore Motions.....	4
VIII. Adjournment.....	4

Attachments

1. Annual Business Report.....	5
2. 2019 Inspection Report of Supervisors.....	8
3. The Comparison Table of Amendments to the “Corporate Social Responsibility Best Practice Principle”.....	9
4. Independent Auditor’s Report and Consolidated Financial Statements for Year 2019.....	22
5. Statement of Earnings Distribution Fiscal Year 2019.....	38
6. The Comparison Table of Amendments to the “Rules of Procedure for Shareholder Meeting”.....	39

Appendices

1. Articles of Incorporation.....	43
2. Rules of Procedure for Shareholders' meetings (Before Amendments).....	48
3. The Effects of the Gratuitous Stock Distribution on the Operating Performance and Earnings per Share of the Company and the Return of Investment of the Shareholders....	53
4. Shareholding Status of All the Directors and Supervisors.....	53



Lotes Co., Ltd.

Meeting Procedures for 2020 Annual General Meeting

I. Opening Remarks

II. Address by the Chairperson

III. Reports

IV. Recognition

V. Discussion

VII. Extempore Motions

VIII. Adjournment

Lotes Co., Ltd.

Agenda for the Regular Meeting of Shareholders in 2020

Time: Friday, June 19, 2020 at 9:00 am

Venue: Dawulun (with Reifang) Industrial Parks Service Center under the Industrial Development Bureau of the Ministry of Economic Affairs (No.59, Wuxun St., Anle Dist., Keelung City)

1. Opening Remarks

2. Address by the Chairperson

3. Reports

Item 1: Annual Business Report 2019.

Item 2: Final Statement 2019 reviewed by supervisors

Item 3: Allocation of employees' and directors' and supervisors' compensation for 2019.

Item 4: Amendments to certain provisions of the Company's "Ethical Corporate Management Best Practice Principles."

4. Recognition

Item 1: Annual Business Report and Final Statement 2019.

Item 2: Surplus earnings distribution 2019.

5. Discussion

Item 1: Amendments to certain provisions of the Company's "Shareholders' Meeting Procedure Rules."

6. Extempore Motions

7. Closing

Reports

Item 1: Annual Business Report 2019 submitted for joint examination.

Description: For the Annual Business Report 2019, please see Appendix 1 (pages 5-6 hereof).

Item 2: Final Statement 2019 reviewed by supervisors submitted for joint examination.

Description: 1. For the supervisors' audit report, please refer to Appendix 2 (page 7 hereof).

2. Supervisors are earnestly requested to read out the audit report.

Item 3: Allocation of employees' and directors' and supervisors' compensation for 2019 submitted for joint examination.

Description: 1. Pursuant to Article 19 of the Company's Articles of Incorporation, by taking into account the shareholders' equity, and with reference to the standards of the industry and the overall economic environment, the Company proposed to provide employees' compensation of NT\$73.1 million and directors' and supervisors' compensation of NT\$4.48 million for fiscal 2019. The amount appropriated as noted above is no different from the expense recognized in 2019.

2. All of the remuneration allocated to employees and directors and supervisors was paid in cash.

Item 4: Amendments to certain provisions of the Company's "Ethical Corporate Management Best Practice Principles" submitted for joint examination.

Description: 1. Pursuant to the Taiwan Stock Exchange Tai-Cheng-Chih-Li-Tzu No. 1080008378 Letter dated May 23, 2019, certain provisions of the Company's "Ethical Corporate Management Best Practice Principles" are to be amended.

2. For the comparison table of the articles before and after amendment, please refer to Appendix 3 (pages 8-15 hereof).

3. This item has been approved by the Board of Directors in accordance with the law and is submitted to the shareholders' meeting for presentation.

Recognition

Item 1: Proposed by the board of directors

Summary: Please recognize the Annual Business Report and Final Statement 2019.

Description: 1. The Company's 2019 financial statements and consolidated financial statements that have been audited and certified by CPAs Chung Tan-tan and Chen Fu-wei with the accounting firm KPMG in Taiwan, together with the annual business report that has been approved by the board of directors of the Company on March 25, 2020, were submitted to the supervisors for review and completion, with the report issued on record.

2. For the Annual Business Report 2019, please see Appendix 1 (pages 5-6 hereof); for the audit report made by a certified public accountant (CPA) and financial statement,

please see Appendix 4 (pages 16-31 hereof).

3. Please recognize them.

Resolution:

Item 2: Proposed by the board of directors

Summary: Please recognize the surplus earnings distribution 2019.

Description: 1. The Company's net profit after tax for 2019 was NT\$2,076,042,656, and the statement of appropriation of earnings was approved by the Board of Directors of the Company on March 25, 2020, and tendered to the supervisors for examination and completion.

2. For the surplus earnings distribution table, please refer to Appendix 5 (page 32 hereof).

3. The Board of Directors would set a separate distribution base date for the distribution of cash dividends upon approval at the regular meeting of shareholders.

4. If the number of shares outstanding is affected by the Company's repurchase of its shares, transfer or cancellation of treasury stocks, exercise of employee stock warrants, or other reasons, and the distribution rate changes as a result, the Chairperson of the Board is authorized to make adjustments.

Resolution:

Discussion

Item 1: Proposed by the board of directors

Summary: Amendments to certain provisions of the Company's "Shareholders' Meeting Procedure Rules" submitted for approval.

Description: 1. Pursuant to the Taiwan Stock Exchange Tai-Cheng-Chih-Li-Tzu No. 1080024221 Letter dated January 2, 2020, certain provisions of the Company's "Shareholders' Meeting Procedure Rules" are to be amended.

2. For the comparison table of the articles before and after amendment, please refer to Appendix 6 (pages 33-34 hereof).

Resolution:

Extempore Motions

Adjournment

[Attachment 1]

Annual Business Report

1. Business Status Report 2019

1) Operational overview

The Company's consolidated operating revenue for 2019 was NT\$15.088 billion, up 13.35% from NT\$13.311 billion in 2018, and consolidated net income after tax was NT\$2.076 billion, up 29.10% from NT\$1.608 billion in 2017, translating to an after-tax earnings per share of NT\$20.11.

Looking back at fiscal 2019, the global economy continued to be affected by the trade tensions between the United States and China, which has also impacted the sales of some of the Company's products. However, due to the gradual increase in the conversion rate of the new generation server CPU platform this year, as well as the results of the Company's active involvement in the development of new customers and new products, the revenue in fiscal 2019 still saw stable growth and set a new record high since the establishment of the Company. On the profitability side, the continued increase in the scale of operations, improved penetration of new products and enhanced production efficiency also contributed to a remarkable profit performance of NT\$20.11 per share after tax in 2019, up 29.06% from 2018.

2) Business plan implementation results and profitability analysis

1. Business plan implementation results

Unit: 1,000 TWD

Item	2018	2019	Amount of Increase (Decrease)	Percentage Increase (Decrease)
Operating revenue	13,311,518	15,088,872	1,777,354	13.35%
Operating cost	8,962,649	9,620,962	658,313	7.35%
Gross profit	4,348,869	5,467,910	1,119,041	25.73%
Net profit after tax	1,608,567	2,076,043	652,266	29.06%

2. Financial Receipts and Expenditures and the Analysis of Earning Power

Item		2018	2019	
Earning Power (%)	Return on assets	12.71	13.92	
	Return on equity	18.08	19.47	
	Percentage in paid-in capital	Operating profit	212.08	265.82
		Gross profit before tax	230.46	273.65
	Profit margin	12.08	13.75	
	Earnings per share after tax	17.21	20.11	

3. Research and development status

In order to continue to provide customers with high quality products, the Company is constantly raising the technological level and energy in the areas of design, process, quality control and testing to achieve high growth goals, and has spared no effort in the development of new products and is constantly developing high-density connectors with small pitches. In order to meet the future market trend of high-speed connectors, the Company has recently made greater efforts to analyze and develop high-current and high-frequency connectors to cater for market demand. Also, to expand the product line and market size, the Company has successfully developed connectors for high-frequency servers, automobiles, high-speed transmission devices and the latest transmission interface, Type-C.

2. 2020 Operating Plan and Outlook

1) Business plan

1. Guidelines for management

- (1) Strengthening market ties between the three places on the two sides, and coordinating production capacity allocation, so as to keep up with market changes and demand.
- (2) Reinforcing a R&D team to continuously develop new products and raising the technical level to enhance the company's core technical capabilities in order to build a competitive advantage.
- (3) Integrating group resources and introducing Industry 4.0 to improve production and management capabilities to bring down production costs and boost operational efficiency.

2. Important production and marketing policies

- (1) Strengthening customer relationship management to enhance competitive efficiency, and actively maintaining close relationships with major international manufacturers.
- (2) Being customer-oriented, close to the market leading manufacturers, providing customers with a variety of products and services.
- (3) Improving the efficiency of factory management and the division of labor between domestic and overseas factories, and beefing up the inventory management capability to effectively control production costs and enhance the production and marketing mechanism.

2) Future prospects

Looking ahead, the Company will continue to face a highly competitive market and a volatile economic environment. However, in addition to fostering close cooperation with customers, the Company will continue to develop and improve its existing products and adopt a diversified strategy to enhance market sensitivity by maintaining good cooperation with world-class professional manufacturers, so as to keep tabs on the development trend of new products and research and develop niche products, with a view to boosting the competitive advantage of the Company and smoothly

achieving the Company's operational objectives, thereby continuously creating maximum value for shareholders.

Best wishes to all our shareholders

Chairperson: CHU, TE-HSIANG

General Manager: HO, TE-YU

Accounting Manager: LIU, HSIN-HSIA

[Attachment 2]

**Lotes Co., Ltd.
2019 Inspection Report of Supervisors**

March 25, 2020

The Board of Directors had prepared and delivered the 2019 Business Report, Statement of Earnings Distribution and Financial Statements (including consolidated financial statements). The inspection of the financial statements was completed by accountants CHUNG, TAN-TAN and CHEN, FU-WEI at KPMG Taiwan, and a review report was issued. Inspections of the aforementioned reports and statements delivered by the Board of Directors were conducted by the supervisors who found no inconsistency. The review report was issued in accordance with Article 219 of the Company Act.

Yours sincerely,

2019 Shareholders General Meeting of Lotes Co., Ltd.

Supervisors: YANG, WEN-MING

CHENG, MING-SUNG

CHIN-LING Investment Co., Ltd.

