

Stock Code  
6414

# **ENNOCONN CORPORATION**

## **2020 Annual General Shareholders' Meeting**

### **Meeting Handbook**

June 23, 2020

THIS IS A TRANSLATION OF THE HANDBOOK FOR THE 2019 ANNUAL SHAREHOLDERS' MEETING (THE "HANDBOOK") OF ENNOCONN CORPORATION (THE "COMPANY"). THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE, THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE HANDBOOK SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

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# ENNOCORP CORPORATION

## 2020 Annual General Shareholders' Meeting

### Meeting Procedure

Time of Meeting : June 23, 2020 (Tuesday) at 9:00 a.m.

Location of Meeting : 4F., No. 10, Jiankang Rd., Zhonghe Dist., New Taipei  
City 235, Taiwan

- I. Report the total number of shares represented at this AGM
- II. Call Meeting to Order
- III. Chairman's Address
- IV. Report Items
- V. Ratification Items
- VI. Discussion Items
- VII. Extemporaneous Motions
- VIII. Meeting Adjournment

# ENNOCORP CORPORATION

## 2020 Annual General Shareholders' Meeting

### Agenda

#### **I. Chairman's Address**

#### **II. Report Items**

- (1) 2019 business report.
- (2) Audit committee's review report of 2019 audited financial statements.
- (3) Report 2019 directors' remuneration and employees' compensation.
- (4) Status report of convertible bond issuance.
- (5) Report on the Amendment to the "Regulations Governing the First Time Share Repurchase by the Company and Transfer of Shares to Employees."

#### **III. Ratification Items**

- (1) To approve 2019 business report and financial statements.
- (2) To approve the proposal for distribution of 2019 earnings.

#### **IV. Discussion Items**

- (1) To discuss the issuance of new shares through capitalization of earnings.
- (2) To revise the articles of incorporation.
- (3) To revise the procedures for acquisition or disposal of assets.

#### **V. Extemporaneous Motions**

#### **VI. Adjournment**

# Report Items

## Item1

### 2019 Business Report

Description:

1. Please refer to Attachment 1 (page 11-12) for the Business Report.
2. Please refer to Attachment 3 (page 14-37) for the Financial Statements.

## Item2

### Audit Committee's Review Report of 2019 audited financial statements

Description:

Please refer to Attachment 2 (page 13) for the Audit Committee's Review Report.

## Item3

### Report 2019 Directors' Remuneration and Employees' Compensation

Description:

1. The employee remuneration totaled NT\$36,726,422 in 2019, distributed in cash, taking up 3.31% of the profit of the year. The directors' remuneration totaled NT\$3,060,000 in 2019, distributed in cash, taking up 0.28% of the profit of the year.
2. There is no difference between the above resolution and the ratified cost for 2019.

## Item 4:

### Status report of convertible bond issuance

Description:

1. In order to increase the operating capital and invest in subsidiary, the Company issued the 2<sup>nd</sup> domestic unsecured convertible bonds (64142), details as follows:

Tranche/Type	The 2nd Tranche of Domestic Unsecured Convertible Bonds, 2016
Date of Approval	April 22, 2016
Date of Issuance	May 13, 2016

Date of Expiration	May 13, 2021
Total Issuance Amount	NT\$1,800,000,000
Face value	NT\$100,000
Issue Price	NT\$100 (at Par)
Issue Location	Taipei Exchange
Conversion price(Issue)	NT\$ 435
Conversion Period	July 14, 2016~May 13, 2021
Coupon Rate (fixed rate)	0%
Principal Payment	100% principal repayment upon maturity
Trustee	Bank SinoPac
Debt Service Agency	Grand Fortune Securities
Exercise of the Issuance	Fully exercised in Q4 2017
Notice	The bondholders was converted the amount of the bonds is NT\$ 589,400,000 into common shares 1,141,262 shares by the end of the conversion closed period on April 25, 2020.

2. In order to meet the needs of capital repayment for put options exercised by bondholders of the Company's 2nd issue of domestic unsecured convertible bonds and the 1st issue of zero coupon overseas convertible bonds, the Company issued the 3rd domestic unsecured convertible bonds (64143), details as follows:

Tranche/Type	The 3rd Tranche of Domestic Unsecured Convertible Bonds, 2019
Date of Approval	December 27, 2018
Date of Issuance	February 26, 2019
Date of Expiration	February 26, 2024
Total Issuance Amount	NT\$ 6,012,000,000
Face value	NT\$100,000
Issue Price	NT\$100.2 (at Par)
Issue Location	Taipei Exchange
Conversion price(Issue)	NTD 272.8
Conversion Period	May 27 , 2019~February 26, 2024
Coupon Rate (fixed rate)	0%
Principal Payment	100% principal repayment upon maturity
Trustee	Bank SinoPac
Debt Service Agency	Grand Fortune Securities

Exercise of the Issuance	As the put date for the Company's 1 <sup>st</sup> issue of <u>zero coupon</u> overseas convertible bonds (2019/3/10) and the Company's 2 <sup>nd</sup> issue of domestic unsecured convertible bonds (2019/05/13), the bondholders had only exercised portion of put options. Considering effectively utilize funds, the board of director of the Company resolved to change the unused funds to repay bank loans on May 13, 2019.
Notice	The bondholder wasn't converted into any common shares by the end of the conversion closed period on April 25, 2020.

3. In order to meet foreign currency for purchase and manufactured goods and invest Ennoconn Investment Holdings Co., Ltd. acquired the stocks of S&T AG., the Company issued the 1st zero coupon overseas convertible bonds, Details as follows:

Tranche/Type	The 1st Tranche of <u>Zero Coupon</u> Overseas Convertible Bonds, 2017
Date of Approval	January 5, 2017
Date of Issuance	March 10, 2017
Date of Expiration	March 10, 2022
Total Issuance Amount	US \$200,000,000
Face value	US \$200,000
Issue Price	US\$100(at Par)
Issue Location	Singapore Exchange Ltd.
Conversion price(Issue)	NT\$ 488
Conversion Period	March 10, 2017~March 10, 2022
Coupon Rate (fixed rate)	0%
Principal Payment	Unless previously redeemed, converted, or repurchased and canceled as herein provided, the Company will redeem the Bonds at their principal amount with a yield of 1.25% per annum, calculated on an annual basis. Such an amount shall be converted into NT Dollars at the Fixed Exchange Rate (1:31.653) and shall be paid in US Dollars converted at the then prevailing exchange rate quoted by Taipei Forex Inc. at 11:00 am on Maturity Date.
Trustee	Citicorp International Limited
Debt Service Agency	Citibank, N.A., London Branch
Exercise of the Issuance	Fully exercised in Q4 2017



Notice	<p>The bondholders converted the amount of the bonds US\$ 3,000,000 by the end of the conversion closed period on April 25, 2020.</p> <p>The bondholders had exercised the put option US\$ 154,900,000 in principal amount and the outstanding amount is US\$ 42,100,000.</p>
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**Item5**

**Report on the Amendment to the "Regulations Governing the First Time Share Repurchase by the Company and Transfer of Shares to Employees."**

Description:

1. The Company passed Article 3 of "Regulations Governing the First Time Share Repurchase by the Company and Transfer of Shares to Employees" via the Board meeting on Nov. 13, 2019, extending the time limit for repurchased shares to be transferred to employees from 3 years to 5 years; Article 7 of the said regulation was also amended, specifying that when the shares are transferred to employees at a price lower than the average repurchase price, a special resolution of the most recent shareholders' meeting must be obtained; furthermore, items as required in Article 10-1 of the "Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies" shall be listed in the purpose of the shareholders' meeting.
2. The amendment to the "Regulations Governing the First Time Share Repurchase by the Company and Transfer of Shares to Employees" is subject to the consent of the Financial Supervisory Commission in Ching-Kuan-Cheng-Chiao-Zi Letter No. 1090335406 of Mar. 24, 2020.

# Ratification Items

## **Proposal 1: Ratification of the 2019 Business Report and Audited Financial Statements.**

(Proposed by the Board of Directors)

### **Description:**

1. The 2019 Business Report and Financial Statements were audited by the independent auditors, YANG, JING-TING and LIU, SHUI-EN of Deloitte & Touche have been approved by the Board of Directors, and reviewed by the Audit Committee.
2. For the 2019 Business Report, Independent Auditors' Report, and the 2019 Financial Statements, please refer to Attachments 1 and 3 (page 11-12 and page 14-37).

### **Resolution:**

## **Proposal 2: Ratification of 2019 earnings distribution plan.**

(Proposed by the Board of Directors)

### **Description:**

1. The 2019 Earnings Distribution Plan of the Company has been submitted by the Board of Directors, in accordance with the Company Act and the Company's Articles of Incorporation, as shown in the following table. The total dividends will amount to NT\$414,597,368; each common share holder will be entitled to receive a stock dividend of NT\$1 per share (NT\$82,919,480 in total) and a cash dividend of NT\$4 per share (NT\$331,677,888 in total).
2. The cash dividends will be calculated to the nearest NT dollar. The remainder will be booked in the account of other revenue.
3. Subject to the approval of the general shareholders' meeting, the Board of Directors is authorized to determine the ex-dividend date for the cash dividend distribution and other related matters.
4. Prior to the ex-dividend date for the distribution, if the number of total shares outstanding has changed due to the repurchasing of shares by the Company, the transfer of treasury shares to employees, or the conversion of shares from convertible bonds, etc., so that the ratios of the cash dividends are changed and need to be adjusted, the Board is authorized to make such adjustments.

