

Tone Hsing Electronic Industries, Ltd.
Rules for Performance Evaluation of Board of Directors

Article 1: To implement corporate governance and enhance the Company's board functions, and to set forth performance objectives to improve the operation efficiency of the board of directors, the Rules is established pursuant to Article 37 of the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” for compliance therewith.

Article 2: The general evaluation cycles, evaluation periods, scope and method of evaluation, the unit conducting evaluations, evaluation procedures and other matters for compliance under the regulations governing the board performance evaluation shall be subject to the Rules. Each functional committee shall exercise the rules that governing performance evaluation for internal committees at least once a year.

Article 3: The board of directors of the Company shall conduct an internal board performance evaluation every year according to the evaluation procedures and the evaluation indexes in Articles 6 and Article 8 of the Rules.

The board performance evaluation of the Company shall be conducted by an external independent professional institution or a team of external experts and scholars at least once every three years.

The internal and external board performance evaluation results shall be completed before the end of the first quarter of the following year.

Article 4: The scope of the board evaluation covers the evaluation of the board as a whole, individual directors and functional committees. Methods of evaluations include the internal evaluation of the board, self-evaluation by individual board members, peer evaluation, and evaluation by appointed external professional institutions, experts, or other appropriate methods.

Article 5: The execution unit conducting internal evaluations of the board of directors shall have an adequate understanding of the operation of the unit subject to evaluation and shall play a fair, impartial and independent role.

The unit performing the evaluations of functional committees shall be composed of independent directors.

Article 6: The procedures for the board performance evaluation are as follows:

- I. Determine the units to be subject to evaluation, the period and the scope of evaluation in the current year. (e.g. the board of directors as a whole, individual board members, each functional committee, etc.)
- II. Determine the method of evaluation. (e.g. internal evaluation of the board, self-evaluation by the board members of themselves or peers, peer evaluation, and evaluation by an appointed external professional institution and experts, etc.)

III. Select the suitable units to conduct the evaluations.

IV. The units performing evaluations will collect information about the activities of the board of directors and distribute self-evaluation questionnaires such as:

Annex 1: the questionnaire of “Self-Performance Evaluation of the Board”.

Annex 2: the questionnaire of “Self-Performance Evaluation of Board Members”.

Annex 3: the questionnaire of “Self-Performance Evaluation of the Functional Committee”.

The unit responsible for evaluation or the secretariat of the board will then collect all information, give scores based on the evaluation indexes in Article 8, record the evaluation results in a report, and submit the report to the board of directors for discussion and improvement.

Article 7: When appointing an external evaluation institution or panel of external experts and scholars to conduct evaluations of board performance, the Company shall comply with the following guidelines:

- I. The external evaluation institution or team of external experts and scholars shall be professional and independent.
- II. The external evaluation institution shall be an institution or management consulting firm mainly engaging in the provision of services for educational and training programs for board of directors and improvement of corporate governance of enterprises.
- III. The team of external experts and scholars shall appoint at least three experts or scholars specialized in the fields of board of directors or corporate governance to conduct evaluations of board performance of the Company and prepare external evaluation analysis reports.

Article 8: The Company shall take into consideration its condition and needs when establishing the criteria for evaluating the performance of the board of directors, which should cover, at a minimum, the following five aspects:

1. Participation in the operation of the company;
2. Improvement of the quality of the board of directors' decision making;
3. Composition and structure of the board of directors;
4. Election and continuing education of the directors;
5. Internal control.

The criteria for evaluating the performance of the board members (on themselves or peers), should cover, at a minimum, the following six aspects:

1. Alignment of the goals and missions of the Company;
2. Awareness of the duties of a director;
3. Participation in the operation of the Company;
4. Management of internal relationship and communication;
5. The director's professionalism and continuing education;
6. Internal control.

The criteria for evaluating the performance of functional committees should cover, at a

minimum, the following five aspects:

1. Participation in the operation of the Company;
2. Awareness of the duties of the functional committee;
3. Improvement of quality of decisions made by the functional committee;
4. Composition of the functional committee and election of its members;
5. Internal control.

The indexes of board performance evaluation shall be determined based on the operation and needs of the Company, and suitable and appropriate for evaluations by the Company. The remuneration committee shall conduct the regular reviews for the aforementioned affairs and provide the constructive comments.

Scoring criteria may be modified and adjusted based on the Company's needs. The weighted scoring method may be adopted based on the aspects of evaluation.

Article 9: When electing or nominating members of the board of directors, the Company shall base its election on the evaluation results of the performance of the board and shall base its determination of an individual director's remuneration on the evaluation results of his or her performance.

Article 10: The Company shall disclose how the board performance evaluation has been conducted each year in its annual report, including information covering at least evaluation cycle, evaluation period, scope of evaluation, evaluation method, and what is to be evaluated.

In cases where an external institution or experts are appointed to conduct evaluations of board performance, the Company shall, in the annual report, disclose the external evaluation institution, the experts and their team members, and their expertise, and the statement of independence by the external evaluation institution or experts, and describe the evaluation method, standards and suggestions on improvement to be made.

Article 11: The performance evaluation regulations established by the Company shall be fully disclosed on the Market Observation Post System (MOPS) and the Company's website at all times, to be made available for consultation.

Article 12: The Rules shall take effect after having been discussed and approved by the board of directors. Subsequent amendments thereto shall be effected in the same manner.

The Rules shall come into force from the August 11, 2020.