Representative: CHANG, KUN-YAO

[Attachment 3]

Lotes Co., Ltd.
The Comparison Table of Amendments to the “Corporate Social Responsibility Best Practice Principle”

Amendments	Existing Provision	Description
<p>Article 2: operation procedures I. Prohibition of unethical conduct: When engaging in commercial activities, directors, supervisors, managers, employees, <u>and mandatories</u> of the Company or persons having substantial control over such companies (“substantial controllers”) shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty (“unethical conduct”) for purposes of acquiring or maintaining benefits. Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managers, employees or substantial controllers or other stakeholders.</p>	<p>Article 2: operation procedures I. Prohibition of unethical conduct: When engaging in commercial activities, directors, supervisors, managers and employees of the Company or persons having substantial control over such companies (“substantial controllers”) shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty (“unethical conduct”) for purposes of acquiring or maintaining benefits. Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managers, employees or substantial controllers or other stakeholders.</p>	<p>Pursuant to the addition of “mandatories” in Article 2, paragraph 1 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, amend the text of this subparagraph.</p>
<p>Article 2: operation procedures IV. Policy: TWSE/GTSM listed companies shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith <u>and obtain approval from the Board of Directors</u>, and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.</p>	<p>Article 2: operation procedures IV. Policy: The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith, and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.</p>	<p>Pursuant to Article 5 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p>
<p>Article 2: operation procedures V. Prevention programs: The Company shall <u>in their own</u></p>	<p>Article 2: operation procedures V. Prevention programs: The Company shall, <u>in accordance with</u></p>	<p>Pursuant to Article 6 of the Ethical Corporate</p>

Amendments	Existing Provision	Description
<p><u>ethical management policy</u> clearly and thoroughly prescribe the <u>specific ethical management practices</u> and the programs to forestall unethical conduct (“prevention programs”), including operational procedures, guidelines, and training. When establishing the prevention programs, the Company shall comply with relevant laws and regulations of the territory where the companies and their business group are operating. In the course of developing the prevention programs, the Company are advised to negotiate with staff, labor unions members, <u>important trading counterparties, or other stakeholders.</u></p>	<p><u>its business philosophy and policy as set out in the preceding Article</u>, clearly and thoroughly prescribe the programs to forestall unethical conduct (“prevention programs”), including operational procedures, guidelines, and training. When establishing the prevention programs, the Company shall comply with relevant laws and regulations of the territory where the companies and their business group are operating. In the course of developing the prevention programs, the Company are advised to negotiate with staff, labor unions members , <u>other representative bodies and with relevant interest groups.</u></p>	<p>Management Best Practice Principles for TWSE/GTSM Listed Companies, amend the text of this subparagraph.</p>
<p>Article 2 VI. The scope of prevention programs: The Company shall <u>establish a risk assessment mechanism against unethical conduct</u>, analyze <u>and assess</u> on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, <u>and establish prevention programs accordingly and review their adequacy and effectiveness on a regular basis.</u> It is advisable for the Company to <u>refer to prevailing domestic and foreign standards or guidelines</u> in establishing the prevention programs, which shall at least include preventive measures against the following: 1. Offering and acceptance of bribes. 2. Illegal political donations. 3. Improper charitable donations or sponsorship. 4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits. <u>5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.</u> <u>6. Engaging in unfair competitive practices.</u></p>	<p>Article 2 VI. The scope of prevention programs: When the Company is <u>establishing the prevention programs</u>, it shall analyze on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, <u>and enhance relevant prevention programs.</u> When the Company to is establishing the prevention programs, they shall at least include preventive measures against the following: 1. Offering and acceptance of bribes. 2. Illegal political donations. 3. Improper charitable donations or sponsorship. 4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.</p>	<p>Pursuant to Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p>

Amendments	Existing Provision	Description
<p><u>7. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.</u></p>		
<p>Article 2 VII. commitment and execution: The Company and their respective business group shall clearly specify in their rules and external documents <u>and on the company website</u> the ethical corporate management policies <u>and the commitment</u> by the Board of Directors and senior management on rigorous and thorough implementation of <u>such policies</u>, and shall carry out the policies in internal management and in external commercial activities. <u>The Company shall issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy and compile documented information on the ethical management policy, statement, commitment and implementation and retain said information properly.</u></p>	<p>Article 2 VII. commitment and execution: The Company and their respective business group shall clearly specify in their rules and external documents the ethical corporate management policies, the Board of Directors and senior management <u>shall commit</u> on rigorous and thorough implementation and shall carry out the policies in internal management and in <u>external</u> commercial activities.</p>	<p>Pursuant to Article 8 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p>
<p>Article 2 VIII. Business activity based on ethical management: The Company shall engage in commercial activities in a fair and transparent manner <u>based on the principle of ethical management</u>. Prior to any commercial transactions, the Company shall take into consideration the legality of their agents, suppliers, clients, or other trading counterparties and whether any of them are <u>involved</u> in unethical conduct, and shall avoid any dealings with persons so <u>involved</u>. When entering into contracts with <u>their agents, suppliers, clients, or other trading counterparties</u>, the Company shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are</p>	<p>Article 2 VIII. Business activity based on ethical management: The Company shall engage in commercial activities in a fair and transparent manner. Prior to any commercial transactions, TWSE/GTSM listed companies shall take into consideration the legality of their agents, suppliers, clients, or other trading counterparties and whether any of them are <u>involved</u> in unethical conduct, and shall avoid any dealings with persons so <u>involved</u>. When entering into contracts with <u>others</u>, the Company shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are <u>involved</u> in unethical conduct, the</p>	<p>Pursuant to Article 9 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p>

Amendments	Existing Provision	Description
involved in unethical conduct, the Company may at any time terminate or rescind the contracts.	Company may at any time terminate or rescind the contracts.	
Article 2 IX. Prohibition of offering and acceptance of bribes: When conducting business, the Company and their directors, supervisors, managers, employees, <u>mandatories</u> , and substantial controllers, may not directly or indirectly offer, <u>promise to offer</u> , <u>request</u> , or accept any improper benefits <u>in whatever form</u> , including rebates, commissions, facilitation fees or through other means to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.	Article 2 IX. Prohibition of offering and acceptance of bribes: When conducting business, the Company and their directors, supervisors, managers, employees, and substantial controllers, may not directly or indirectly <u>offer, promise to offer, request, or accept any improper benefits in whatever form, including rebates, commissions, facilitation fees or through other means</u> to or from clients, agents, contractors, suppliers, public servants, or other stakeholders. <u>However, if shall be excluded if it complies to the laws of the place where the Company operate.</u>	Pursuant to Article 10 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
Article 2 X. Prohibition of illegal political donations: When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and their directors, supervisors, managers, employees, <u>mandatories</u> , and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.	Article 2 X. Prohibition of illegal political donations: When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and their directors, supervisors, managers, employees, and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.	Pursuant to the addition of “mandatories” in Article 2, paragraph 1 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, amend the text of this subparagraph.
Article 2 XI. Prohibition of improper charitable donations or sponsorship: When making or offering donations and sponsorship, the Company and its directors, supervisors, managers, employees, <u>mandatories</u> , and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.	Article 2 XI. Prohibition of improper charitable donations or sponsorship: When making or offering donations and sponsorship, the Company and its directors, supervisors, managers, employees, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.	Pursuant to the addition of “mandatories” in Article 2, paragraph 1 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, amend the text of this subparagraph.
Article 2 XII. Prohibition of offering or acceptance	Article 2 XII. Prohibition of offering or	Pursuant to the addition of

Amendments	Existing Provision	Description
<p>of unreasonable presents or hospitality, or other improper benefits: The Company and its directors, supervisors, managers, employees, <u>mandatories</u>, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.</p>	<p>acceptance of unreasonable presents or hospitality, or other improper benefits: The Company and its directors, supervisors, managers, employees, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.</p>	<p>“mandatories” in Article 2, paragraph 1 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, amend the text of this subparagraph.</p>
<p><u>Article 2</u> <u>XIII. Prohibition of misappropriation of intellectual property rights</u> <u>The Company and its directors, supervisors, managers, employees, mandatories, and substantial controllers shall observe applicable laws and regulations, the company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.</u></p>	<p>New added Article</p>	<p>Pursuant to Section 5, Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and referring to Trade Secret Act, Trademark Act, Patent Act and Copyright Act, regulate that businesses shall respect the intellectual property rights of other parties and prevent the risks related to infringement on rights.</p>
<p><u>Article 2</u> <u>XIV. Prohibition of Engaging in unfair competitive practices:</u> <u>The Company shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.</u></p>	<p>New added Article</p>	<p>Pursuant to Section 6, Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and referring to the regulations in the Fair Trade Act and Chapter 9 of the 2011 OECD Guidelines for Multinational Enterprises, add</p>

Amendments	Existing Provision	Description
		this article to regulate the competitions between TWSE/GTSM Listed Companies in order to maintain a robust market.
<p><u>Article 2</u> <u>XV. Prevention of damage caused to the stakeholders by products and services</u> <u>In the course of research and development, procurement, manufacture, provision, or sale of products and services, TWSE/GTSM listed companies and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services. They shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in their operations, with a view to preventing their products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts to determine that the company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the company shall, in principle, recall those products or suspend the services immediately.</u></p>	New added Article	Pursuant to Section 7, Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, emphasize that a company shall evaluate the potential effects of its products or services on the health and safety of consumers and other stakeholders in every stage; Referring to Section 1, Chapter 2 of the Consumer Protection Act "Protection for Health and Safety" and the disclosure of the total number of events in which an organization breaching health and safety regulations related to products and services as well as the voluntary guidelines required by GRI G4-PR2.
<p><u>Article 2</u> <u>XVI. Organization and responsibility: The directors, supervisors, managers, employees, mandataries, and substantial controllers of the Company shall exercise the due care of good administrators to</u></p>	<p><u>Article 2</u> <u>XIII. Organization and responsibility: The Board of Directors of the Company shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always</u></p>	I. Pursuant to Article 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM

Amendments	Existing Provision	Description
<p>urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies. To achieve sound ethical corporate management, the Company <u>shall establish a dedicated unit that is under the Board of Directors and avail itself of adequate resources and staff itself with competent personnel</u>, responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be <u>in charge of the following matters</u>, and shall report to the Board of Directors on a regular basis:</p> <p>(1) <u>Assisting in incorporating ethics and moral values into the company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</u></p> <p>(2) <u>Analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope, adopting accordingly programs to prevent unethical conduct, and setting out in each program the standard operating procedures and conduct guidelines with respect to the company's operations and business.</u></p> <p>(3) <u>Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</u></p> <p>(4) <u>Promoting and coordinating awareness and educational activities with respect to ethics policy.</u></p> <p>(5) <u>Developing a whistle-blowing system and ensuring its operating</u></p>	<p>review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies. To achieve sound ethical corporate management, the dedicated unit is responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs, <u>and</u> shall report to the Board of Directors on a regular basis:</p>	<p>Listed Companies, expand the scope of regulating to include directors, supervisors, managers, hired employees, designees and actual controllers, and amend the first subparagraph of this article.</p> <p>II. Pursuant to Article 10 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p> <p>III. Subparagraph adjustments.</p>

Amendments	Existing Provision	Description
<p>effectiveness.</p> <p><u>(6) Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</u></p>		
<p>Article 2</p> <p><u>XVII.</u> Comply with laws when conducting business:</p> <p>The Company and its directors, supervisors, managers, employees, <u>mandataries</u>, and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.</p>	<p>Article 2</p> <p><u>XIV.</u> Comply with laws when conducting business:</p> <p>The Company and its directors, supervisors, managers, employees, and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.</p>	<p>Pursuant to the addition of “mandatories” in Article 2, paragraph 1 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, amend the text of this subparagraph.</p>
<p>Article 2</p> <p><u>XVIII.</u> Avoidance of conflict of interest: The Company shall adopt policies for preventing conflicts of interest <u>to identify, monitor, and manage risks possibly resulting from unethical conduct</u>, and shall also offer appropriate means for directors, supervisors, managers, <u>and other stakeholders attending or present at board meetings</u> to voluntarily explain whether their interests would potentially conflict with those of the company. When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the Directors attending or present at board meetings of the Company, the concerned person shall practice self-discipline and <u>state the important aspects of the relationship of interest at the given board meeting.</u> If his or her participation is likely to prejudice the interest of the company, the concerned person may make statements and answer questions but not participate in discussion of or voting on the proposal and shall recuse himself or herself from</p>	<p>Article 2</p> <p><u>XV.</u> Avoidance of conflict of interest of <u>Deirectors, supervisors and managers:</u> The Company shall adopt policies for preventing conflicts of interest and shall also offer appropriate means for directors, supervisors <u>and</u> managers to voluntarily explain whether their interests would potentially conflict with those of the company. When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the Directors attending or present at board meetings of the Company, the concerned person <u>shall practice self-discipline</u> when it is likely to prejudice the interest of the company, the concerned person <u>may make statements and answer questions but not participate in discussion of or voting on the proposal</u> and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in</p>	<p>I. Pursuant to Article 19 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p> <p>II. Subparagraph adjustments.</p>