### **Resolution:**

**Ennoconn Corporation**  
**2019 Earnings Allocation Table**

Unit: NT\$

Items	Amount
Beginning retained earnings	238,896,937
Effects of retrospective application and retrospective restatement	(18,153,971)
Remeasurement of defined benefit plans recognized in retained earnings	(19,381,499)
Disposal of equity instrument measured at fair value through other comprehensive income, the aggregated gains and losses are directly transferred to retained earnings	514,500
Adjusted retained earnings for investments accounted for using the equity method	(71,027,862)
Beginning unappropriated retained earnings after adjustment	130,848,105
Add: Net profit for the period	1,080,242,788
Less: Amount appropriated as legal reserve	(108,024,279)
Less: Amount appropriated as special reserve	(465,662,379)
Distributable earnings for the period	637,404,235
Distribution Item	
Shareholders' bonus (cash dividend) - NT\$4 per share	(331,677,888)
Shareholders' bonus (stock dividend) - NT\$1 per share	(82,919,480)
Total of shareholders' bonus	(414,597,368)
Ending undistributed earnings	222,806,867

Chairman: Chu, Fu-Chuan President: Tsai, Neng-Chi Accounting Officer: Wu, You-Mei

# Discussion Items

## **Proposal 1: To discuss the issuance of new shares through capitalization of earnings.**

(Proposed by the Board of Directors)

### **Description:**

1. Considering the needs of future business development, the Company plans to allocate shareholders' bonuses of NT\$82,919,480 from the distributable earnings in 2019 and issue 8,291,948 of new shares through capitalization of earnings.
2. This proposal had obtained approval from the competent authority and authorized the Board to establish another dividend distribution base date. In accordance with shareholder roster on the base date, 100 shares will be distributed free of charge for every 1,000 shares for earning capitalization and the odd lots will be distributed in equivalent cash (rounded down to dollar). The Chairman will contact specific persons for the purchase at face value.
3. For matters not specified in this capital increase plan, it is proposed that the shareholders' meeting fully authorize the Board of Directors to handle such matters in accordance with relevant laws and regulations.
4. Where this capital increase proposal affects the number of outstanding shares due to changes in the laws and regulations, regulations of the competent authority and any other reasons and thus changing the stock dividend ratio for shareholders, it is proposed that the shareholders' meeting shall authorize the Board of Directors to make adjustments.
5. Rights and obligations of the new shares are the same as those of the original shares.

### **Resolution:**

## **Proposal 2: To revise the Articles of Incorporation.**

(Proposed by the Board of Directors)

### **Description:**

1. The Company proposes to amend its Articles of Incorporation in accordance with Article 237 of the Company Act and MOEA Ching-Shang-Zi Letter No. 10802432410 of Jan. 9, 2020.
2. For the comparison table of the Articles of Incorporation before and after the amendments, please refer to Attachment 4 (page 38-39).

### **Resolution:**

**Proposal 3: To revise the Procedure for Acquisition or Disposal of Assets.**

(Proposed by the Board of Directors)

**Description:**

1. Corresponding to the needs of the Company's operation development and management, the Company proposes to amend its "Procedures for Acquisition or Disposal of Assets."
2. For the comparison table of the Articles before and after amendments, please refer to Attachment 5 (page 40-42).

## **Extemporary Motions**

## **Adjournment**

## **Attachments**

### **Ennoconn Corporation**

#### **Attachment 1 Business Report**

Thanks to the joint efforts of all employees of Ennoconn Corporation, the net consolidated operating income in 2019 was NT\$81.5 billion, and the net after-tax profit was NT\$1.08 billion, with earnings per share of NT\$13.22. Compared with 2018, consolidated operating income increased by 18.2% and net after-tax profit decreased by 1.3%.

Since its listing in 2014, Ennoconn Corporation has been committed to the three-stage development strategy of "Acquisition & Diversification," "Integration," and "Transformation." Specific measures include:

**Acquisition & Diversification:** Horizontal expansion to "acquire & diversify" ODM business, vertical expansion of brand and system integration business. IPC refers to Industrial Personal Computer At this stage.

**Integration:** Building a resource integration platform and seek innovative business models to optimize the organizational structure. IPC refers to Intelligent Performing Computing at this stage.

**Transformation:** On the basis of "Acquisition & Diversification" and "Integration," smart business opportunities are created and smart products and services are developed, namely Smart Solutions. At this stage, IPC refers to Innovation Platform Connecting.

In 2019, Ennoconn Corporation adhered to the strategic objectives of "Acquisition & Diversification," "Integration," and "Transformation" and successively obtained leading technologies in specific vertical fields, such as integrated communication systems and multi-wireless smart systems, software and hardware technology of IoT rail transit. The Company also formed strategic alliances with edge layer industrial control software, system integration services, smart retail and other solution providers to build an operating model that combines virtuality and reality and integrates software and hardware. The subsidiaries of Ennoconn Corporation also provided technical support to assist system integration suppliers in providing customers with smart products and services, including smart manufacturing, smart buildings and homes, smart logistics,

smart firefighting, smart retail, lotteries and gaming, etc.

Looking forward to the future, in the face of the COVID-19 pandemic and the increased tension in the international economic and trade environment, the management team and all employees will remain vigilant and attentive. We would also like to thank all shareholders for your long-term support and encouragement to the Company; we will continue to uphold the mission and responsibilities of operation and profitable growth and actively pursue maximum benefits for the Company and its shareholders.

Yours sincerely,

Chairman: Chu, Fu-Chuan

President: Tsai, Neng-Chi

Accounting Officer: Wu, You-Mei

## **Attachment 2: Audit Committee's Review Report**

The Board of Directors has prepared the Company's Financial Statements, 2019 Business Report and proposal for distribution of 2019 earnings. Of which, the Financial Statements have been audited by Deloitte & Touche. The Financial Statements, 2019 Business Report and proposal for distribution of 2019 earnings have been audited by us as Audit Committee of the Company. We deem no inappropriateness on these documents. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report. Please review.

Ennoconn Corporation

Chairman of the The Audit Committee: SU, YU-HUI

On the date of March 31, 2020



**Attachment 3: Independent Auditors' Report and 2019 Consolidated  
Financial Statements**

Ennococon Corporation and Subsidiaries

Consolidated Financial Statements and CPA Audit Report  
2019 and 2018

Address: 3 - 6F., No. 10, Jiankang Road, Zhonghe District, New Taipei City

Tel:(02)5590-8050

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To Ennoconn Corporation

### **Audit Opinion**

We have audited the Consolidated Balance Sheets of Ennoconn Corporation and its subsidiaries (hereinafter referred to as the Ennoconn Group) as of Dec. 31, 2019, and 2018, the related Consolidated Statements of Comprehensive Income, Changes in Equity, Cash Flows, and Notes to the Consolidated Financial Statements for the year 2019 and 2018 from Jan. 1 to Dec. 31 (including the Summary of Significant Accounting Policies).

In our opinions, based on our audit results and the other CPAs' audit reports (please refer to section of "Others"), all material aspects of the consolidated financial report above were prepared in compliance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations and Interpretation Announcements endorsed and released effective by the Financial Supervisory Commission (FSC), and are sufficient to present the consolidated financial position of the Ennoconn Group as of Dec. 31, 2019, and 2018, and its consolidated financial performance and consolidated cash flows for the year 2019 and 2018 from Jan. 1, to Dec. 31.

### **Basis for Audit Opinion**

We have conducted our audit following the "Regulations Governing Auditing and Attestation of Financial Statements by CPAs" and Generally Accepted Auditing Standards (GAAS). Our responsibilities under these standards will be further explained in the section of "CPA's Responsibility for Auditing Individual Financial Statements." Following the code of professional ethics of accountants, the persons subject to the independence standards of our accounting firm have maintained their independence from the Ennoconn Group and fulfilled other responsibilities of the rules. Based on our audit results and the audit reports of other CPAs, we believe in having acquired sufficient and appropriate audit evidence to serve as the basis of our audit opinion.

## **Key Audit Matters**

Key audit matters refer to the most substantial issues in the audit of the 2019 consolidated financial statements of the Ennoconn Group based on our professional judgment. These matters have been covered in the process of auditing the consolidated financial statements as a whole and forming audit opinions. We do not express a separate opinion on these matters.

The key audit matters of Ennoconn Group's consolidated financial statements in 2019 are described as follows:

### **Impairment Evaluation of Goodwill**

The goodwill of Ennoconn Group mainly comes from the merger and acquisition of group enterprises. On Dec. 31, 2019, the value of goodwill was NT\$13,485,947 thousand, accounting for 15.15% of the total consolidated assets. According to IAS 36 "Impairment of Assets," the management must carry out an annual impairment test. Since the process includes the assumptions such as the possible future operating cash flow and the weighted average cost of capital ratio used in estimating use-value as the evaluation of the impairment test results, which involve the subjective judgment of the management and may be subject to future market or economic conditions development due to the impact of the economic climate, the estimate is highly uncertain. Therefore, we have listed the impairment of goodwill as a key audit matter.

Our audit procedures for this critical matter consist of obtaining the evaluation report of goodwill impairment from the independent evaluation specialist entrusted by the management, understanding and reviewing the assumptions used in the evaluation model, including the prediction of future operating cash flow, growth rate, profit rate, and discount rate, and comprehensively evaluating the rationality of the above goodwill impairment evaluation.

## **Other Matters**

Among the subsidiaries listed in the Company's consolidated financial statements, the financial statements of some subsidiaries were reviewed by other CPAs. Therefore, our opinions expressed in the consolidated financial statements, information regarding the financial statements of these subsidiaries, including the amounts and disclosures, are recognized and disclosed according to other CPAs' audit reports. The total assets of these subsidiaries as of Dec. 31, 2019, and 2018 were NT\$42,707,107 thousand and NT\$30,265,884 thousand respectively, accounting for 47.98% and 40.33% of the total consolidated assets; the net operating revenue of these subsidiaries as of Jan.1 to Dec. 31, 2019, and 2018 were NT\$40,714,804 thousand and NT\$35,563,124 thousand respectively, accounting for 49.95% and 51.57% of the net consolidated operating revenue.

In the consolidated financial statements above, some of the financial statements of investees were audited by other CPAs under the equity method. Therefore, in our opinion expressed in the consolidated financial statements, information regarding the investment of affiliated enterprises under the equity method, and relevant disclosures are recognized and disclosed according to other CPAs' audit reports. The investment balance of these investees under the equity method on Dec. 31, 2019, and 2018 were NT\$34,430 thousand and NT\$361,903 thousand respectively, accounting for 0.04% and 0.48% of the total consolidated assets; the comprehensive income recognized under the equity method on Dec. 31, 2019, and 2018 were NT\$(5,406) thousand and NT\$9,488 thousand respectively, accounting for (0.27)% and 0.31% of the total consolidated comprehensive income.

We have also audited the individual financial statements of Ennoconn Corporation for the year of 2019 and 2018 and issued the audit report with an unqualified opinion and other items for reference.

## **Responsibility of the management and the governing body for the Consolidated Financial Statements**

The responsibility of the management is to appropriately present consolidated financial statements in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and to maintain essential internal control to ensure it contains no material misstatement due to fraud or error therein.

In preparing for the consolidated financial statements, it is also the management's responsibility to assess Ennoconn Group's ability to continue as a going concern, the disclosure of relevant matters, as well as the adoption of going concern accounting base. Unless the management intends to liquidate or cease operations of Ennoconn Group, or there is no practicable measure other than liquidation or termination of the business.

The governing bodies of Ennoconn Group (including the Audit Committee) is responsible for overseeing the financial reporting procedures.

## **Responsibilities of CPA Audit on Consolidated Financial Statements**

The purpose of our audit of the consolidated financial statements is to attain reasonable assurance as to whether the consolidated financial statements as a whole contain any material misstatement that may be caused by fraud or error and to issue an audit report. Reasonable assurance is a high degree of certainty but not a guarantee that an audit conducted under the Generally Accepted Auditing Standards (GAAS) will always detect any material misstatement in the consolidated financial statements. Misstatements may be attributable to fraud or error. It is considered as material if the misstated individual amount or the aggregated total can be reasonably expected to affect the economic decisions made by the users of the consolidated financial statements.

When auditing under GAAS, we have practiced professional judgment and maintains professional skepticism. We have also performed the following tasks:

1. Identify and assess the risks of material misrepresentation in the consolidated financial statements due to fraud or error, design and implement proper countermeasures for the assessed risks, and attain sufficient and appropriate audit evidence as to the basis of audit opinions. For the reason that fraud may involve collusion, forgery, intentional omission, false declaration, or the override of internal control, hence the risk of failing to detect any material misstatement caused by fraud is higher than that caused by the error.
2. Acquire the essential understanding of internal control relevant to audit to design appropriate audit procedures under the circumstances, but not to express opinions on the effectiveness of internal control of Ennoconn Group.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
4. Based on the audit evidence obtained, conclude on the appropriateness of the going concern accounting base adopted by the management and whether there is any material uncertainty in the events or circumstances that may cause substantial doubts about the Ennoconn Group's ability to continue as a going concern. If we believe that there is a material uncertainty in such events or circumstances, we shall remind the users of consolidated financial statements to pay attention to the relevant disclosure of the consolidated financial statements in the audit report. Or we shall amend the audit opinion when such disclosure is inadequate. Our conclusions are based on the audit evidence obtained as of the audit report date. However, future events or circumstances may cause Ennoconn Group no longer having the ability to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of consolidated financial statements (including relevant notes), and whether the consolidated financial statements fairly represent the related transactions and events.
6. Attain sufficient and appropriate audit evidence regarding the financial information of entities within Ennoconn Group to express opinions on the consolidated financial statements. We are responsible for the guidance, supervision, and implementation of the audit, as well as forming an audit opinion on Ennoconn Corporation.

The matters we communicate with the governing body include the planned audit scope and time, as well as material audit findings (including a significant lack of internal control identified during the audit).

We have also provided a declaration to the governing body, stating that the persons subject to the independence standards of our accounting firm have complied with the code of professional ethics of CPAs. We have also communicated with the governing body all relations and other matters (including relevant protective measures) that may affect the independence of the CPA.

From the matters communicated with the governing body, we determine the key audit matters for the audit of consolidated financial statements of Ennoconn Group in 2019. We have stated these matters in the audit report. Unless the law or regulation does not allow public disclosure of specific issues, or in rare circumstances, we determine not to communicate particular matters in the audit report due to the reasonable probability that the negative impact of such communication is higher than the public interest.

Deloitte & Touche

CPA Yang, Ching-ting

CPA Liu, Shui-en

Securities and Futures Commission

Approval No.

Taiwan-Finance-Securities-VI-0930128050

Securities and Futures Commission

Approval No.

Taiwan-Finance-Securities-VI-0920123784

March 31, 2020

Ennoconn Corporation and Subsidiaries  
Consolidated Balance Sheets  
As of Dec. 31, 2019, and 2018

Unit: NT\$1,000

Code	Assets	Dec. 31, 2019		Dec. 31, 2018 (audited after restatement)	
		Amount	%	Amount	%
	<b>Current assets</b>				
1100	Cash and cash equivalents (Note 4 and 6)	\$ 18,339,874	21	\$ 12,456,516	17
1110	Financial assets at fair value through profit or loss - current (Notes 4 and 7)	113,653	-	90,944	-
1120	Financial assets measured at fair value through other comprehensive income - current (Notes 4 and 8)	39,160	-	40,880	-
1136	Financial assets measured at amortized cost - current (Note 4, 9 and 37)	49,484	-	4,374	-
1140	Contract assets - current (Note 4 and 26)	5,009,480	6	4,382,925	6
1150	Net notes receivable (Note 4 and 10)	161,558	-	107,095	-
1172	Net accounts receivable (Note 4, 5, 10 and 37)	15,907,220	18	15,927,435	21
1180	Accounts receivable - related parties (Note 4, 5, 10 and 36)	1,209,727	1	561,866	1
130X	Net inventory (Note 4, 5, 11 and 37)	11,544,237	13	11,171,069	15
1470	Other current assets (Note 4, 19 and 37)	3,912,597	4	3,399,781	4
11XX	Total current assets	<u>56,286,990</u>	<u>63</u>	<u>48,142,885</u>	<u>64</u>
	<b>Non-current assets</b>				
1510	Financial assets at fair value through profit or loss - non-current (Note 4, 7 and 21)	524,539	1	413,028	1
1520	Financial assets measured at fair value through other comprehensive income - non-current (Note 4 and 8)	328,893	-	323,342	-
1550	Investment under equity method (Note 4 and 13)	439,424	1	754,061	1
1600	Property, plant, and equipment (Note 4, 5, 14 and 37)	4,848,647	5	4,686,418	6
1755	Right-of-use assets (Note 3, 4, 15 and 37)	3,221,299	4	-	-
1805	Goodwill (Note 4, 5, 16 and 31)	13,485,947	15	10,936,255	15
1821	Other intangible assets (Note 4 and 17)	7,290,278	8	7,538,713	10
1840	Deferred income tax assets (Note 4 and 28)	1,504,865	2	1,449,285	2
1960	Advance investment payments (Note 4 and 18)	63,699	-	4,800	-
1990	Other non-current assets (Note 4, 19, 24 and 37)	1,024,179	1	799,564	1
15XX	Total non-current assets	<u>32,731,770</u>	<u>37</u>	<u>26,905,466</u>	<u>36</u>
1XXX	Total assets	<u>\$ 89,018,760</u>	<u>100</u>	<u>\$ 75,048,351</u>	<u>100</u>
	<b>Liabilities and equity</b>				
	<b>Current liabilities</b>				
2100	Short-term loans (Note 4 and 20)	\$ 10,256,786	12	\$ 9,643,490	13
2120	Financial liabilities at fair value through profit or loss - current (Note 4, 7 and 21)	24,284	-	16,609	-
2130	Contract liabilities - current (Note 4 and 26)	5,697,907	6	4,766,754	6
2150	Notes payable - non-related parties (Note 4)	951,880	1	1,044,159	1
2160	Notes payable - related parties (Note 4)	3,272	-	-	-
2170	Accounts payable (Note 4)	14,334,257	16	12,534,220	17
2180	Accounts payable - related parties (Note 4 and 36)	1,312,692	2	1,683,076	2
2200	Other payables (Note 4, 22 and 36)	5,237,789	6	5,204,574	7
2230	Current tax liabilities (Note 4)	526,362	1	594,253	1
2250	Liability reserve - current (Note 4 and 23)	1,838,832	2	998,470	1
2280	Lease liabilities - current (Note 3, 4 and 15)	980,830	1	-	-
2320	Long-term liabilities due within one year or one operating cycle (Note 4, 20 and 21)	698,509	1	8,562,224	12
2399	Other current liabilities (Note 4 and 22)	280,699	-	124,830	-
21XX	Total current liabilities	<u>42,144,099</u>	<u>48</u>	<u>45,172,659</u>	<u>60</u>
	<b>Non-current liabilities</b>				
2500	Financial liabilities at fair value through profit or loss - non-current (Note 4, 7 and 21)	24,718	-	-	-
2530	Bonds payable (Note 4 and 21)	7,079,439	8	-	-
2540	Long-term loans (Note 4 and 20)	7,001,332	8	1,861,575	2
2550	Liability reserve - non-current (Note 4 and 23)	698,117	1	380,856	1
2570	Deferred tax liabilities (Note 4 and 28)	469,043	-	538,584	1
2580	Lease liabilities - non-current (Note 3, 4 and 15)	2,466,745	3	-	-
2640	Net defined benefit liability - non-current (Note 4 and 24)	486,102	-	301,747	-
2670	Other non-current liabilities (Note 4 and 22)	722,548	1	893,752	1
25XX	Total non-current liabilities	<u>18,948,044</u>	<u>21</u>	<u>3,976,514</u>	<u>5</u>
2XXX	Total liabilities	<u>61,092,143</u>	<u>69</u>	<u>49,149,173</u>	<u>65</u>
	<b>Equity attributable to owners of the Company (Note 4, 21, 25, 33 and 34)</b>				
3110	Common stock	835,745	1	775,745	1
3200	Capital surplus	6,339,752	7	4,728,440	6
	Retained earnings				
3310	Legal capital reserve	535,830	1	425,018	-
3320	Special capital reserve	384,452	-	495,665	1
3350	Undistributed earnings	1,211,091	1	800,779	1
3300	Total retained earnings	<u>2,131,373</u>	<u>2</u>	<u>1,721,462</u>	<u>2</u>
3490	Other equity	(850,114)	(1)	(384,452)	-
3500	Treasury stock	(236,232)	-	(236,048)	-
31XX	Total equity attributable to owners of the Company	<u>8,220,524</u>	<u>9</u>	<u>6,605,147</u>	<u>9</u>
36XX	Non-controlling interests (Note 4, 16, 25, 31 and 32)	<u>19,706,093</u>	<u>22</u>	<u>19,294,031</u>	<u>26</u>
3XXX	Total equity	<u>27,926,617</u>	<u>31</u>	<u>25,899,178</u>	<u>35</u>
	Total liabilities and equity	<u>\$ 89,018,760</u>	<u>100</u>	<u>\$ 75,048,351</u>	<u>100</u>

The attached notes are part of this consolidated financial report.  
(Please refer to Deloitte & Touche's audit report on Mar. 31, 2020.)