Amendments	Existing Provision	Description
<p>the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings. The Company's directors, supervisors, managers, <u>employees, mandataries, and substantial controllers</u> shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.</p>	<p>improper dealings. The Company's directors, supervisors, and managers shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.</p>	
<p>Article 2 <u>XIX. Accounting and internal control:</u> The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results. The internal audit <u>unit</u> of the Company shall, <u>based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans, including auditees, audit scope, audit items, audit frequency, etc., and examine accordingly the compliance with the prevention programs. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.</u> <u>The results of examination in the preceding paragraph shall be reported to senior management and the ethical management dedicated unit and put down in writing in the form of an audit report to be submitted to the board of directors.</u></p>	<p>Article 2 <u>XVI. Accounting and internal control:</u> The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results. The internal audit <u>personnel</u> of the Company shall, examine the compliance with <u>the preceding system.</u></p>	<p>I. Pursuant to Article 20 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. II. Subparagraph adjustments.</p>
<p><u>XX. Operational procedures and guidelines:</u> The Company shall establish operational procedures and guidelines in accordance with Article V hereof to guide directors, supervisors, managers, employees, and substantial controllers on how to conduct business. The procedures and guidelines should at least contain the following</p>	<p><u>XVII. Operational procedures and guidelines:</u> The Company shall establish operational procedures and guidelines in accordance with Article V hereof to guide directors, supervisors, managers, employees, and substantial controllers on how to conduct business. The procedures and guidelines should at</p>	<p>Subparagraph adjustments.</p>

Amendments	Existing Provision	Description
<p>matters:</p> <ol style="list-style-type: none"> 1. Standards for determining whether improper benefits have been offered or accepted. 2. Procedures for offering legitimate political donations. 3. Procedures and the standard rates for offering charitable donations or sponsorship. 4. Rules for avoiding work-related conflicts of interests and how they should be reported and handled. 5. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business. 6. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct. 7. Handling procedures for violations of these Principles. 8. Disciplinary measures on offenders. 	<p>least contain the following matters:</p> <ol style="list-style-type: none"> 1. Standards for determining whether improper benefits have been offered or accepted. 2. Procedures for offering legitimate political donations. 3. Procedures and the standard rates for offering charitable donations or sponsorship. 4. Rules for avoiding work-related conflicts of interests and how they should be reported and handled. 5. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business. 6. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct. 7. Handling procedures for violations of these Principles. 8. Disciplinary measures on offenders. 	
<p>Article 2 <u>XXI. Training and appraisal: The chairperson, general manager, or senior management of the Company shall communicate the importance of corporate ethics to its directors, employees, and mandataries on a regular basis.</u> The Company shall periodically organize training and awareness programs for directors, supervisors, managers, employees, mandataries, and substantial controllers and invites the companies' commercial transaction counterparties so they understand the companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct. The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.</p>	<p>Article 2 <u>XVIII. Training and appraisal:</u> The Company shall periodically organize training and awareness programs for directors, supervisors, managers, employees, and substantial controllers and invites the companies' commercial transaction counterparties so they understand the companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct. The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.</p>	<p>I. The senior management of the Company shall establish the ethics, concepts and belief in integrity and communicate them to the directors, hired employees and designees. The first subparagraph was added to this article to further improve the corporate culture of integrity. II. Subparagraph adjustments.</p>
<p>Article 2 <u>XXII. Whistle-blowing system</u> The Company shall <u>adopt a concrete</u></p>	<p>Article 2 <u>XIX. Whistle-blowing and discipline</u> The Company shall <u>provide a proper</u></p>	<p>I. Pursuant to Article 23 of the Ethical</p>

Amendments	Existing Provision	Description
<p><u>whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:</u></p> <ol style="list-style-type: none"> 1. <u>An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow internal and external personnel of the company to submit reports.</u> 2. <u>Dedicated personnel or unit appointed to handle the whistle-blowing system. Any tip involving a director or senior management shall be reported to the independent directors or supervisors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted</u> 3. <u>Follow-up measures to be adopted depending on the severity of the circumstances after investigations of cases reported are completed. Where necessary, a case shall be reported to the competent authority or referred to the judicial authority.</u> 4. <u>Documentation of case acceptance, investigation processes, investigation results, and relevant documents.</u> 5. <u>Confidentiality of the identity of whistle-blowers and the content of reported cases, and an undertaking regarding anonymous reporting.</u> 6. <u>Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</u> 7. <u>Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</u> <p><u>When material misconduct or likelihood of material impairment to the TWSE/GTSM listed company comes to their awareness upon investigation, the dedicated personnel or unit handling the</u></p>	<p><u>whistle-blowing channel and shall maintain true confidentiality as to the identity of the whistle-blower and the contents of the whistle-blowing. The Company shall specify the discipline and whistle-blowing system for violation of the regulations on ethical corporate management rules and promptly disclose the title, name, date of violation, content of the violation and the circumstances of handling of the violation on the Company's intranet site.</u></p>	<p>Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, in order to substantially establish the whistle-blowing procedure in to the company's system, this article was wholly amended.</p> <p>II. Subparagraph adjustments.</p>

Amendments	Existing Provision	Description
<p><u>whistle-blowing system shall immediately prepare a report and notify the independent directors or supervisors in written form. When material misconduct or likelihood of material impairment to the TWSE/GTSM listed company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors or supervisors in written form.</u></p>		
<p>Article 2 <u>XXIII. Disciplinary and appeal system</u> The Company shall adopt and publish a <u>well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules, and shall make immediate disclosure on the company's internal website of the title and name of the violator, the date and details of the violation, and the actions taken in response.</u></p>	<p>Content of original Article 2, paragraph 2, subparagraph 2.</p>	<p>Pursuant to Article 24 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p>
<p>Article 2 <u>XXIV. Information disclosure:</u> The Company shall collect <u>quantitative data about the promotion of ethical management and continuously analyze and assess the effectiveness of the promotion of ethical management policy.</u> They shall also disclose the <u>measures taken for implementing ethical corporate management, the status of implementation, the foregoing quantitative data, and the effectiveness of promotion on its company websites, annual reports, and prospectuses, and shall disclose their ethical corporate management best practice principles on the Market Observation Post System.</u></p>	<p>Article 2 <u>XX. Information disclosure:</u> The Company shall disclose the status of implementation on ethical corporate management on its company websites, annual reports, and prospectuses.</p>	<p>Pursuant to Article 25 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p>
<p>Article 2 <u>XXV. Review and revise of ethical management policies and measures:</u> The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, supervisors,</p>	<p>Article 2 <u>XXI. Review and revise of ethical management rules:</u> The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, supervisors,</p>	<p>To encourage the company to review its ethical management policies and implemented measures and to improve them from</p>

Amendments	Existing Provision	Description
<p>managers, and employees to make suggestions, based on which the adopted ethical corporate management <u>policies and measures</u> taken will be reviewed and improved with a view to <u>achieving</u> better implementation of ethical management.</p>	<p>managers, and employees to make suggestions, based on which the adopted ethical corporate management <u>rules</u> taken will be reviewed and improved with a view to <u>achieving</u> better implementation of ethical management.</p>	<p>time to time, some text in this article was amended; Some adjustments to the subparagraph were also made.</p>
<p>Article 3: Implementation The ethical corporate management best practice principles of the Company shall be implemented after the Board of Directors grants the approval and shall be sent to the supervisors and reported at a shareholders' meeting. The same procedure shall be followed when the principles have been amended. <u>When the Company submits its ethical corporate management best practice principles to the board of directors for discussion pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. Any objections or reservations of any independent director shall be recorded in the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objections or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.</u> <u>The Company, who has established an audit committee, the provisions regarding supervisors in these Principles shall apply mutatis mutandis to the audit committee.</u></p>	<p>Article 3: Implementation The ethical corporate management best practice principles of the Company shall be implemented after the Board of Directors grants the approval and shall be sent to the supervisors and reported at a shareholders' meeting. The same procedure shall be followed when the principles have been amended.</p>	<p>In consideration of the requirements that all TWSE/GTSM Listed Companies shall have independent directors in their boards by 2017, and the TWSE/GTSM Listed Companies with the capital of no less than 2 billion TWD shall establish audit committees by 2019, subparagraph 2 and subparagraph 3 were added to this article in order to facilitate the execution of relevant tasks.</p>

[Attachment 4]

Independent Auditor's Report

To the Board of Directors, Lotes Co., Ltd.:

Audit opinion

We have audited the Statement of Financial Position of Lotes Co., Ltd. (hereinafter referred to as Lotes) as of December 31, 2019 and 2018, the Statement of Comprehensive Income as of January 1 to December 31, 2019 and 2018 as well as the Statement of Changes in Equity, Statement of Cash Flows and the Notes to Individual Financial Statement (including important accounting policies summary).

In our opinions, the compilation of the above individual financial statements present fairly, in all material respects, of the financial status of December 31, 2019 and 2018 in Lotes and the financial performance and consolidated cash flow of January 1 to December 31, 2019 and 2018 prepared according to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of the audit opinions

The audit of the individual financial statements for fiscal year 2019 was conducted by us in accordance with "Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants", "CHIN-KUAN-CHENG-SHEN-TZU No. 1090360805 Letter" and Generally Accepted Auditing Standards (GAAS); the audit of the individual financial statements for fiscal year 2018 was conducted by us in accordance with "Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and Generally Accepted Auditing Standards (GAAS). Our responsibilities under these standards will be further explained in the responsibility paragraph of the accountant's audit on the individual financial statements. The personnel regulated by independence at the accounting firm that our accountants work with have been managed according to the code of professional ethics to maintain independence from Lotes as well as perform other responsibilities addressed on the regulation. Based on the audit results of us, we believe we have obtained sufficient and appropriate auditing evidence as the basis to express our audit opinions.

Key audit matters

Key audit matters refer to the most important matters on the audits to Lotes's individual financial statements of fiscal year 2019 based on the professional judgment of our accountants. The matters have been responded on the whole audited individual financial statements and during the process of the expression of the audit opinions. There, our accountants won't express opinions separately towards the matters. Based on the judgment of the accountants, the following key audit matters that should be communicated on the audit report are as follows:

I. Recognition of income

Please refer to Note 4 (15) to the individual financial statements for the accounting policy in terms of income recognition. Please refer to Note 5 (2) to the individual financial statements for the refund liability in terms of accounting estimates and assumed uncertainties. Please refer to Note 6 (11) to the individual financial statements for the description of refund liability.

Description of the key audit matters:

The operating income is the most critical factor when determining the operational performance of Lotes Co., Ltd. Users of the statements are cautiously concerned about the performance of the operating income. In response to the market conditions and business needs, discounts were provided for parts of the sales of goods agreed with the customers. Based on experiences and agreements with the customers, the management would estimate the refund

liability and include it as a deduction of operating income. Thus, the income recognition evaluation is one of the fundamental evaluation items for accountants in the execution of financial report audit for Lotes Co., Ltd.

Corresponding audit procedure:

The primary audit procedure conducted by the accountants for the aforementioned key audit matters included the understanding and evaluation of the relevant control procedures and methods in the estimation of refund liabilities in terms of the sales procedure and the effectiveness of the design and execution of the control procedure. Regarding the sampling testing for sales close to the balance sheet date, external certification documents were reviewed to assess the adequacy of the income recognition timings. The management's method to estimate and list refund liabilities were also obtained to assess whether the evaluation is based on the agreed conditions with customers and historical experiences. A retrospective test was conducted to analyze the adequacy of the refund liability estimate based on the experiences with historical estimates of differences and the actual situation afterward.

II. Evaluation of inventory

Please refer to Note 4 (7) for the accounting policy of inventory evaluation. Please refer to Note 5 (1) in the individual financial statements for the accounting estimates and assumed uncertainties of the inventory evaluation. Please refer to Note 6 (3) in the individual financial statements for the information on the losses from the falling price of inventory.