Chairman: Chu, Fu-chuan

Manager: Tsai, Neng-chi

Accounting Supervisor: Wu, Yu-mei

Ennoconn Corporation and Subsidiaries  
Consolidated Statements of Comprehensive Income  
Jan. 1 to Dec. 31, 2019 and Jan. 1 to Dec. 31, 2018

Unit: NT\$1,000  
Earnings per share in NT\$

Code		2019		2018 (audited after restatement)	
		Amount	%	Amount	%
4100	Operating revenue (Note 4, 26, 36 and 42)	\$ 81,506,216	100	\$ 68,962,459	100
5110	Operational cost (Note 11, 15, 27, and 36)	( 62,753,571)	( 77)	( 53,698,549)	( 78)
5900	Gross profit	<u>18,752,645</u>	<u>23</u>	<u>15,263,910</u>	<u>22</u>
	Operating expense (Note 15, 24 and 27)				
6100	Selling expense	( 3,378,558)	( 4)	( 2,939,769)	( 4)
6200	Administrative expense	( 4,138,693)	( 5)	( 3,290,798)	( 5)
6300	R&D expense	( 7,788,264)	( 10)	( 5,876,650)	( 9)
6450	Expected credit impairment loss	( 69,783)	-	( 246,600)	-
6000	Total operating expense	( <u>15,375,298</u> )	( <u>19</u> )	( <u>12,353,817</u> )	( <u>18</u> )
6900	Operating profit	<u>3,377,347</u>	<u>4</u>	<u>2,910,093</u>	<u>4</u>
	Non-operating revenue and expenses (Note 13, 21 and 27)				
7190	Other income	\$ 169,887.00	-	91,488	-
7020	Other gains and losses	\$ 816,760.00	1	1,084,124	2
7050	Financial cost	( 573,930)	( 1)	( 485,009)	( 1)
7060	Profit and loss of affiliated enterprises under equity method	<u>21,892</u>	-	<u>16,945</u>	-
7000	Total non-operating revenue and expenses	<u>434,609</u>	-	<u>707,548</u>	<u>1</u>

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Code		2019		2018 (audited after restatement)	
		Amount	%	Amount	%
7900	Profit before tax	\$ 3,811,956	4	\$ 3,617,641	5
7950	Tax expense (Note 4 and 28)	( 785,648)	( 1)	( 778,822)	( 1)
8200	Net profit	<u>3,026,308</u>	<u>3</u>	<u>2,838,819</u>	<u>4</u>
	Other comprehensive income (Note 4, 24, 25 and 28)				
8310	Items not reclassified to profit or loss				
8311	Remeasurement of defined benefit plans	( 31,011)	-	( 1,723)	-
8316	Unrealized profit and loss of equity instrument investments measured at fair value through other comprehensive income	( 81,356)	-	( 49,160)	-
8320	Share of other comprehensive income from affiliated enterprises and joint venture recognized under equity method - items not reclassified to profit or loss	( 8)	-	-	-
8349	Income tax related to items not reclassified to profit or loss	<u>16,979</u>	<u>-</u>	<u>11,966</u>	<u>-</u>
		<u>( 95,396)</u>	<u>-</u>	<u>( 38,917)</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on the translation of financial statements of foreign operations	( 941,760)	( 1)	230,302	-
8370	Share of other comprehensive income from affiliated enterprises and joint venture recognized under equity method	<u>( 451)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>( 942,211)</u>	<u>( 1)</u>	<u>230,302</u>	<u>-</u>
8300	Other comprehensive income (net amount after tax)	<u>( 1,037,607)</u>	<u>( 1)</u>	<u>191,385</u>	<u>-</u>

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Code		2019		2018 (audited after restatement)	
		Amount	%	Amount	%
8500	Total comprehensive income (loss)	<u>\$ 1,988,701</u>	<u>2</u>	<u>\$ 3,030,204</u>	<u>4</u>
	Net profit attributable to:				
8610	Owners of the Company	\$ 1,080,242	1	\$ 1,094,298	2
8620	Non-controlling interests	<u>1,946,066</u>	<u>2</u>	<u>1,744,521</u>	<u>2</u>
8600		<u>\$ 3,026,308</u>	<u>3</u>	<u>\$ 2,838,819</u>	<u>4</u>
	Total comprehensive income attributable to:				
8710	Owners of the Company	\$ 595,713	1	\$ 1,182,455	2
8720	Non-controlling interests	<u>1,392,988</u>	<u>1</u>	<u>1,847,749</u>	<u>2</u>
8700		<u>\$ 1,988,701</u>	<u>2</u>	<u>\$ 3,030,204</u>	<u>4</u>
	Earnings per share (Note 29)				
9750	Basic	<u>\$ 13.22</u>		<u>\$ 14.27</u>	
9850	Diluted	<u>\$ 10.80</u>		<u>\$ 13.30</u>	

The attached notes are part of this consolidated financial report.  
(Please refer to Deloitte & Touche's audit report on Mar. 31, 2020.)

Chairman: Chu, Fu-chuan

Manager: Tsai, Neng-chi

Accounting Supervisor: Wu, Yu-mei

Ennoconn Corporation and Subsidiaries  
Consolidated Statements of Changes in Equity  
Jan. 1 to Dec. 31, 2019 and Jan. 1 to Dec. 31, 2018

Unit: NTS1,000

Equity attributable to owners of the parent company

Code		Equity attributable to owners of the parent company										Other equity item						Non-controlling interests	Total equity		
		Common stock capital		Capital surplus					Retained earnings			Exchange differences on the translation of financial statements of foreign operations	Unrealized profit and loss of available-for-sale financial assets	Unrealized profit and loss of financial assets measured at fair value through other comprehensive income	Total	Treasury stock	Grand total				
		Number of shares (1,000 shares)	Share capital	Stock issuance premium	Conversion premium of converted corporate bonds	Stock option for convertible corporate bonds	Changes in equity of subsidiaries	Others	Total	Legal capital reserve	Special capital reserve									Undistributed earnings	Total
A1	Balance on Jan. 1, 2018	76,528	\$ 765,288	\$ 2,901,495	\$ 1,005,235	\$ 408,529	\$ 734,913	\$ -	\$ 5,050,172	\$ 312,681	\$ 41,036	\$ 1,352,416	\$ 1,706,133	(\$ 456,250)	(\$ 39,415)	\$ -	(\$ 495,665)	(\$ 233,608)	\$ 6,792,320	\$10,981,914	\$17,774,234
A3	Impact amount of retrospective application and restatement	-	-	-	-	-	-	-	-	-	( 62,436 )	( 62,436 )	-	-	39,415	( 17,106 )	22,309	-	( 40,127 )	2,777,427	2,737,300
A5	Balance after retrospective application and restatement on Jan. 1, 2018	76,528	765,288	2,901,495	1,005,235	408,529	734,913	-	5,050,172	312,681	41,036	1,289,980	1,643,697	( 456,250 )	-	( 17,106 )	( 473,356 )	( 233,608 )	6,752,193	13,759,341	20,511,534
B1	Earnings allocation and distribution in 2017																				
B1	Appropriation of legal capital reserve	-	-	-	-	-	-	-	-	112,337	-	( 112,337 )	-	-	-	-	-	-	-	-	-
B3	Appropriation of special capital reserve	-	-	-	-	-	-	-	-	-	454,629	( 454,629 )	-	-	-	-	-	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	-	-	-	-	-	( 682,864 )	( 682,864 )	-	-	-	-	-	-	( 682,864 )	-	( 682,864 )
	Subtotal	-	-	-	-	-	-	-	-	112,337	454,629	( 1,249,830 )	( 682,864 )	-	-	-	-	-	( 682,864 )	-	( 682,864 )
M7	Changes in ownership interests of subsidiaries	-	-	-	-	-	( 734,913 )	-	( 734,913 )	-	-	( 328,588 )	( 328,588 )	-	-	-	-	-	( 1,063,501 )	2,928,351	1,864,850
O1	Cash dividends to shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	( 527,998 )	( 527,998 )
D1	Net profit in 2018	-	-	-	-	-	-	-	-	-	1,108,117	1,108,117	-	-	-	-	-	-	1,108,117	1,760,760	2,868,877
D3	Other comprehensive income after tax in 2018	-	-	-	-	-	-	-	-	-	( 747 )	( 747 )	111,088	-	( 22,184 )	88,904	-	-	88,157	103,228	191,385
D5	Total comprehensive income in 2018	-	-	-	-	-	-	-	-	-	1,107,370	1,107,370	111,088	-	( 22,184 )	88,904	-	-	1,196,274	1,863,988	3,060,262
I1	Corporate bond converted into common stock	1,046	10,457	-	437,216	( 24,035 )	-	-	413,181	-	-	-	-	-	-	-	-	-	423,638	-	423,638
L1	Treasury stock repurchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	( 2,440 )	( 2,440 )	-	( 2,440 )
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,128,721	1,128,721
Z1	Balance on Dec. 31, 2018	77,574	775,745	2,901,495	1,442,451	384,494	-	-	4,728,440	425,018	495,665	818,932	1,739,615	( 345,162 )	-	( 39,290 )	( 384,452 )	( 236,048 )	6,623,300	19,152,403	25,775,703
A3	Impact amount of retrospective restatement (Note 16)	-	-	-	-	-	-	-	-	-	( 18,153 )	( 18,153 )	-	-	-	-	-	-	( 18,153 )	141,628	123,475
A5	Balance after retroactive application and restatement on Jan. 1, 2019	77,574	775,745	2,901,495	1,442,451	384,494	-	-	4,728,440	425,018	495,665	800,779	1,721,462	( 345,162 )	-	( 39,290 )	( 384,452 )	( 236,048 )	6,605,147	19,294,031	25,899,178
B1	Earnings allocation and distribution in 2018																				
B1	Legal capital reserve	-	-	-	-	-	-	-	-	110,812	-	( 110,812 )	-	-	-	-	-	-	-	-	-
B3	Special capital reserve	-	-	-	-	-	-	-	-	( 111,213 )	111,213	-	-	-	-	-	-	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	-	-	-	-	-	( 580,436 )	( 580,436 )	-	-	-	-	-	-	( 580,436 )	-	( 580,436 )
	Subtotal	-	-	-	-	-	-	-	-	110,812	( 111,213 )	( 580,035 )	( 580,436 )	-	-	-	-	-	( 580,436 )	-	( 580,436 )
M7	Changes in ownership interests of subsidiaries	-	-	-	-	-	-	-	-	-	( 71,028 )	( 71,028 )	-	-	-	-	-	-	( 71,028 )	832,863	761,835
O1	Cash dividends to shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	( 1,041,681 )	( 1,041,681 )
C5	Changes in other capital surplus																				
C5	Convertible bonds issued by the Company recognized as equity components	-	-	-	-	332,132	-	-	332,132	-	-	-	-	-	-	-	-	-	332,132	-	332,132
C17	The invalidation of the stock option of convertible bonds	-	-	-	-	( 249,881 )	249,881	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	82,251	249,881	-	332,132	-	-	-	-	-	-	-	-	-	332,132	-	332,132
D1	Net profit in 2019	-	-	-	-	-	-	-	-	-	1,080,242	1,080,242	-	-	-	-	-	-	1,080,242	1,946,066	3,026,308
D3	Other comprehensive income after tax in 2019	-	-	-	-	-	-	-	-	-	( 19,382 )	( 19,382 )	( 432,582 )	-	( 32,565 )	( 465,147 )	-	-	( 484,529 )	( 553,078 )	( 1,037,607 )
D5	Comprehensive income after tax in 2019	-	-	-	-	-	-	-	-	-	1,060,860	1,060,860	( 432,582 )	-	( 32,565 )	( 465,147 )	-	-	595,713	1,392,988	1,988,701
Q1	Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	515	515	-	-	( 515 )	( 515 )	-	-	-	-	-
E1	Cash capital increase	6,000	60,000	1,279,180	-	-	-	-	1,279,180	-	-	-	-	-	-	-	-	-	1,339,180	-	1,339,180
L1	Repurchase/disposal of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	( 184 )	( 184 )	-	( 184 )
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	( 772,108 )	( 772,108 )
Z1	Balance on Dec. 31, 2019	83,574	\$ 835,745	\$ 4,180,675	\$ 1,442,451	\$ 466,745	\$ 249,881	\$ -	\$ 6,339,752	\$ 535,830	\$ 384,452	\$ 1,211,091	\$ 2,131,373	(\$ 777,744)	\$ -	(\$ 72,370)	(\$ 850,114)	(\$ 236,232)	\$ 8,220,524	\$19,706,093	\$27,926,617

The attached notes are part of this consolidated financial report.  
(Please refer to Deloitte & Touche's audit report on Mar. 31, 2020.)

Chairman: Chu, Fu-chuan

Manager: Tsai, Neng-chi

Accounting Supervisor: Wu, Yu-mei

Ennoconn Corporation and Subsidiaries  
Consolidated Statements of Cash Flows  
Jan. 1 to Dec. 31, 2019 and Jan. 1 to Dec. 31, 2018

Unit: NT\$1,000

Code		2019	2018 (audited after restatement)
	Cash flows from operating activities		
A10000	Profit before tax	\$ 3,811,956	\$ 3,617,641
A20010	Income expense item		
A21000	Expected credit impairment loss	69,783	246,600
A20100	Depreciation expense	1,385,468	458,367
A20200	Amortization expense	1,425,749	1,186,714
A21900	Consideration cost of the employee stock option	20,180	-
A20900	Financial cost	573,930	485,009
A22300	Profit and loss of affiliated enterprises recognized under equity method	( 21,892 )	( 16,945 )
A21200	Interest income	( 115,002 )	( 77,136 )
A21300	Dividends income	( 13,856 )	-
A23700	Inventory price loss (recovery gain)	( 209,750 )	85,937
A29900	Inventory scrap loss	301,188	26,747
A23700	Impairment loss	66,814	-
A22500	Gains on disposal of property, plant, and equipment	( 4,762 )	( 20,611 )
A20400	Net profit of financial assets or liabilities at fair value through profit or loss	( 82,009 )	( 89,284 )
A23100	Loss on the recovery of corporate bonds	187,228	-
A24100	Gains on foreign exchange	( 7,907 )	( 4,172 )
A21100	Gains on bargain purchase	( 29,913 )	( 56,174 )
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets enforced at fair value through profit or loss	( 12,985 )	1,292,042
A31125	Contract assets	( 176,962 )	( 1,003,715 )
A31130	Notes receivable	( 54,463 )	56,126
A31150	Accounts receivable	942,409	( 1,665,989 )
A31200	Inventory	160,597	( 1,596,925 )
A31240	Other current assets	( 49,211 )	( 851,311 )
A32125	Contract liabilities	34,260	( 500,496 )
A32130	Notes payable	( 89,007 )	( 227,798 )
A32150	Accounts payable	430,945	555,369
A32180	Other payables	( 581,246 )	2,956,500
A32200	Liability reserve	( 1,414,505 )	( 588,760 )
A32230	Other current liabilities	110,967	43,070
A32990	Others	( 185,414 )	18,107
A33000	Cash inflow from operations	6,472,590	4,328,913
A33100	Interest received	114,417	83,524
A33200	Dividends received	13,856	-
A33300	Interest paid	( 461,439 )	( 294,763 )
A33500	Income tax paid	( 897,779 )	( 587,675 )
AAAA	Net cash inflow from operating activities	<u>5,241,645</u>	<u>3,529,999</u>

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Code		2019	2018 (audited after restatement)
	Cash flows from investment activities		
B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(\$ 108,752)	\$ -
B00020	Sale of financial assets measured at fair value through other comprehensive income	14,434	-
B00040	Acquisition of financial assets measured at amortized cost	( 45,110)	-
B00050	Disposal of financial assets measured at amortized cost	-	65,888
B01800	Acquisition of long-term equity investment under equity method	( 17,063)	( 641,404)
B02000	Increase in advance investment payments	( 63,699)	( 4,800)
B02200	Acquisition of net cash inflow (outflow) from subsidiaries	145,550	( 4,265,980)
B02700	Acquisition of property, plant, and equipment	( 781,652)	( 767,835)
B02800	Disposal of property, plant, and equipment	135,572	147,505
B04500	Acquisition of intangible assets	( 684,042)	( 849,978)
B03800	Decrease (increase) in refundable deposits	( 126,556)	28,069
B06500	Decrease (increase) in other financial assets	88,860	( 229,466)
B07100	Increase in prepayments of equipment	( <u>200,682</u> )	( <u>59,593</u> )
BBBB	Net cash outflow from investment activities	( <u>1,643,140</u> )	( <u>6,577,594</u> )
	Cash flows from financing activities		
C00100	Increase (decrease) in short-term loans	( 165,457)	6,517,532
C01200	Issuance of convertible bonds	6,007,148	-
C01300	Repayment of corporate bonds	( 6,242,205)	-
C01600	Long-term loans	5,884,831	1,116,673
C01700	Repayment of long-term loans	( 1,281,362)	( 1,224,411)
C04020	Repayment of lease principal	( 686,997)	-
C04600	Cash capital increase	1,319,000	-
C04500	Distribution of cash dividends	( 580,436)	( 682,864)
C05800	Cash dividends paid to non-controlling interests	( 1,041,681)	( 527,998)
C05800	Changes in non-controlling interests	( <u>853,785</u> )	<u>349,093</u>
CCCC	Net cash flow from financing activities	<u>2,359,056</u>	<u>5,548,025</u>
DDDD	Effect of fluctuation in exchange on cash and cash equivalents	( <u>74,203</u> )	( <u>195,935</u> )
EEEE	Net increase in cash and cash equivalents	5,883,358	2,304,495
E00100	Opening balance of cash and cash equivalents of the period	<u>12,456,516</u>	<u>10,152,021</u>
E00200	Ending balance of cash and cash equivalents of the period	<u>\$ 18,339,874</u>	<u>\$ 12,456,516</u>

The attached notes are part of this consolidated financial report.  
(Please refer to Deloitte & Touche's audit report on Mar. 31, 2020.)

Chairman: Chu, Fu-chuan

Manager: Tsai, Neng-chi

Accounting Supervisor: Wu, Yu-m

# Ennocon Corporation

## Individual Financial Statements and CPA Audit Report 2019 and 2018

Address: 4 - 6F, No. 10, Jiankang Road, Zhonghe  
District, New Taipei City  
Tel: (02)5590-8050

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

### CPA Audit Report

To Ennoconn Corporation:

#### **Audit Opinion**

We have audited the Individual Balance Sheets of Ennoconn Corporation as of Dec. 31, 2019, and 2018, as well as the Individual Statements of Comprehensive Income, Changes in Equity, Cash Flows, and Notes to Individual Financial Statements for the year 2019 and 2018 from Jan. 1 to Dec. 31 (including the Summary of Significant Accounting Policies).

In our opinions, based on our audit results and the other CPAs' audit reports (please refer to the section of "Others"), all material aspects of the individual financial statements above were prepared in compliance with the "Regulations Governing Preparation of Financial Reports by Securities Issuers," and are sufficient to present the individual financial position of Ennoconn Corporation as of Dec. 31, 2019 and 2018, as well as its individual financial performance and cash flows for the year 2019 and 2018 from Jan. 1, to Dec. 31.

#### **Basis of Audit Opinion**

We have conducted our audit following the "Regulations Governing Auditing and Attestation of Financial Statements by CPAs" and Generally Accepted Auditing Standards (GAAS). Our responsibilities under these standards will be further explained in the section of "CPA's Responsibility for Auditing Individual Financial Statements." Following the code of professional ethics of accountants, the persons subject to the independence standards of our accounting firm have maintained their independence from the Ennoconn Corporation and fulfilled other responsibilities of the code. Based on our audit results and other CPAs' audit reports, we believe that we have acquired sufficient and appropriate audit evidence to serve as the basis of our audit opinion.

#### **Key Audit Matters**

Per our professional judgment, key audit matters refer to the most substantial issues to the audit of the individual financial statements of Ennoconn Corporation for the year ended Dec. 31, 2019. These matters were addressed in our audit of individual financial statements as a whole and forming our audit opinion. We do not express a separate opinion on these matters.