Description of the key audit matters:

Due to the impacts of rapid changes in the market demand and the development of production technology, the existing products are at risk to become outdated inventory or non-compliant with market demand. Parts of the inventory may become obsolete or have the market prices dropped. Thus, the inventory evaluation is one of the fundamental evaluation items for the accountants in the execution of financial report audit for Lotes Co., Ltd.

Corresponding audit procedure:

The primary audit procedure conducted by the accountants for the aforementioned key audit matters included the understanding and evaluation of the basis and methods used by the management to assess the net realizable value of inventory. Review and audit were conducted in terms of the data used by the management as the basis and to estimate the net realizable value, and an evaluation was conducted on the estimated sales price to the latest sales record by sampling. To evaluate the adequacy of the drop in prices, the accuracy of the inventory aging report was checked, and the changes in the inventory aging of each period were analyzed.

Responsibility from management level and governing unit towards the individual financial statements

Management level's responsibility is to prepare the individual financial statements present fairly according to Regulations Governing the Preparation of Financial Reports by Securities Issuers and to maintain necessary internal control related to the preparation of the individual financial statements in order to ensure there is no major untrue expression on the financial statements due to fraud or error.

When preparing the individual financial statements, the responsibility of management level also includes evaluating Lotes's capability of continuous operation, disclosure of relevant matters and the application of continuous operation accounting model unless the management level intends to liquidate Lotes or suspend its business operation or there is no alternative practical and feasible solution other than liquidation or business suspension.

The governing unit (including supervisors) at Lotes is responsible for supervising the process of financial reports.

Responsibility of accountants' audit on the individual financial statements

The purpose of the individual financial statements audited by our accountants is to obtain reasonable assurance on whether the significant untrue expression exists on the whole individual financial statements due to fraud or error as well as issue the audit report. The reasonable assurance is the high certainty; however, it won't be able to guarantee that the significant untrue expression will definitely be able to be detected by generally accepted auditing standards, and the untrue expression might be caused from fraud or error. It is regarded as with significance if the individual amount or the aggregation number of the untrue expression can reasonably predict that it will affect the economic decisions made by the users of the individual financial statements.

When we conduct the audit according to generally accepted auditing standards, we use professional judgment and maintain our professional suspicion. We also executed the following tasks:

1. Identifying and evaluating the risk of major untrue expression on the individual financial statements due to fraud or error; designing and implementing proper responding strategies towards the risk evaluated; and obtaining sufficient and appropriate audit evidence as the basis of audit opinions. Due to fraud might be involving with collusion, counterfeiting, malicious omission untrue declaration, or going out of the internal control, the risk of not detecting the major untrue expression due to fraud will be higher than that due to error.
2. Obtaining necessary understanding of internal control related to audit in order to design proper audit procedure under the situation of the case. However, its purpose is not to express opinion toward the effectiveness of the internal control in Lotes.
3. Evaluating the adequacy of the accounting policies used by the management level and the rationality of the accounting evaluation and relevant disclosure concluded.
4. Based on the audit evidence obtained, conclusion towards the appropriateness of continuous operation accounting basis that the management level adopts and the existence of major uncertainty on events or situations with major concerns affecting Lotes's capability in continuous operation are made. If we believe major uncertainty existed on the event or situation, we must remind the users of individual financial statements on the audit report to pay attention on the relevant disclosure or modify audit opinion when the disclosure is not appropriate. The conclusion that we made is based on the audit evidence obtained up to the audit report day, but future events or situations might cause Lotes not capable in continuous operation.
5. Evaluating the overall expression, structure and content of the individual financial statements (including relevant notes) as well as whether the individual financial statements present fairly, in all material respects, relevant transaction and events.
6. Obtaining sufficient and appropriated audit evidence of the financial information from the investee companies accounted for using equity method as well as express opinions towards the individual financial statements. We are in charge of the directing, supervision and execution on the audit cases as well as concluding audit opinions towards the individual financial statements of Lotes.

The communication between us and the governing unit includes the audit scope and time planned and major audit findings (including the significant defects on the internal control identified during the auditing process).

Our CPAs have also provided information to the governing unit that the personnel of the firm—under which our CPAs are working—who are subject to independence requirements have complied with the statement of independence in the CPA code of professional ethics and communicated to the governing unit all relationships and other matters (including relevant safeguards) that may be considered to affect the independence of CPAs.

We determined the key audit matters that we would like to execute on Lotes's individual financial statements for fiscal year 2019 from the communication with the governing unit. We clearly stated the related matters on the audit report unless it is the specific matter that is not allowed to be disclosed to the public according to laws, or under a very rare situation that we decided not to communicate specific matters on the audit report because we can reasonably anticipate the negative influence generated by the communication will be greater than the public interests increased.

KPMG Taiwan

CPAs : CHUNG, TAN-TAN
CHEN, FU-WEI

Competent Authority of
Securities Approval : (88) TAI-TSAI-CHENG (VI)
Certificate No. No. 18311
March 25, 2020

Lotes Co., Ltd.
Statement of Comprehensive Income
From Jan. 1 to Dec. 31, 2019 and from Jan. 1 to Dec. 31, 2018

Unit: 1,000 TWD

	2019		2018	
	Amount	%	Amount	%
4000 Operating revenue (Note 6 (19))	\$ 9,968,334	100	8,731,882	100
5000 Operating cost (Note 6 (3), (14), 7 and 12)	8,162,786	82	7,346,045	84
Gross profit	<u>1,805,548</u>	18	<u>1,385,837</u>	16
Operating expense (Note 6 (8), (13), (14), (22), 7 and 12):				
6100 Promotion Expenses	278,034	3	325,012	4
6200 Administration Expenses	249,095	2	187,090	2
6300 R&D expenses	48,179	-	50,287	1
6450 Expected credit impairment profit/loss	(542)	-	881	-
Total operating expense	<u>574,766</u>	5	<u>563,270</u>	7
Net operating profit	<u>1,230,782</u>	13	<u>822,567</u>	9
Non-operating income/expenses (Note 6 (20) and 7):				
7010 Other income	51,098	1	52,144	1
7020 Other gains and/or losses	(72,584)	(1)	5,701	-
7050 Financial costs	(592)	-	(3,618)	-
7055 Profit (loss) from expected credit loss	(2,407)	-	787	-
7070 Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method (Note 6 (4) and 13)	1,151,326	12	926,489	11
Total of non-operating income and expenses	<u>1,126,841</u>	12	<u>981,503</u>	12
Net profit before tax from continuing operations	2,357,623	25	1,804,070	21
7950 Less: Income tax expenses (Note 6 (15))	<u>281,580</u>	3	<u>195,503</u>	2
Net profit	<u>2,076,043</u>	22	<u>1,608,567</u>	19
8300 Other comprehensive gain/loss:				
8310 Reclassification				
8311 Defined benefit plan Amount of Remeasurement	(1,148)	-	2,187	-
8330 Share of the other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method - items which were not reclassified into profit or loss	(16,103)	-	(2,459)	-
8349 Income Tax of Reclassification items	230	-	(463)	-
Total of items which were not reclassified into profit or loss	<u>(17,021)</u>	-	<u>(735)</u>	-
8360 Potential gain/loss of Reclassification items				
8361 Exchange difference between foreign operating office's statement	(317,409)	(3)	(54,741)	(1)
8399 Less: income tax related to items which might be reclassified	-	-	-	-
Total of items which might be reclassified into profit or loss	<u>(317,409)</u>	(3)	<u>(54,741)</u>	(1)
8300 Other comprehensive gain/loss (net value after tax)	<u>(334,430)</u>	(3)	<u>(55,476)</u>	(1)
Comprehensive gain/loss	<u>\$ 1,741,613</u>	<u>19</u>	<u>\$ 1,553,091</u>	<u>18</u>
Basic earnings per share (Unit: TWD) (Note 6 (18))	<u>\$ 20.11</u>		<u>\$ 17.21</u>	
Diluted earnings per share (Unit: TWD) (Note 6 (18))	<u>\$ 20.06</u>		<u>\$ 17.15</u>	

Lotes Co., Ltd.
Statement of Change in Equity
From Jan. 1 to Dec. 31, 2019 and from Jan. 1 to Dec. 31, 2018

Unit: 1,000 TWD

	Share capital		Retained earnings				Other equity items			Total equity
	Share capital for ordinary shares	Share capital collected in advance	Capital reserve	Legal reserve	Special reserve	Undistributed earnings	Exchange difference between foreign operating office's statement	Unrealized gain or loss on Financial assets measured at FVTOCI	Unrealized Financial assets for sale	
Balance on Jan. 1, 2018	\$ 934,779	-	2,410,168	835,452	37,613	4,322,806	(259,820)	-	4,618	8,285,616
Adjustment for the retrospective application of new standard	-	-	-	-	-	4,618	-	-	(4,618)	-
Balance after the restatement on Jan. 1, 2018	934,779	-	2,410,168	835,452	37,613	4,327,424	(259,820)	-	-	8,285,616
Net profit	-	-	-	-	-	1,608,567	-	-	-	1,608,567
Other comprehensive income	-	-	-	-	-	1,724	(54,741)	(2,459)	-	(55,476)
Total of comprehensive income	-	-	-	-	-	1,610,291	(54,741)	(2,459)	-	1,553,091
Appropriation and distribution of earnings:										
Legal reserve	-	-	-	95,630	-	(95,630)	-	-	-	-
Special reserve set aside	-	-	-	-	217,589	(217,589)	-	-	-	-
Cash dividends for ordinary shares	-	-	-	-	-	(514,128)	-	-	-	(514,128)
Other changes in capital reserve:										
Changes in subsidiaries, associates and joint ventures accounted for using equity method	-	-	45,248	-	-	-	-	-	-	45,248
Compensation costs of employee stock options	-	-	10,693	-	-	-	-	-	-	10,693
Cash capital increase	-	125,638	-	-	-	-	-	-	-	125,638
Balance on Dec. 31, 2018	934,779	125,638	2,466,109	931,082	255,202	5,110,368	(314,561)	(2,459)	-	9,506,158
Net profit	-	-	-	-	-	2,076,043	-	-	-	2,076,043
Other comprehensive income	-	-	-	-	-	(918)	(317,409)	(16,103)	-	(334,430)
Total of comprehensive income	-	-	-	-	-	2,075,125	(317,409)	(16,103)	-	1,741,613
Appropriation and distribution of earnings:										
Legal reserve appropriated	-	-	-	160,857	-	(160,857)	-	-	-	-
Special reserve set aside	-	-	-	-	61,818	(61,818)	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	(900,258)	-	-	-	(900,258)
Other changes in capital reserve:										
Changes in subsidiaries, associates and joint ventures accounted for using equity method	-	-	193,451	-	-	-	-	-	-	193,451
Cash capital increase	100,000	(125,638)	1,300,000	-	-	-	-	-	-	1,274,362
Balance on Dec. 31, 2019	\$ 1,034,779	-	3,959,560	1,091,939	317,020	6,062,560	(631,970)	(18,562)	-	11,815,326

Lotes Co., Ltd.

Statement of Cash Flows

From Jan. 1 to Dec. 31, 2019 and from Jan. 1 to Dec. 31, 2018

Unit: 1,000 TWD

	2019	2018
Net cash flow from operating activities:		
Net profit before tax	\$ 2,357,623	1,804,070
Items of adjustment:		
Items of income and expenses		
Depreciation expense	4,102	3,723
Amortization expense	1,048	539
Expected credit impairment loss	1,865	94
Interest expense	592	3,618
Interest income	(14,173)	(5,626)
Share of the profit from subsidiaries, associates and joint ventures accounted for using equity method	(1,151,326)	(926,489)
Losses from the falling price and scraping of inventory	1,193	2,604
Profit from the disposal and scraping of property, plant and equipment	(17)	-
Compensation costs of employee stock options	-	10,693
Total of the items of income and expenses	(1,156,716)	(910,844)
Change in assets/liabilities related to operating activities:		
Net change in the assets related to operating activities:		
Loss of receivable notes	468	3,834
Increase in accounts receivable	(375,345)	(427,674)
Decrease (increase) in other accounts receivable	(7,399)	1,538
Increase in inventory	(77,315)	(43,454)
Decrease (increase) in payments in advance	5,724	(6,951)
Decrease in other financial assets	-	3,046
Total net change in the assets related to operating activities	(453,867)	(469,661)
Net change in the liabilities related to operating activities:		
Increase in contract liabilities	11,076	3,922
Increase (decrease) in notes payable	(26,337)	36,026
Increase (decrease) in accounts payable	321,375	(207,378)
Other decrease (increase) in accounts payable	35,535	(15,893)
Increase in provisions	59	192
Increase (decrease) in other current liabilities	716	(1,703)
Increase (decrease) in refund liabilities	70,373	(12,414)
Decrease in other non-current liabilities	(70)	(28)
Total net change in the liabilities related to operating activities	412,727	(197,276)
Total net change in the assets and liabilities related to operating activities	(41,140)	(666,937)
Total of the adjustment items	(1,197,856)	(1,577,781)
Cash in flow generated by operating activities	1,159,767	226,289
Interests received	13,848	5,093
Paid interests	(1,125)	(4,150)
Income tax paid	(211,848)	(170,527)
Net cash outflow from operating activities	960,642	56,705
Net cash flow in investing activities:		
Acquisition of investments accounted for using the equity method	-	(123,371)
Acquisition of real estate, plant and equipment	(15,581)	(3,432)
Disposition of Property, plant and equipment	427	-
Increase in other accounts receivable	(85,950)	-
Acquisition of Intangible assets	(21,357)	(30,479)
Decrease (increase) in other non-current assets	(9,435)	91,090
Cash flow of investment activities (Outflow)	(131,896)	(66,192)
Cash flows in fundraising activities:		
Increment/loss of short-term loan	(720,000)	384,000
Refund of lease principal	(59)	-
Issuance of cash dividends	(900,258)	(514,128)
Cash capital increase	1,274,362	125,638
Net cash outflow in financing activities	(345,955)	(4,490)
Increase (decrease) of cash and cash equivalents	482,791	(13,977)
Balance of cash and cash equivalents at the beginning of the term	359,731	373,708
Balance of cash and cash equivalents at the end of the term	\$ 842,522	359,731

Independent Auditor's Report

To the Board of Directors, Lotes Co., Ltd.:

Audit opinion

We have audited the Consolidated Statement of Financial Position of Lotes Co., Ltd. and its subsidiaries (hereinafter referred to as Lotes Group) as of December 31, 2019 and 2018, the Consolidated Statement of Comprehensive Income as of January 1 to December 31, 2019 and 2018 as well as the Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the Notes to Consolidated Financial Statement (including important accounting policies summary).

In our opinions and based on the audit results of us, the compilation of the above consolidated financial statements present fairly, in all material respects, of the consolidated financial status of December 31, 2019 and 2018 in the Lotes Group and the consolidated financial performance and consolidated cash flow of January 1 to December 31, 2019 and 2018 prepared according to Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as the International Financial Reporting Standards, International Accounting Standards, Interpretation and Interpretation Announcement recognized and announced the effectiveness by Financial Supervisory Commission.

Basis of the audit opinions

The audit of the consolidated financial statements for fiscal year 2019 was conducted by us in accordance with "Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants", "CHIN-KUAN-CHENG-SHEN-TZU No. 1090360805 Letter" and Generally Accepted Auditing Standards (GAAS); the audit of the consolidated financial statements for fiscal year 2018 was conducted by us in accordance with "Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and Generally Accepted Auditing Standards (GAAS). Our responsibilities under these standards will be further explained in the responsibility paragraph of the accountant's audit on the consolidated financial statements. The personnel regulated by independence at the accounting firm that our accountants work with have been managed according to the code of professional ethics to maintain independence from Lotes Group as well as perform other responsibilities addressed on the regulation. Based on the audit results of us, we believe we have obtained sufficient and appropriate auditing evidence as the basis to express our audit opinions.

Key audit matters

Key audit matters refer to the most important matters on the audits to Lotes Group's consolidated financial statements of fiscal year 2019 based on the professional judgment of our accountants. The matters have been responded on the whole audited consolidated financial statements and during the process of the expression of the audit opinions. There, our accountants won't express opinions separately towards the matters. Based on the judgment of the accountants, the following key audit items that should be communicated on the audit report are as follows:

I. Recognition of income

Please refer to Note 4 (15) to the consolidated financial statements for the accounting policy in terms of income recognition. Please refer to Note 5 (2) to the consolidated financial statements for the refund liability in terms of accounting estimates and assumed uncertainties. Please refer to Note 6 (14) to the consolidated financial statements for the description of refund liability.

Description of the key audit matters:

The operating income is the most critical factor when determining the operational performance of Lotes Group. Users of the statements are cautiously concerned about the performance of the operating income. In response to the market conditions and business needs, discounts were provided for parts of the sales of goods agreed with the customers. Based on experiences and agreements with the customers, the management would estimate the refund liability and include it as a deduction of operating income. Thus, the income recognition evaluation is one of the fundamental evaluation items for accountants in the execution of financial report audit for Lotes Group.

Corresponding audit procedure:

The primary audit procedure conducted by the accountants for the aforementioned key audit matters included the understanding and evaluation of the relevant control procedures and methods in the estimation of refund liabilities in terms of the sales procedure and the effectiveness of the design and execution of the control procedure. Regarding the sampling testing for sales close to the balance sheet date, external certification documents were reviewed to assess the adequacy of the income recognition timings. The management's method to estimate and list refund liabilities were also obtained to assess whether the evaluation is based on the agreed conditions with customers and historical experiences. A retrospective test was conducted to analyze the adequacy of the refund liability estimate based on the experiences with historical estimates of differences and the actual situation afterward.

II. Evaluation of inventory

Please refer to Note 4 (8) to the consolidated financial statements for the accounting policy of inventory evaluation. Please refer to Note 5 (1) to the consolidated financial statements for the accounting estimates and assumed uncertainties of the inventory evaluation. Please refer to Note 6 (4) in the to the consolidated financial statements for the information on the losses from the falling price of inventory.

Description of the key audit matters:

Due to the impacts of rapid changes in the market demand and the development of production technology, the existing products are at risk to become outdated inventory or non-compliant with market demand. Parts of the inventory may become obsolete or have the market prices dropped. Thus, the inventory evaluation is one of the fundamental evaluation items for the accountants in the execution of financial report audit for Lotes Group.

Corresponding audit procedure:

The primary audit procedure conducted by the accountants for the aforementioned key audit matters included the understanding and evaluation of the basis and methods used by the management to assess the net realizable value of inventory. Review and audit were conducted in terms of the data used by the management as the basis and to estimate the net realizable value, and an evaluation was conducted on the estimated sales price to the latest sales record by sampling. To evaluate the adequacy of the drop in prices, the accuracy of the inventory aging report was checked, and the changes in the inventory aging of each period were analyzed.

Other Matters

Lotes Co., Ltd prepared its individual financial statements for fiscal year 2019 and fiscal year 2018, and the accountants also issued the audit report with unqualified opinions for reference.

Responsibility from management level and governing unit towards the consolidated financial statements

Management level's responsibility is to prepare the consolidated financial statements present fairly according to Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, Interpretation, and Interpretation Announcement recognized and announced the effectiveness by Financial Supervisory Commission and to maintain necessary internal control related to the preparation of the individual financial statements in order to ensure there is no major untrue expression on the financial

statements due to fraud or error.

When preparing the consolidated financial statements, the responsibility of management level also includes evaluating Lotes Group's capability of continuous operation, disclosure of relevant matters and the application of continuous operation accounting model unless the management level intends to liquidate Lotes or suspend its business operation or there is no alternative practical and feasible solution other than liquidation or business suspension.

The governing unit (including supervisors) in Lotes Group is responsible for supervising the process of financial reports.

Responsibility of accountants' audit on the consolidated financial statements

The purpose of the consolidated financial statements audited by our accountants is to obtain reasonable assurance on whether the significant untrue expression exists on the whole consolidated financial statements due to fraud or error as well as issue the audit report. The reasonable assurance is the high certainty; however, it won't be able to guarantee that the significant untrue expression will definitely be able to be detected by generally accepted auditing standards, and the untrue expression might be caused from fraud or error. It is regarded as with significance if the individual amount or the aggregation number of the untrue expression can reasonably predict that it will affect the economic decisions made by the users of the consolidated financial statements.

When we conduct the audit according to generally accepted auditing standards, we use professional judgment and maintain our professional suspicion. We also executed the following tasks:

1. Identifying and evaluating the risk of major untrue expression on the consolidated financial statements due to fraud or error; designing and implementing proper responding strategies towards the risk evaluated; and obtaining sufficient and appropriate audit evidence as the basis of audit opinions. Due to fraud might be involving with collusion, counterfeiting, malicious omission untrue declaration, or going out of the internal control, the risk of not detecting the major untrue expression due to fraud will be higher than that due to error.
2. Obtaining necessary understanding of internal control related to audit in order to design proper audit procedure under the situation of the case. However, its purpose is not to express opinion toward the effectiveness of the internal control in Lotes Group.
3. Evaluating the adequacy of the accounting policies used by the management level and the rationality of the accounting evaluation and relevant disclosure concluded.
4. Based on the audit evidence obtained, conclusion towards the appropriateness of continuous operation accounting basis that the management level adopts and the existence of major uncertainty on events or situations with major concerns affecting Lotes Group's capability in continuous operation are made. If we believe major uncertainty existed on the event or situation, we must remind the users of consolidated financial statements on the audit report to pay attention on the relevant disclosure or modify audit opinion when the disclosure is not appropriate. The conclusion that we made is based on the audit evidence obtained up to the audit report day, but future events or situations might cause Lotes Group not capable in continuous operation.
5. Evaluating the overall expression, structure and content of the consolidated financial statements (including relevant notes) as well as whether the consolidated financial statements present fairly, in all material respects, relevant transaction and events.
6. Obtaining sufficient and appropriated audit evidence of the financial information from the members in the group as well as express opinions towards the consolidated financial statements. We are in charge of the directing, supervision and execution on the audit cases as well as concluding audit opinions towards the consolidated financial statements of Lotes Group.

The communication between us and the governing unit includes the audit scope and time planned and major audit findings (including the significant defects on the internal control identified during the auditing process).

Our CPAs have also provided information to the governing unit that the personnel of the firm—under which our CPAs are working—who are subject to independence requirements have

complied with the statement of independence in the CPA code of professional ethics and communicated to the governing unit all relationships and other matters (including relevant safeguards) that may be considered to affect the independence of CPAs.

We determined the key audit matters that we would like to execute on Lotes Group's consolidated financial statements for fiscal year 2019 from the communication with the governing unit. We clearly stated the related matters on the audit report unless it is the specific matter that is not allowed to be disclosed to the public according to laws, or under a very rare situation that we decided not to communicate specific matters on the audit report because we can reasonably anticipate the negative influence generated by the communication will be greater than the public interests increased.