The key audit matters of the individual financial statements of Ennoconn Corporation for 2019 are as follows:

#### **Recognition and Cutoff of Export Revenue**

The sales transaction method of Ennoconn Corporation mainly refers to the direct delivery to the buyer after being manufactured by the processing plant at the third location in

China, and the sales revenue is recognized when the relevant control of the goods is transferred (meeting the performance obligation). Due to material transaction amounts and the transaction terms of each buyer are different, meaning the control is transferred at different timing, whether the revenue is recognized in the correct period or not will have a material impact. Therefore, will such sales revenue be recognized in the appropriate period is listed as the key audit item of this year.

In response to this critical matter, we have reviewed the Company's sales revenue recognition policy, evaluated the design and implementation of internal control related to such sales revenue. To ensure the appropriateness of transferring control time points in compliance with the contract, we have also extracted samples from sales transactions around the yearend, examined the fairness of relevant documents and revenue recognition time points, and checked external shipping documents and customer sign-in documents,

### **Assessment of Investment Impairment Under Equity Method**

The investment of Ennoconn Corporation under the equity method as of Dec. 31, 2019 is NT\$18,679,156 thousand, accounting for 90.65% of the total assets. The goodwill resulted from the M&A is material. The management has conducted an impairment evaluation test according to the International Accounting Standards (IAS) No. 36 "Impairment of Assets" and estimated the future cash flow expected from the cash-generating unit of the asset. As the calculation of future cash flows involves various assumptions and estimates, it has a high degree of uncertainty. Therefore, evaluating investment impairment under the equity method is listed as a key audit item.

Our audit procedures for this matter consist of obtaining the evaluation report on goodwill impairment from independent evaluation specialists entrusted by the management, understanding and reviewing the assumptions used in the evaluation model, including the estimation of future operating cash flows, growth rate, profit rate, discount rate, etc. and comprehensively evaluating the rationality of the above goodwill impairment.

### **Other Matters**

In the individual financial statements above, certain financial statements of the investee were audited by other CPAs under the equity method. Therefore, our opinions on the parts related to such investees' investments under the equity method and share of profit and loss recognized are based on other CPAs' reports. As of Dec. 31, 2019, and 2018, the investment amount of the investee under the equity method was NT\$8,171,457 thousand and NT\$8,349,122 thousand respectively and accounted for 39.66% and 41.37% of total assets in that order; the comprehensive income recognized by these investees under the equity method was NT\$436,646 thousand and NT\$421,262 thousand respectively and accounted for 73.30% and 35.62% of total comprehensive income in that order.

### **Responsibility of Management and Governing Bodies for Individual Financial**



## **Statements**

The responsibility of the management is to present individual financial statements in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and to maintain essential internal control to ensure it contains no material misstatement that may be caused by fraud or error.

In preparing for the individual financial statements, it is also management's responsibility to assess Ennoconn Corporation's ability to continue as a going concern, the disclosure of relevant matters, as well as the adoption of going concern accounting base. Unless the management intends to liquidate or cease operations of Ennoconn Corporation, or there is no practicable measure other than liquidation or termination of the business.

The governing bodies of Ennoconn Corporation (including the Audit Committee) is responsible for overseeing the financial reporting procedures.

## **CPA's Responsibility for Auditing Individual Financial Statements**

The purpose of our audit of the individual financial statements is to attain reasonable assurance as to whether the individual financial statements as a whole contain any material misstatement that may be caused by fraud or error and to issue an audit report. Reasonable assurance is a high degree of certainty but not a guarantee that an audit conducted under the Generally Accepted Auditing Standards (GAAS) will always detect any material misstatement in the individual financial statements. Misstatements may be attributable to fraud or error. It is considered as material if the misstated individual amount or the aggregated total can be reasonably expected to affect the economic decisions made by the users of the individual financial statements.

When auditing under GAAS, we have practiced professional judgment and maintains professional suspicion. We also perform the following tasks:

1. Identify and assess the risks of material misstatements in the individual financial statements due to fraud or error; design and implement applicable countermeasures for the assessed risks, and attain sufficient and appropriate audit evidence as to the basis of audit opinions. Because fraud may involve collusion, forgery, intentional omission, false declaration, or the override of internal control, the risk of failing to detect any material misstatement caused by fraud is higher than that caused by the error.
2. Acquire the essential understanding of internal control relevant to audit to design appropriate audit procedures under the circumstances, but not to express opinions on the effectiveness of internal control of Ennoconn Corporation.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by management.
4. Based on the audit evidence obtained, conclude on the appropriateness of the going

concern accounting base adopted by the management and whether there is any material uncertainty in the events or circumstances that may cause substantial doubts about the Ennoconn Corporation's ability to continue as a going concern. If we believe that there is a material uncertainty in such events or circumstances, we shall remind the users of individual financial statements to pay attention to the relevant disclosure of the individual financial statements in the audit report. Or we shall amend the audit opinion when such disclosure is inadequate. Our conclusions are based on the audit evidence obtained as of the audit report date. However, future events or circumstances may cause Ennoconn Corporation no longer having the ability to continue as a going concern.

5. Evaluate the overall presentation, structure, and content of individual financial statements (including relevant notes), and whether the individual financial statements fairly represent the related transactions and events.
6. Attain sufficient and appropriate audit evidence regarding the financial information of entities within Ennoconn Corporation to express opinions on the individual financial statements. We are responsible for the guidance, supervision, and implementation of the audit, as well as forming an audit opinion on Ennoconn Corporation.

The matters we communicate with the governing body include the planned audit scope and time, as well as material audit findings (including a significant lack of internal control identified during the audit).

We have also provided a declaration to the governing body, stating that the persons subject to the independence standards of our accounting firm have complied with the code of professional ethics of CPAs. We have also communicated with the governing body all relations and other matters (including relevant protective measures) that may affect the independence of the CPA.

From the matters communicated with the governing body, we determine the key audit matters for the audit of individual financial statements of Ennoconn Corporation in 2019. We have stated these matters in the audit report. Unless the law or regulation does not allow public disclosure of specific issues, or in rare circumstances, we determine not to communicate particular matters in the audit report due to the reasonable probability that the negative impact of such communication is higher than the public interest.

Deloitte & Touche  
CPA Yang, Ching-ting

CPA Liu, Shui-en

Securities and Futures Commission  
Approval No.  
Taiwan-Finance-Securities-VI-0930128050

Securities and Futures Commission  
Approval No.  
Taiwan-Finance-Securities-VI-0920123784

Mar. 31, 2020

Ennoconn Corporation  
Individual Balance Sheets  
As of Dec. 31, 2019, and 2018

Unit: NT\$1,000

Code	Assets	Dec. 31, 2019		Dec. 31, 2018 (audited after restatement)	
		Amount	%	Amount	%
	<b>Current assets</b>				
1100	Cash and cash equivalents (Note 4 and 6)	\$ 341,659	1	\$ 369,455	2
1136	Financial assets measured at amortized cost - current (Note 4, 8 and 30)	2,175	-	2,156	-
1172	Accounts receivable (Note 4, 5 and 9)	344,773	2	494,226	2
1180	Accounts receivable - related parties (Note 4, 5, 9 and 29)	292,403	1	317,765	2
130X	Inventory (Note 4, 5 and 10)	148,884	1	602,244	3
1470	Other current assets (Note 4, 15 and 29)	161,305	1	50,808	-
11XX	Total current assets	<u>1,291,199</u>	<u>6</u>	<u>1,836,654</u>	<u>9</u>
	<b>Non-current assets</b>				
1550	Investments under equity method (Note 4, 5, 11, 25 and 29)	18,679,156	91	17,741,779	88
1600	Property, plant and equipment (Note 4 and 12)	522,447	3	531,697	3
1755	Right-of-use assets (Note 4 and 13)	18,304	-	-	-
1821	Intangible assets (Notes 4 and 14)	1,533	-	1,724	-
1840	Deferred income tax assets (Notes 4 and 23)	87,086	-	69,711	-
1990	Other non-current assets (Note 4, 15 and 12)	5,235	-	796	-
15XX	Total non-current assets	<u>19,313,761</u>	<u>94</u>	<u>18,345,707</u>	<u>91</u>
1XXX	Total assets	<u>\$ 20,604,960</u>	<u>100</u>	<u>\$ 20,182,361</u>	<u>100</u>
	<b>Liabilities and equity</b>				
	<b>Current liabilities</b>				
2100	Short-term loans (Note 4 and 16)	\$ 4,620,000	23	\$ 5,330,000	27
2120	Financial liabilities at fair value through profit or loss - current (Note 4, 7 and 17)	-	-	11,743	-
2170	Accounts payable (Note 4)	54,478	-	428,058	2
2180	Accounts payable - related parties (Note 4 and 9)	344,381	2	250,121	1
2200	Other payables (Note 4, 18 and 19)	163,187	1	173,296	1
2280	Lease liabilities - current (Note 4 and 13)	6,791	-	-	-
2320	Long-term liabilities due within one year or one business cycle (Note 4 and 17)	-	-	7,342,766	36
2399	Other current liabilities (Note 4 and 18)	79,137	-	40,400	-
21XX	Total current liabilities	<u>5,267,974</u>	<u>26</u>	<u>13,576,384</u>	<u>67</u>
	<b>Non-current liabilities</b>				
2500	Financial liabilities at fair value through profit or loss - non-current (Note 4, 7 and 17)	24,718	-	-	-
2530	Corporate bonds payable (Note 4 and 17)	7,079,439	34	-	-
2570	Deferred tax liabilities (Note 4 and 23)	616	-	618	-
2580	Lease liabilities - non-current (Notes 4 and 13)	11,456	-	-	-
2670	Other non-current liabilities (Note 4 and 18)	233	-	212	-
25XX	Total non-current liabilities	<u>7,116,462</u>	<u>34</u>	<u>830</u>	<u>-</u>
2XXX	Total liabilities	<u>12,384,436</u>	<u>60</u>	<u>13,577,214</u>	<u>67</u>
	<b>Equity (Note 4, 17, 20, 26 and 27)</b>				
3110	Common stock	835,745	4	775,745	4
3200	Capital surplus	6,339,752	31	4,728,440	23
	Retained earnings				
3310	Legal capital reserve	535,830	2	425,018	2
3320	Special capital reserve	384,452	2	495,665	3
3350	Undistributed earnings	1,211,091	6	800,779	4
3300	Total retained earnings	<u>2,131,373</u>	<u>10</u>	<u>1,721,462</u>	<u>9</u>
3490	Other equity	(850,114)	(4)	(384,452)	(2)
3500	Treasury stock	(236,232)	(1)	(236,048)	(1)
3XXX	Total Equity	<u>8,220,524</u>	<u>40</u>	<u>6,605,147</u>	<u>33</u>
	Total liabilities and equity	<u>\$ 20,604,960</u>	<u>100</u>	<u>\$ 20,182,361</u>	<u>100</u>

The attached notes are part of this individual financial report.