KPMG Taiwan

CPAs : CHUNG, TAN-TAN
CHEN, FU-WEI

Competent Authority of : (88) TAI-TSAI-CHENG (VI)
Securities Approval : No. 18311
Certificate No.
March 25, 2020

Lotes Co., Ltd. and Its Subsidiaries
Consolidated Statement of Comprehensive Income
From Jan. 1 to Dec. 31, 2019 and from Jan. 1 to Dec. 31, 2018

Unit: 1,000 TWD

		<u>2019</u>		<u>2018</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (Note 6 (14), (22))	\$ 15,088,872	100	13,311,518	100
5000	Operating cost (Note 6 (4), (10) and 12)	9,620,962	64	8,962,649	67
	Gross profit	5,467,910	36	4,348,869	33
	Operating expense (Note 6 (10), (16), (17), (25), 7 and 12):				
6100	Promotion Expenses	562,701	4	585,617	4
6200	Administration Expenses	1,049,810	7	873,990	7
6300	R&D expenses	1,104,315	7	903,890	7
6450	Expected credit impairment loss	460	-	2,932	-
	Total operating expense	2,717,286	18	2,366,429	18
	Net operating profit	2,750,624	18	1,982,440	15
	Non-operating income/expenses (Note 6 (23)):				
7010	Other income	212,040	2	201,729	2
7020	Other gains and/or losses	(105,785)	(1)	(12,191)	-
7050	Financial costs	(22,711)	-	(18,468)	-
7055	Expected credit loss	(2,407)	-	787	-
	Total of non-operating income and expenses	81,137	1	171,857	2
	Net profit before tax from continuing operations	2,831,761	19	2,154,297	17
7950	Less: Income tax expenses (Note 6 (18))	687,293	5	445,998	3
	Net income	2,144,468	14	1,708,299	14
8300	Other comprehensive income:				
8310	Reclassification				
8311	Defined benefit plan Amount of Remeasurement	(1,148)	-	2,187	-
8316	Unrealized Other comprehensive income in fair value	(16,103)	-	(2,459)	-
8349	Income Tax of Reclassification items	230	-	(463)	-
	Total of items which were not reclassified into profit or loss	(17,021)	-	(735)	-
8360	Potential gain/loss of Reclassification items				
8361	Exchange difference between foreign operating office's statement	(320,897)	(2)	(55,575)	-
8399	Less: income tax related to items which might be reclassified	-	-	-	-
	Total of items which might be reclassified into profit or loss	(320,897)	(2)	(55,575)	-
8300	Other comprehensive gain/loss (net value after tax)	(337,918)	(2)	(56,310)	-
	Comprehensive gain/loss	\$ 1,806,550	12	1,651,989	14
	Net profit allocated to:				
8610	Owner of parent company	2,076,043	13	1,608,567	13
8620	Non-control equity	68,425	1	99,732	1
		2,144,468	14	1,708,299	14
	Consolidated loss/gain allocated to:				
8710	Owner of parent company	1,741,613	12	1,553,091	13
8720	Non-control equity	64,937	-	98,898	1
		1,806,550	12	1,651,989	14
	Basic earnings per share (Unit: TWD)(Note 6 (21))	\$ 20.11		17.21	
	Diluted earnings per share (Unit: TWD)(Note 6 (21))	\$ 20.06		17.15	

Lotes Co., Ltd. and Its Subsidiaries
Consolidated Statement of Change in Equity
From Jan. 1 to Dec. 31, 2019 and from Jan. 1 to Dec. 31, 2018

Unit: 1,000 TWD

	Equity which belongs to the owner of the parent company													
	Share capital						Retained earnings			Other equity items		Total equity which belongs to the owner of the parent company	Non-control equity	Total equity
	Share capital for ordinary shares	Share capital collected in advance	Capital reserves	Legal reserve	Special reserve	Undistributed earnings	Exchange difference between foreign operating office's statement	Unrealized gain or loss on Financial assets measured at FVTOCI	Unrealized Financial assets for sale					
Balance on Jan. 1, 2018	\$ 934,779	-	2,410,168	835,452	37,613	4,322,806	(259,820)	-	4,618	8,285,616	146,173	8,431,789		
Adjustment for the retrospective application of new standard	-	-	-	-	-	4,618	-	-	(4,618)	-	-	-		
Balance after the restatement on Jan. 1, 2018	934,779	-	2,410,168	835,452	37,613	4,327,424	(259,820)	-	-	8,285,616	146,173	8,431,789		
Net income	-	-	-	-	-	1,608,567	-	-	-	1,608,567	99,732	1,708,299		
Other comprehensive income	-	-	-	-	-	1,724	(54,741)	(2,459)	-	(55,476)	(834)	(56,310)		
Total of comprehensive income	-	-	-	-	-	1,610,291	(54,741)	(2,459)	-	1,553,091	98,898	1,651,989		
Appropriation and distribution of earnings:														
Legal reserves	-	-	-	95,630	-	(95,630)	-	-	-	-	-	-		
Special reserve set aside	-	-	-	-	217,589	(217,589)	-	-	-	-	-	-		
Cash dividends on common stock	-	-	-	-	-	(514,128)	-	-	-	(514,128)	-	(514,128)		
Other changes in capital reserve:														
Changes in subsidiaries, associates and joint ventures accounted for using equity method	-	-	45,248	-	-	-	-	-	-	45,248	-	45,248		
Compensation costs of employee stock options	-	-	10,693	-	-	-	-	-	-	10,693	-	10,693		
Cash capital increase	-	125,638	-	-	-	-	-	-	-	125,638	-	125,638		
Increment/deduction of non-control equity	-	-	-	-	-	-	-	-	-	-	120,253	120,253		
Balance on Dec. 31, 2018	934,779	125,638	2,466,109	931,082	255,202	5,110,368	(314,561)	(2,459)	-	9,506,158	365,324	9,871,482		
Net income	-	-	-	-	-	2,076,043	-	-	-	2,076,043	68,425	2,144,468		
Other comprehensive income	-	-	-	-	-	(918)	(317,409)	(16,103)	-	(334,430)	(3,488)	(337,918)		
Total of comprehensive income	-	-	-	-	-	2,075,125	(317,409)	(16,103)	-	1,741,613	64,937	1,806,550		
Appropriation and distribution of earnings:														
Legal reserves	-	-	-	160,857	-	(160,857)	-	-	-	-	-	-		
Special reserve set aside	-	-	-	-	61,818	(61,818)	-	-	-	-	-	-		
Cash dividends on common stock	-	-	-	-	-	(900,258)	-	-	-	(900,258)	-	(900,258)		
Other changes in capital reserve:														
Changes in subsidiaries, associates and joint ventures accounted for using equity method	-	-	193,451	-	-	-	-	-	-	193,451	-	193,451		
Cash capital increase	100,000	(125,638)	1,300,000	-	-	-	-	-	-	1,274,362	-	1,274,362		
Increment/deduction of non-control equity	-	-	-	-	-	-	-	-	-	-	310,257	310,257		
Cash dividends issued by subsidiaries for non-controlling interests	-	-	-	-	-	-	-	-	-	-	(10,619)	(10,619)		
Balance on Dec. 31, 2019	\$ 1,034,779	-	3,959,560	1,091,939	317,020	6,062,560	(631,970)	(18,562)	-	11,815,326	729,899	12,545,225		

Lotes Co., Ltd. and Its Subsidiaries
Consolidated Statement of Cash Flows

From Jan. 1 to Dec. 31, 2019 and from Jan. 1 to Dec. 31, 2018

Unit: 1,000 TWD

	2019	2018
Net cash flow from operating activities:		
Net profit before tax	\$ 2,831,761	2,154,297
Items of adjustment:		
Items of income and expenses		
Depreciation expense	1,023,478	819,154
Amortization expense	12,368	7,966
Expected credit impairment loss	2,867	2,145
Interest expense	22,711	18,468
Interest income	(32,820)	(14,387)
Profit/loss of Financial assets and liabilities in fair value	(7,267)	1,379
Losses from the falling price and scraping of inventory	39,165	48,379
Disposition of Property, plant and equipment	27,655	12,193
Compensation costs of employee stock options	4,709	10,693
Total of the items of income and expenses	1,092,866	905,990
Change in assets/liabilities related to operating activities:		
Net change in the assets related to operating activities:		
Gain/loss of receivable notes	858	(9,220)
Increase in accounts receivable	(657,895)	(1,001,427)
Decrease (increase) in other accounts receivable	(4,427)	7,694
Decrease (increase) in inventory	212,641	(485,727)
Increase in payments in advance	(46,534)	(39,721)
Decrease in other current assets	2,067	23,675
Decrease in other financial assets	48,332	134,255
Total net change in the assets related to operating activities	(444,958)	(1,370,471)
Net change in the liabilities related to operating activities:		
Increase in contract liabilities	13,787	6,160
Increase (decrease) in notes payable	(26,396)	35,992
Increase in accounts payable	141,590	41,733
Increase in other accounts payable	154,112	138,188
Increase in provisions	59	192
Increase (decrease) in other current liabilities	5,674	(1,137)
Increase (decrease) in refund liabilities	70,373	(12,414)
Increase in other non-current liabilities	206	261
Total net change in the liabilities related to operating activities	359,405	208,975
Total net change in the assets and liabilities related to operating activities	(85,553)	(1,161,496)
Total of the adjustment items	1,007,313	(255,506)
Cash in flow generated by operating activities	3,839,074	1,898,791
Interests received	42,560	11,175
Paid interests	(24,089)	(17,870)
Income tax paid	(497,845)	(383,817)
Net cash outflow from operating activities	3,359,700	1,508,279
Net cash flow in investing activities:		
Acquired financial assets measured at fair value through other comprehensive income financial assets	-	(25,000)
Acquisition of financial assets measured at FVTPL	(313,922)	(90,479)
Disposal of financial assets measured at FVTPL	177,274	-
Acquisition of real estate, plant and equipment	(1,127,735)	(1,308,667)
Disposition of Property, plant and equipment	6,162	8,574
Increase in intangible assets	(52,630)	(42,111)
Decrease (increase) in other non-current assets	(181,017)	38,095
Net cash outflow from investing activities	(1,491,868)	(1,419,588)
Cash flow from financing activities:		
Increment/loss of short-term loan	(889,663)	318,811
Refund of lease principal	(121,833)	-
Issuance of cash dividends	(900,258)	(514,128)
Cash dividends issued for non-controlling interests	(10,619)	-
Cash capital increase	1,274,362	-
Share capital collected in advance for cash capital increase	-	125,638
Variance of non-control equity	308,003	120,253
Changes in subsidiaries, associates and joint-ventures accounted for using equity method	190,996	45,248
Net cash inflow (outflow) in financing activities	(149,012)	95,822
Change of exchange rate effecting Cash and cash equivalents	(320,897)	(55,575)
Increase of cash and cash equivalents	1,397,923	128,938
Balance of cash and cash equivalents at the beginning of the term	1,448,071	1,319,133
Balance of cash and cash equivalents at the end of the term	\$ 2,845,994	1,448,071

[Attachment 5]

Lotes Co., Ltd.
Statement of Earnings Distribution
Fiscal Year 2019

Unit: TWD

Item	Amount
Undistributed earnings at the beginning of fiscal year 2019	3,987,435,251
Add: Remeasurement of net defined welfare liabilities	-918,479
Undistributed earnings at the beginning of fiscal year 2019 after adjustment	3,986,516,772
Add: Net profit after tax in fiscal year 2019	2,076,042,656
Less: 10% of the earnings was appropriated as legal reserve	207,604,266
Special reserve set aside (Note)	333,512,807
Total distributable earnings	5,521,442,355
Less: Shareholder bonuses - cash (10.5 TWD per share)	1,086,517,950
Undistributed earnings at the end of fiscal year 2019	4,434,924,405
<p>Note1: The net amount of the deduction item for other shareholders' equity recognized in fiscal year 2019 was 650,532,445 TWD, and the special reserve of the same amount should be appropriated from the income in the fiscal year and the undistributed earnings in the previous fiscal year. However, 317,019,638 TWD in it was set aside from the special reserve in fiscal year 2018, so only the special reserve of 333,512,807 TWD should be further appropriated.</p> <p>Note 2: Cash dividends would be distributed to 1 dollar (rounded down to an integer), fractional amount less than one dollar should be recognized as part of the other income of the Company.</p>	

Chairperson:
 CHU,

TE-HSIANG

General Manager : HO, TE-YU
 HSIN-HSIA

Accounting Manager: LIU,

[Attachment 6]

Lotes Co., Ltd.