(Please refer to Deloitte & Touche's audit report on Mar. 31, 2020.)

Chairman: Chu, Fu-chuan    Manager: Tsai, Neng-chi    Accounting Supervisor: Wu, Yu-mei

Ennoconn Corporation  
Individual Statements of Comprehensive Income  
Jan. 1 to Dec. 31, 2019 and Jan. 1 to Dec. 31, 2018

Unit: NT\$1,000

Code		2019		Earnings per share in NT\$ 2018 (audited after restatement)	
		Amount	%	Amount	%
4100	Operating revenue (Note 4, 21 and 39)	\$ 3,188,103	100	\$ 4,256,456	100
5110	Operational cost (Note 10, 22, and 29)	( 2,754,672)	( 86)	( 3,713,021)	( 87)
5900	Gross profit	433,431	14	543,435	13
5910	Unrealized gain from sales	( 29,694)	( 1)	( 29,694)	( 1)
5920	Realized gain from sales	29,694	1	29,694	1
	Operating expenses (Note 9, 19, 22 and 29)				
6100	Selling expenses	( 117,232)	( 4)	( 113,673)	( 3)
6200	Administrative expenses	( 99,800)	( 3)	( 95,571)	( 2)
6300	Research and development expenses	( 119,057)	( 4)	( 116,798)	( 3)
6450	Expected credit impairment reversed profits (losses)	17,380	1	( 12,058)	-
6000	Total operating expenses	( 318,709)	( 10)	( 338,100)	( 8)
6900	Operating profit	114,722	4	205,335	5
	Non-operating income and expenses (Note 4, 11, 17 and 22)				
7010	Other income	9,078	-	13,801	-
7020	Other gains and losses	( 195,266)	( 6)	37,594	1
7050	Financial cost	( 186,924)	( 6)	( 217,339)	( 5)
7070	Loss and profit of subsidiaries recognized under equity method	1,327,642	42	1,056,962	25
7000	Total Non-operating income and expenses	954,530	30	891,018	21

(continued on next page)

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Code		2019		2018 (audited after restatement)	
		Amount	%	Amount	%
7900	Profit before tax	\$ 1,069,252	34	\$ 1,096,353	26
7950	Tax benefits (expenses) (Note 4 and 23)	<u>10,990</u>	-	<u>(2,055)</u>	-
8200	Net income	<u>1,080,242</u>	<u>34</u>	<u>1,094,298</u>	<u>26</u>
	Other comprehensive income (Note 4, 19, 20 and 23)				
	Items that will not be reclassified to profit or loss				
8311	Remeasurement of defined benefit plans	( 10 )	-	10	-
8330	Share of other comprehensive income from subsidiaries recognized under equity method	( 51,939 )	( 2 )	( 22,939 )	( 1 )
8349	Income tax related to items not reclassified	<u>2</u>	-	<u>(2)</u>	-
8310		<u>(51,947)</u>	<u>(2)</u>	<u>(22,931)</u>	<u>(1)</u>
	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on the translation of financial statements of foreign operations	( 397,220 )	( 12 )	134,264	3
8370	Share of other comprehensive income from subsidiaries recognized under equity method	( 35,362 )	( 1 )	( 23,176 )	-
8360		<u>(432,582)</u>	<u>(13)</u>	<u>111,088</u>	<u>3</u>
8300	Other comprehensive income (net amount after tax)	<u>(484,529)</u>	<u>(15)</u>	<u>88,157</u>	<u>2</u>
8500	Total comprehensive income (loss)	<u>\$ 595,713</u>	<u>19</u>	<u>\$ 1,182,455</u>	<u>28</u>
	Earnings per share (Note 24)				
9750	Basic	<u>\$ 13.22</u>		<u>\$ 14.27</u>	
9850	Diluted	<u>\$ 10.80</u>		<u>\$ 13.30</u>	

The attached notes are part of this individual financial report.

(Please refer to Deloitte & Touche's audit report on Mar. 31, 2020.)

Chairman: Chu, Fu-chuan Manager: Tsai, Neng-chi Accounting Supervisor: Wu, Yu-mei

Ennoconn Corporation  
Individual Statements of Changes in Equity  
Jan. 1 to Dec. 31, 2019 and Jan. 1 to Dec. 31, 2018

Unit: NT\$1,000

Code		Common stock capital		Conversion premium of converted corporate bonds	Capital surplus			Retained earnings				Other equity item									
		Number of shares (1,000 shares)	Share capital		Stock issuance premium	Conversion premium of Share options of	Stock option for convertible corporate bond	Changes in equity of subsidiaries	Changes in ownership interests of	Others	Total	Legal capital reserve	Special capital reserve	Undistributed earnings	Total	Exchange differences on the translation of financial statements of foreign operations	Exchange differences of financial statements	Unrealized profit and loss of available-for-sale financial assets	Unrealized gain (loss)	Unrealized profit and loss of financial assets measured at fair value through other comprehensive income	Based on Comprehensive Income measured at fair value
A1	Balance as of January 1, 2018	76.5	\$ 765,288	\$ 2,901,494	\$ 1,005,235	\$ 408,529	\$ 734,911	\$ -	\$ 5,050,172	\$ 312,681	\$ 41,036	\$ 1,352,416	\$ 1,706,133	(\$ 456,250)	(\$ 39,415)	\$ -	(\$ 495,665)	(\$ 233,608)	\$ 6,792,320		
A3	Impact amount of retrospective application and restatement (Note 11)	-	-	-	-	-	-	-	-	-	-	( 62,436 )	( 62,436 )	-	39,415	( 17,106 )	22,309	-	( 40,127 )		
A5	Balance after retrospective application and restatement on Jan. 1, 2018	76.5	765,288	2,901,494	1,005,235	408,529	734,911	-	5,050,172	312,681	41,036	1,289,980	1,643,697	( 456,250 )	-	( 17,106 )	( 473,356 )	( 233,608 )	6,752,193		
B1	Earnings allocation and distribution in 2017																				
B1	Legal capital reserve	-	-	-	-	-	-	-	-	112,337	-	( 112,337 )	-	-	-	-	-	-	-		
B3	Special capital reserve	-	-	-	-	-	-	-	-	-	454,629	( 454,629 )	-	-	-	-	-	-	-		
B5	Cash dividends of shareholders	-	-	-	-	-	-	-	-	-	-	( 682,864 )	( 682,864 )	-	-	-	-	-	( 682,864 )		
	Subtotal	-	-	-	-	-	-	-	-	112,337	454,629	( 1,249,830 )	( 682,864 )	-	-	-	-	-	( 682,864 )		
M7	Changes in other capital surplus: Impact amount of changes in subsidiaries' equity recognized under equity method	-	-	-	-	-	( 734,913 )	( 734,913 )	-	-	( 328,588 )	( 328,588 )	-	-	-	-	-	-	( 1,063,501 )		
D1	Net profit in 2018	-	-	-	-	-	-	-	-	-	-	1,108,117	1,108,117	-	-	-	-	-	1,108,117		
D3	Other comprehensive income after tax in 2018	-	-	-	-	-	-	-	-	-	-	( 747 )	( 747 )	111,088	-	( 22,184 )	88,904	-	88,157		
D5	Total comprehensive income in 2018	-	-	-	-	-	-	-	-	-	-	1,107,370	1,107,370	111,088	-	( 22,184 )	88,904	-	1,196,274		
II	Corporate bond converted into common stock	1.0	10,457	-	437,216	( 24,035 )	-	-	413,181	-	-	-	-	-	-	-	-	-	423,638		
L1	Treasury stock purchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	( 2,440 )	( 2,440 )		
Z1	Balance on Dec. 31, 2018	77.5	775,745	2,901,494	1,442,451	384,494	-	-	4,728,440	425,018	495,665	818,932	1,739,615	( 345,162 )	-	( 39,290 )	( 384,452 )	( 236,048 )	6,623,300		
A3	Impact amount of retrospective restatement	-	-	-	-	-	-	-	-	-	-	( 18,153 )	( 18,153 )	-	-	-	-	-	( 18,153 )		
A5	Balance after retrospective restatement on Jan. 1, 2019	77.5	775,745	2,901,494	1,442,451	384,494	-	-	4,728,440	425,018	495,665	800,779	1,721,462	( 345,162 )	-	( 39,290 )	( 384,452 )	( 236,048 )	6,605,147		
B1	Earnings allocation and distribution in 2018																				
B1	Legal capital reserve	-	-	-	-	-	-	-	-	110,812	-	( 110,812 )	-	-	-	-	-	-	-		
B3	Special capital reserve	-	-	-	-	-	-	-	-	-	( 111,213 )	111,213	-	-	-	-	-	-	-		
B5	Cash dividends of shareholders	-	-	-	-	-	-	-	-	-	-	( 580,436 )	( 580,436 )	-	-	-	-	-	( 580,436 )		
	Subtotal	-	-	-	-	-	-	-	-	110,812	( 111,213 )	( 580,035 )	( 580,436 )	-	-	-	-	-	( 580,436 )		
C5	Changes in other capital surplus: Convertible bonds issued by the Company recognized as equity components	-	-	-	-	332,132	-	-	332,132	-	-	-	-	-	-	-	-	-	332,132		
C17	The invalidation of the stock option of convertible bonds	-	-	-	-	( 249,881 )	249,88	-	-	-	-	-	-	-	-	-	-	-	-		
M7	Impact amount of changes in subsidiaries' equity recognized under equity method	-	-	-	-	-	-	-	-	-	-	( 71,028 )	( 71,028 )	-	-	-	-	-	( 71,028 )		
D1	Net profit in 2019	-	-	-	-	-	-	-	-	-	-	1,080,242	1,080,242	-	-	-	-	-	1,080,242		
D3	Other comprehensive income after tax in 2019	-	-	-	-	-	-	-	-	-	-	( 19,382 )	( 19,382 )	( 432,582 )	-	( 32,565 )	( 465,147 )	-	( 484,529 )		
D5	Total comprehensive income in 2019	-	-	-	-	-	-	-	-	-	-	1,060,860	1,060,860	( 432,582 )	-	( 32,565 )	( 465,147 )	-	595,713		
Q1	Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	515	515	-	-	( 515 )	( 515 )	-	-		
E1	Cash capital increase	6.0	60,000	1,279,180	-	-	-	-	1,279,180	-	-	-	-	-	-	-	-	-	1,339,180		
L1	Treasury stock purchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	( 184 )	( 184 )		
Z1	Balance as of Dec. 31, 2019	83.5	\$ 835,745	\$ 4,180,674	\$ 1,442,451	\$ 466,745	\$ 249,88	\$ 6,339,752	\$ 535,830	\$ 384,452	\$ 1,211,091	\$ 2,131,373	(\$ 777,744)	\$ -	(\$ 72,370)	(\$ 850,114)	(\$ 236,232)	\$ 8,220,524			

The attached notes are part of this individual financial report.  
(Please refer to Deloitte & Touche's audit report on Mar. 31, 2020.)