The Comparison Table of Amendments to the “Rules of Procedure for Shareholder Meeting”

Amendments	Existing Provisions	Description
<p>Article 3</p> <p>Item 1, 2 and 3 omitted.</p> <p>Matters pertaining to election or discharge of directors and supervisors, alteration of the Articles of Incorporation, <u>reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, dissolution, merger, spin-off, or any matters as set forth in Article 185, paragraph 1 in the Company Act shall be itemized in the causes or subjects to be described and <u>the essential contents shall be explained in the notice to convene a meeting of shareholders, and shall not be brought up as extraordinary motions; the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the company, and such website shall be indicated in the above notice.</u></u></p> <p><u>A shareholders' meeting shall be convened for the purpose of specifying a general re-election of directors and the date of assumption of office, and no change in the date of assumption of office shall be made by extemporary motion or otherwise at the same meeting after the completion of such re-election.</u></p> <p>Shareholders holding 1% or more of the total number of outstanding shares of a company may propose to the company a proposal for discussion at a regular shareholders' meeting, provided that only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. <u>A shareholder proposal proposed for urging a</u></p>	<p>Article 3</p> <p>Item 1, 2 and 3 omitted.</p> <p>Matters pertaining to election or discharge of directors and supervisors, alteration of the Articles of Incorporation, dissolution, merger, spin-off, or any matters as set forth in Article 185, paragraph 1 in the Company Act <u>and Articles 26-1 and 43-6 of the Securities and Exchange Act shall be itemized in the causes or subjects to be described in the notice to convene a meeting of shareholders, and shall not be brought up as extraordinary motions.</u></p> <p>Shareholders holding 1% or more of the total number of outstanding shares of a company may propose to the company a proposal for discussion at a regular shareholders' meeting <u>in writing</u>, provided that only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude the proposal.</p> <p>Prior to the book closure date before a regular shareholders' meeting is held, the companies shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.</p> <p>The number of words of a proposal to be submitted by a shareholder shall be limited</p>	<p>Pursuant to Article 172, 172-1 of the Company Act and Jing-Shang-Zi No. 10702417500, dated August 6, 2018.</p>

Amendments	Existing Provisions	Description
<p><u>company to promote public interests or fulfill its social responsibilities may still be included in the list of proposals to be discussed at a regular meeting of shareholders by the Board of Directors.</u> A shareholder proposal proposed in one of the circumstances set out in Article 172-1, paragraph 4, of the Company, the Board of Directors may exclude the proposal.</p> <p>Prior to the book closure date before a regular shareholders' meeting is held, the companies shall publicly announce that it will receive shareholder proposals <u>(in writing or by way of electronic transmission)</u>, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.</p> <p>The number of words of a proposal to be submitted by a shareholder shall be limited to not more than 300 words, and any proposal containing more than 300 words shall not be included in the agenda of the shareholders' meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the regular shareholders' meeting whereat his proposal is to be discussed and shall take part in the discussion of such proposal.</p> <p>The company shall, prior to preparing and delivering the shareholders' meeting notice, inform, by a notice, all the proposal submitting shareholders of the proposal screening results, and shall list in the shareholders' meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the Board of Directors at the shareholders' meeting to be convened.</p>	<p>to not more than 300 words, and any proposal containing more than 300 words shall not be included in the agenda of the shareholders' meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the regular shareholders' meeting whereat his proposal is to be discussed and shall take part in the discussion of such proposal.</p> <p>The company shall, prior to preparing and delivering the shareholders' meeting notice, inform, by a notice, all the proposal submitting shareholders of the proposal screening results, and shall list in the shareholders' meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the Board of Directors at the shareholders' meeting to be convened.</p>	
<p>Article 10</p> <p>If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. <u>The</u></p>	<p>Article 10</p> <p>If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. <u>The</u></p>	<p>To comply with the full adoption of electronic voting by</p>

Amendments	Existing Provisions	Description
<p><u>relevant motions (including extraordinary motions and amendments to original motions) shall pass the resolution on a one agenda by one agenda basis.</u> The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.</p> <p>Item 2 to 3 omitted.</p> <p>The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote, <u>and arrange for an adequate time for voting.</u></p>	<p>meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.</p> <p>Item 2 to 3 omitted.</p> <p>The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.</p>	<p>listed and OTC-listed companies from 2018, and to fulfill the spirit of one agenda by one agenda basis, amend this Article.</p> <p>To avoid the shareholders' meeting convener from overly restricting the time for shareholders to vote, which may affect the exercise of shareholders' voting rights, amend this Article.</p>
<p>Article 13 Item 1 omitted.</p> <p>When this Corporation holds a shareholders' meeting, the shareholders shall exercise voting rights by electronic means <u>and can exercise voting rights by correspondence</u> (in accordance with the proviso of Article 177-1 of the Company Act regarding companies that shall adopt electronic voting: When this Corporation holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence). When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting.</p>	<p>Article 13 Item 1 omitted</p> <p>When this Corporation holds a shareholders' meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means (in accordance with the proviso of Article 177-1 of the Company Act regarding companies that shall adopt electronic voting: When this Corporation holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence). When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting.</p>	<p>To comply with the full adoption of electronic voting by listed and OTC-listed companies from 2018, amend this Article.</p>

Amendments	Existing Provisions	Description
The following is omitted.	The following is omitted.	
<p>Article 15 Item 1 omitted. The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results <u>(including statistical weights), when there is an election of directors and supervisors, the number of votes received by each candidate shall be disclosed,</u> and shall be retained for the duration of the existence of this Corporation.</p> <p>The following is omitted.</p>	<p>Article 15 Item 1 omitted. The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of this Corporation.</p> <p>The following is omitted.</p>	<p>To fulfill the spirit of one agenda by one agenda basis, refer to the Asian Corporate Governance Association's proposed amend paragraph 3.</p>

【Appendix 1】

Lotes Co., Ltd. Articles of Incorporation

Chapter 1: General Principle

Article 1: In accordance with the Company Act, the Company is registered as LOTES CO., LTD.

Article 2: The business scope of the Company is stated as follows:

1. Manufacturing, processing and trading of various hardware parts and tool parts.
2. Manufacturing, processing and trading of terminals and their finished products.
3. Manufacture, processing and trading of circuit boards for electrical appliances.
4. Import and export business in respect of the preceding item.
5. Conducting tender quotations and distribution for domestic and foreign manufacturers' products in connection with said business
6. CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing.
7. CC01080 Electronic Parts and Components Manufacturing
8. CC01110 Computers and Computing Peripheral Equipment Manufacturing
9. CC01990 Electrical Machinery, Supplies Manufacturing
10. CF01011 Medical Materials and Equipment Manufacturing
11. CQ01010 Die Manufacturing
12. CZ99990 Other Industrial Products Manufacturing Not Elsewhere Classified
13. F106030 Wholesale of Die
14. F108031 Wholesale of Drugs, Medical Goods
15. F113020 Wholesale of Household Appliance
16. F113030 Wholesale of Precision Instruments
17. F113050 Wholesale of Computing and Business Machinery Equipment
18. F113070 Wholesale of Telecom Instruments
19. F401010 International Trade
20. CI01010 Rope, Cable and Net Manufacturing
21. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval

Article 3: Headquarter of the Company is located at Keelung City and when necessary could set up a subsidiary company inside or outside of the country, with the approval by the Board of Directors.

Article 4: The Company may make investments in other companies as it deems necessary for its business and may, by resolution of the Board of Directors, become a limited liability shareholder of such company. The total amount of which is not limited to the amount of such investments as provided in Article 13 of the Company Law.

Article 5: The company may provide external endorsement and guarantee for business purposes.

Chapter 2 Shares

Article 6: The Company's total capital is set at NT\$15.5 billion, divided into 155 million shares. The amount of each share is NT\$10 per share, of which the Board of Directors is authorized to issue the unissued shares in tranches; the issue price per share shall be determined by the Board of Directors in accordance with relevant laws and regulations.

The total amount of the former capital is reserved for the issuance of Employee stock options warrants in the amount of NT\$5 million, which are subject to the Board's resolution.

Translated with www.DeepL.com/Translator (free version) Article 6-1: If the Company intends to repurchase the Company's shares and transfer the shares at a price lower than the average repurchased price, it shall follow the relevant regulations and proceed to such transfer after the resolution of the most

recent shareholders' meeting.

Article 6-2: If the Company intends to issue stock warrants for employees at a subscription price lower than the market price, it shall follow the relevant regulations and proceed to such transfer after the resolution of the most recent shareholders' meeting.

Article 6-3: If the Company purchases the treasury stock in accordance with the Company Act, the object of the transfer should include the employees who control or subordinate the Company and meet certain conditions.

The object of distribution of the stock warrants for employees should include the employees who control or subordinate the Company and meet certain conditions.

When the company issues new shares, employees who control or subordinate the Company and meet certain conditions should be included for the subscription.

The object of the new restricted employee shares issued by the Company should include the employees who control or subordinate the Company and meet certain conditions.

Article 7: The Company's shares are inscribed shares. The serial number should be signed or stamped by the directors who represent the Company. The shares shall be signed by the bank that acts as the share issuer according to the laws. When the Company issues new shares, the free-print share is adopted to issue shares, the same for other marketable securities. However, it shall contact the centralized securities depository enterprises for registration.

Article 8: The change of shareholders' list shall be made no later than 60 days prior to the ordinary meeting of shareholders, no later than 30 days prior to the provisional meeting of shareholders, or no later than 5 days prior to the basis date of the Company's resolution to distribute dividends and bonuses or other benefits.

Article 8-1: The Company's share transactions are conducted in accordance with the "Guidelines Governing the Disposal of Shares of Public Companies" issued by the competent authorities.

Chapter 3: Shareholder's Meeting

Article 9: There shall be two kinds of general meetings, ordinary and interim, which shall be convened once a year, within six months after the end of each fiscal year, as required by law, and shall be notified to each shareholder by thirty days in advance; interim meetings shall be convened as required by law, and shall be notified to each shareholder by fifteen days in advance.

The preceding notice shall state the date, place and cause of the meeting. The shareholders' meeting shall be convened by the Board of Directors, unless otherwise provided by the Act.

Notice of the convening of a general meeting may be given in writing or by electronic means with the consent of the shareholders.

Article 10: In the event that a shareholder is unable to attend the general meeting for any reason, he/she may appoint a proxy to attend the meeting by issuing a letter of proxy issued by the Company specifying the scope of the authority. In addition to the provisions of Article 177 of the Company Law, the rules for the use of proxies to attend shareholders' meetings of public companies shall be in accordance with the "Rules for the Use of Proxy Forms by Public Companies" issued by the competent authorities.

Article 11: Each share is entitled one voting right. However, those restricted or those deemed by Article 179 of the Company Act to have voting rights are not within this restriction.

Article 12: Unless otherwise regulated by the relevant laws and regulations, shareholders representing more than half of the total number of issued shares should attend in person or by proxy in the shareholder meetings. Resolutions should be approved by more than half of the attended shareholders.

Article 12-1: The board shall convene the shareholder meeting and the Chairperson of the board shall be the chairperson of the meeting. In the event of the Chairperson's absence, the Chairperson shall assign a director as its proxy. If the assignment is not made, the directors shall choose one. If the meeting is

convened by other conveners not belonging to the Board, the convener shall be the chairperson of the meeting. If there is more than one convener, the conveners should decide and one of them should be the chairperson.

Article 12-2: The resolutions of the shareholders' meeting shall be published in minutes and shall be dealt with in accordance with Article 183 of the Company Law.

Article 12-3: If the Company wishes to cancel the public offering of its shares in the future, it must be submitted to the shareholders' meeting for discussion and resolution.

Chapter 4: Directors and Supervisors

Article 13: The Company has five to nine directors and two to four supervisors, all of whom are appointed for a term of three years and all the seats are entitled to be re-elected.

For the aforementioned number of directors of this Company, the number of independent directors should not be less than two persons and should not be less than one-fifth of the total numbers of directors. In terms of the professional qualifications, shareholding, and part-time restrictions, independence determination, nomination and selection methods, and other compliance matters, the regulations of the competent security authorities must be followed.

The nomination system is adopted for the election of the directors and supervisors in this Company.

The shareholders must elect from the candidate list of directors and supervisors.

The regulations of the competent security authorities must be followed in terms of the total shareholding ratio of all its directors and supervisors.

Article 13-1: The meeting of the Board of Directors shall be convened in accordance with Article 204 of the Company Act.

Article 13-2: In the event that the seats of one-third of the Directors are vacant or all the Supervisors are dismissed, the Board of Directors shall convene an interim election within 60 days and the term of office shall be limited to the period for which the original seats were filled.

Article 13-3: The Directors and Supervisors of the Company shall be notified of the convening of the Board of Directors seven days in advance and the Company may convene the Board of Directors at any time in case of emergency. The Board of Directors of the Company may be convened in writing, by e-mail or by fax.

Article 14: The board shall be composed of the directors. The chairman of the board shall be elected from the directors with the agreement of over half of the directors attending the meeting, and the attendance rate should be no less than 2/3. Chairperson represents the Company externally.

Article 15: If the chairman cannot performance his/her duty due to certain reason, the assignment of his/her deputy shall be conducted in accordance with the regulations of Company Law, Art. 208.

Article 15-1: When a meeting of the Board of Directors is held by video conference, a director who participates in the meeting by video shall be deemed to be present in person; if a director is unable to attend in person for any reason, he may appoint another director to attend by proxy, and his proxy shall be in accordance with Article 205 of the Company Law.

Article 15-2: A resolution of the Board of Directors shall, unless otherwise provided in the Companies Act, be passed by a majority of the Directors present and agreed to by a majority of the Directors present.

Article 15-3: Supervisors may exercise their powers according to laws and regulations and may attend the board meeting without voting right.

Article 15-4: All directors and supervisors of the company must be insured with the corresponding liability insurance during the term of office based on their business scope with the purpose to reduce and diversity the loss risks of the directors and supervisors of the Company, the Company, and the shareholders. In terms of the liability insurance of the directors and supervisors, the Board is authorized to take in charge of it.

Article 16: When the directors and supervisors of the Company are executing operations of the Company, the Company must pay their compensation regardless of the Company's financial status, with surplus or loss. The compensation is based on the level of participation and contribution to the company's

operations, and the Board is authorized to consult the industry's usual standards, not exceeding the standard of the highest salary scale set by the Company's salary assessment method. If the company has surpluses, the compensation shall be distributed in accordance with the provisions of Article 19.

Chapter 5: Manager

Article 17: The Company shall employ managers to conduct business operations. The appointment and dismissal as well as the salary policies shall be made in accordance with the Company Law Art.29.

Chapter 6: Accounting

Article 18: At the end of every fiscal year, the board shall submit the papers and lists as below before the start of shareholder's meeting to the shareholders for approval.

(1). Business Report (2). Financial Statement (3). Proposal on distribution of surplus and recovery of losses

Article 19: If the Company has surpluses in a year, it shall allocate not less than three percent as employee compensation and not higher than three percent as compensation for the directors and supervisors. If the Company has accumulated loss, it shall preserve in advance to make-up and then allocate the aforementioned proportion as employees' and director'/supervisors' compensation. The objects of distribution of the aforementioned stock or cash compensation for the employees should include the employees who control or subordinate the Company and meet certain conditions.

Article 19-1: If the Company has a surplus after the annual accounts, it should first complete the tax payment, make up for the previous year's losses, and deposit 10% of the statutory surplus reserve unless it has reached to the total capital. It should allocate or reserve into special surplus reserve according to the laws and regulations. If there are still surpluses, it shall be merged with the accumulated undistributed surplus. The Board shall draft a surplus allocation plan and propose to the shareholder meeting for a final resolution of distribution. The shareholder dividends distributed shall not be less than 20% of the net after-tax net profit of this year after deducting the surplus reserve provided according to law. The dividends distributed to the shareholders shall not be less than 20% of the annual net profit after tax of this year after deducting the surplus reserve allocation according to the laws and regulations.

The Company shall take the surrounding environment and growth stage of the Company, as well as the future business expansion, into consideration so that the future expenditure budget and capital needs shall be considered in the distribution of surplus. Among the dividends distributed in the current year, not less than 10% of cash dividends shall be offered.

Chapter 7: Supplementary

Article 20: The Articles of Association and the Bye-Laws of the Company shall be prescribed by the Board of Directors separately.

Article 21: Matters not listed in this article of incorporation is to be processed according to the Company Act and other relevant regulations.

Article 22: This Articles of Incorporation was composed on Aug.9, 1986.

1st amendment was made on Jan.19,1987.

2nd amendment was made on Nov.20,1987.

3rd amendment was made on Dec.29,1987.

4th amendment was made on Jan.30,1993.

5th amendment was made on May 21,1983.

6th amendment was made on Aug.2,1998.
7th amendment was made on Aug.9,2004.
8th amendment was made on Aug.25, 2004.
9th amendment was made on Oct.8, 2004.
10th amendment was made on Nov.8, 2004.
11th amendment was made on Jun.24,2005.
12th amendment was made on May 3,2006.
13th amendment was made on Jun.29,2006.
14th amendment was made on Dc.15,2006.
15th amendment was made on May 31,2007.
16th amendment was made on Jun.13,2008.
17th amendment was made on Jun.10,2009.
18th amendment was made on Jun.14,2010
19th amendment was made on Jun.10,2011.
20th amendment was made on Jun. 20,2012.
21st amendment was made on Jun.10, 2014.
22nd amendment was made on Jun.6,2016.
23rd amendment was made on Jun.14,2017.
24th amendment was made on Jun.14,2019.

Lotes Co., Ltd.

Chairperson: CHU, TE-HSIANG

【Appendix 2】

Lotes Co., Ltd.

Rules of Procedure for Shareholders' meetings (Before Amendments)

Article 1: To establish a strong governance system and sound supervisory capabilities for this Corporation's shareholders' meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Article 2: The rules of procedures for 's shareholders' meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

Article 3: Unless otherwise dictated by regulations, the shareholders' meeting is convened by the Board of Directors.

The convening of an annual shareholders' meeting shall be notified to each shareholder within 30 days prior to the date of the notice. For shareholders holding less than one thousand registered shares, the notice may be sent to the Market Observation Post System (MOPS) within 30 days ago. The convening of an extraordinary shareholders' meeting shall be sent to all shareholders within 15 days of the date. For shareholders holding less than one thousand registered shares, the notice may be sent to the MOPS within 15 days of the date.

Both notice and announcement shall specify the matters that the Board, at the time notice/announcement is given, intends to present for action by the Board. Notice sent out to shareholders may be delivered by electronic mail (E-mail) if all shareholders shall individually or collectively consent to such notice.

Election or dismissal of Directors, amendments to the Articles of Incorporation, the dissolution, merger, or demerger of the company, or any matter under Article 185, Paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act shall be set out in the notice of the reasons for convening the shareholders' meeting. None of the aforementioned matters may be raised by an extraordinary motion.

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

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

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

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

Article 4: For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by this Corporation and stating the scope of the proxy's authorization.

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

After a proxy form has been delivered to this Corporation, if the shareholder intends to attend the

meeting in person, a written notice of proxy cancellation shall be submitted to this Corporation before 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

Article 5: The venue for a shareholders' meeting shall be the premises of this Corporation, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.

Article 6: The Company shall furnish the attending shareholders and their proxies (hereinafter referred to collectively as "shareholders") with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall furnish attending shareholders with the meeting handbook, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of Directors and supervisors, pre-printed ballots shall also be furnished

Shareholders shall attend shareholders' meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification.

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

Article 7: If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairperson of the Board. When the Chairperson of the Board is on leave or for any reason unable to exercise the powers of the Chairperson, the Vice Chairperson shall act in place of the chairperson of the meeting; if there is no Vice Chairperson or the Vice Chairperson also is on leave or for any reason unable to exercise the powers of the Vice Chairperson, the Chairperson shall appoint one of the Managing Directors to act as the chairperson, or, if there are no Managing Directors, one of the Directors shall be appointed to act as the chairperson. Where the Chairperson does not make such a designation, the Managing Directors or the Directors shall elect one person from among themselves to serve as the chairperson

It is advisable that shareholders' meetings convened by the Board of Directors be chaired by the Chairperson of the Board in person and attended by a majority of the Directors. If a shareholders' meeting is convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall elect one person from among themselves to act as chairperson.

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

Article 8: Article 8: The Company shall record the shareholders' meeting in its entirety through audio and videotape, and the recordings shall be kept for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 9: Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

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

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

shall be notified of the tentative resolution and another shareholders' meeting shall be convened within 1 month.

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

Article 10: If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

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

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

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

Article 11: Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

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

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

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

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

Article 12: Voting at a shareholders' meeting shall be calculated based the number of shares.

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

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

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

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

Article 13: A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

When this Corporation holds a shareholders' meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means (in accordance with the proviso of Article 177-1 of the Company Act regarding companies that shall adopt electronic voting: When this Corporation

holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence). When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting.

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

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

Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders.

A proposal shall be deemed approved by the chair if there is no objection from all members present and shall have the same effect as voting; if there is an objection, a voting shall be taken in accordance with the preceding provisions.

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

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation. Vote counting shall be conducted in public at the place of the shareholders' meeting, the results of the voting shall be announced on-site at the meeting, and a record made of the vote.

Article 14: The election of directors or supervisors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by this Corporation, and the voting results shall be announced on-site immediately

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

Article 15: Resolutions of a shareholders' meeting shall be recorded in the minutes of the meeting pursuant to Article 183 of the Company Act.

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

The preceding method of resolutions is to be determined by the chair in consultation with shareholders. If there is no objection to the resolution by shareholders, it shall be stated that "the resolution is passed without objection by the chair after consultation with all shareholders present";

however, if there is an objection to the resolution, the manner in which the resolution is adopted and the proportion of votes cast to the number of votes cast shall be stated.

Article 16: On the day of a shareholders' meeting, this Corporation shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders' meeting.

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

Article 17: Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands.

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

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

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

Article 18: When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

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

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

Article 19: These Rules, and any amendments hereto, shall be implemented after adoption by shareholders' meetings.

【 Appendix 3 】

The Effects of the Gratuitous Stock Distribution on the Operating Performance and Earnings per Share of the Company and the Return of Investment of the Shareholders:

The Company has not announced the financial forecast for fiscal year 2020, and therefore it is not applicable.

【 Appendix 4 】

Lotes Co., Ltd. Shareholding Status of All the Directors and Supervisors

Title	Name	Share Held	
		Shares	Shareholding Ratio (Note)
Chairperson	Lotes Investments Limited Representative: CHU, TE-HSIANG	9,873,037	9.54%
Director	Lotes Investments Limited Representative: HO, TE-YU	9,873,037	9.54%
Director	TSAI, MING-JUI	5,954	0.01%
Director	CHIN, CHANG-MIN	0	0%
Independent Director	HSIEH, CHIA-YING	0	0%
Independent Director	HU, JUI-CHING	0	0%
Subtotal of the directors (shares)		9,878,991	9.55%
The least shares shall be held by all the directors		8,000,000	6%
Supervisor	CHENG, MING-SUNG	0	0%
Supervisor	CHIN-LING Investment Co., Ltd. Representative: CHANG, KUN-YAO	10,956,237	10.59%
Supervisor	YANG, WEN-MING	0	0%
Subtotal of the supervisors (shares)		10,956,237	10.59%
The least shares shall be held by all the supervisors		800,000	0.6%
Total of all the directors and supervisors (shares)		20,835,228	20.14%

Note: By April 21, 2020, which was the book closure date, the share capital was divided into 103,477,900 shares.