Chairman: Chu, Fu-chuan    Manager: Tsai, Neng-chi    Accounting Supervisor: Wu, Yu-mei

Ennoconn Corporation  
Individual Statements of Cash Flows  
Jan. 1 to Dec. 31, 2019 and Jan. 1 to Dec. 31, 2018

Code	2019	Unit: NT\$1,000 2018 (audited after restatement)
Cash flows from operating activities		
A10000	\$ 1,069,252	\$ 1,096,353
A20010	Income expenses item	
A20100	16,269	14,450
A20200	1,341	1,785
A20300	Expected credit (reversal gain)	
	impairment loss	12,058
A21900	Cost of Share-based payment	
	consideration	-
A22400	Loss and profit of subsidiaries	
	recognized under equity method	( 1,056,962)
A21200	( 6,771)	( 13,017)
A20900	Financial cost	
	186,924	217,339
A23700	Inventory price loss (recovery	
	gain)	( 34,475)
A20400	Net loss (profit) of financial	
	liabilities at fair value through	
	profit or loss	( 6,728)
A22500	Gains from disposal of property,	
	plant and equipment	( 200)
A23100	Loss on the recovery of corporate	
	bonds	-
A24100	187,228	-
A24100	Net loss on foreign exchange	
	15,478	745
A30000	Net changes in assets and liabilities	
	related to operating activities	
A31115	Financial assets enforced at fair	
	value through profit or loss	1,365,573
A31150	-	462,276
A31200	Accounts receivable	
	180,439	( 77,945)
A31200	Inventory	
	448,859	13,662
A31240	Other current assets	
	( 105,959)	( 448,074)
A32150	Accounts payable	
	( 274,121)	( 23,861)
A32180	Other receivables	
	( 9,568)	27,939
A32230	Other current liabilities	
	38,737	( 17)
A32990	Others	
	( 8)	1,550,901
A33000	Cash inflow from operations	
	442,767	12,517
A33100	Interest received	
	7,259	( 32,590)
A33300	Interest paid	
	( 73,025)	( 51,983)
A33500	Income tax paid	
	( 12,955)	364,046
AAAA	Net cash inflow from operating	
	activities	1,478,845

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Code		2019	2018 (audited after restatement)
	Cash flows from investment activities		
B00040	Acquisition of financial assets measured at amortized cost	(\$ 19)	(\$ 20)
B02200	Net cash outflow from the acquisition of subsidiaries	( 792,798)	( 6,257,503)
B02700	Acquisition of property, plant, and equipment	( 3,766)	( 2,477)
B02800	Proceeds from disposal of property, plant, and equipment	-	505
B04500	Acquisition of intangible assets	( 1,150)	( 794)
B07600	Dividends received from subsidiaries	627,330	369,788
B07100	Decrease (increase) in prepaid equipment	( 3,150)	-
B03800	Decrease (increase) in refundable deposits	( 1,291)	1,466
BBBB	Net cash outflow from investment activities	( 174,844)	( 5,889,035)
	Cash flows from financing activities		
C00100	Increase (decrease) in short-term loans	( 710,000)	5,080,000
C01200	Issuance of convertible bonds	6,007,148	-
C01300	Repayments of corporate bonds	( 6,242,205)	-
C03000	Guarantee deposits received	21	-
C04020	Repayment of lease principal	( 2,345)	-
C04500	Distribution of cash dividends	( 580,436)	( 682,864)
C04600	Cash capital increase	1,319,000	-
CCCC	Net cash inflow (outflow) from financing activities	( 208,817)	4,397,136
DDDD	Effect of fluctuation in exchange on cash and cash equivalents	( 8,181)	( 1,322)
EEEE	Net decrease in cash and cash equivalents	( 27,796)	( 14,376)
E00100	Opening balance of cash and cash equivalents of the period	369,455	383,831
E00200	Ending balance of cash and cash equivalents of the period	\$ 341,659	\$ 369,455

The attached notes are part of this individual financial report.  
(Please refer to Deloitte & Touche's audit report on Mar. 31, 2020.)

Chairman: Chu, Fu-chuan Manager: Tsai, Neng-chi Accounting Supervisor: Wu, Yu-me



## Attachment 4: Comparison Table for the Article of Incorporation Before and After Revision

After Amendments	Before Amendments	Description
<p>Article 20-1  <u>The current year earnings</u>, if any, the allocation shall be prioritized by the following:</p> <p>(I) Offsetting prior years' accumulated losses.</p> <p>(II) Setting aside 10% for legal reserve <u>in accordance with the law</u>, except for the accumulated legal reserve that has reached the Company's paid-in capital.</p> <p>(III) Setting aside or reversing a certain amount as a special reserve according to the relevant regulations.</p> <p>(IV) The remaining which is deducted from item 1 to 3 of the current year earing, plus the previous year's undistributed earnings and the adjustment of undistributed earnings, could be allocated to shareholders as dividends according to the distribution plan proposed by the Board of Directors and approved by the shareholders' meeting.</p> <p>Considering the Company's current status and future development, the earing distribution needs to be taken into account future capital expenditure and fund requirements, the distribution plan need to be proposed by the Board of Directors and approved by the shareholders' meeting. In terms of dividend distribution, the cash dividends shall not be less than 10% of the total dividends of the year.</p>	<p>Article 20-1  If it is "<u>net profit for the current period</u>" in the Company's annual final accounts, the profit shall be distributed in the following order:</p> <p>(I) Set aside an amount to make up losses.</p> <p>(II) Setting aside 10% for legal reserve, except for the accumulated legal reserve that has reached the Company's paid-in capital.</p> <p>(III) Setting aside or reversing a certain amount as a special reserve according to the relevant regulations.</p> <p>(IV) The remaining which is deducted from item 1 to 3 of the current year earing, plus the previous year's undistributed earnings and the adjustment of undistributed earnings, could be allocated to shareholders as dividends according to the distribution plan proposed by the Board of Directors and approved by the shareholders' meeting.</p> <p>Considering the Company's current status and future development, the earing distribution needs to be taken into account future capital expenditure and fund requirements, the distribution plan need to be proposed by the Board of Directors and approved by the shareholders' meeting. In terms of dividend distribution, the cash dividends shall not be less than 10% of the total dividends of the year.</p>	<p>The text relating to legal reserves was amended in accordance with Article 237 of the Company Act and MOEA Ching-Shang-Zi Letter No. 10802432410 of Jan. 9, 2020.</p>

After Amendments	Before Amendments	Description
<p>Article 22  These Articles of Incorporation were enacted on June 30, 1999.  The 1st amendment was made on December 1, 2000.</p> <p>.</p> <p>.</p> <p>.</p> <p>The 17th amendment was made on June 28, 2018.  The 18th amendment was made on June 28, 2019.  <u>The 19th amendment was made on June 23, 2020.</u></p>	<p>Article 22  These Articles of Incorporation were enacted on June 30, 1999.  The 1st amendment was made on December 1, 2000.</p> <p>.</p> <p>.</p> <p>.</p> <p>The 17th amendment was made on June 28, 2018.  The 18th amendment was made on June 28, 2019.</p>	<p>To add the amendment date</p>

## Attachment 5: Comparison Table for the Procedures for Acquisition or Disposal of Assets Before and After Revision

After Amendments	Before Amendments	Description
<p>Article 7: Procedures for acquisition or disposal of real property, equipment or right-of-use asset (The above is omitted)</p> <p>III. Determination of trading terms and authorization limit</p> <p>(I) The means of price determination and supporting reference materials for acquisition or disposal of real property, equipment or right-of-use assets thereof shall be determined after the unit with such needs submits the explanation, referencing assessed present value, and the actual transaction price of neighboring real property and after the procedure of inquiry, negotiation, and tendering.</p> <p>(II) Levels of authority delegated</p> <ol style="list-style-type: none"> <li>1. The Chairman is authorized to make the resolution on the acquisition or disposal of real property, equipment, or right-of-use assets thereof if the transaction amount is <u>less than 20% of paid-in capital</u>; prior approval of the Board shall be obtained where the transaction amount reaches <u>20% or more of paid-in capital</u>.</li> <li>2. While entering into a sale and purchase agreement with the counterparty of the transaction, if it is necessary to meet the business needs and timeliness, the agreement may be first signed upon approval of the Chairman before being submitted to the next Board meeting for approval.</li> <li>3. For the acquisition or disposal of intangible assets, if the Company Act or</li> </ol>	<p>Article 7: Procedures for acquisition or disposal of real property, equipment or right-of-use asset (The above is omitted)</p> <p>III. Determination of trading terms and authorization limit</p> <p>(I) The means of price determination and supporting reference materials for acquisition or disposal of real property, equipment or right-of-use assets thereof shall be determined after the unit with such needs submits the explanation, referencing assessed present value, and the actual transaction price of neighboring real property and after the procedure of inquiry, negotiation, and tendering.</p> <p>(II) Levels of authority delegated</p> <ol style="list-style-type: none"> <li>1. The Chairman is authorized to make the resolution on the acquisition or disposal of real property, equipment, or right-of-use assets thereof if the transaction amount is <u>less than NT\$50 million (inclusive)</u>; prior approval of the Board shall be obtained where the transaction amount reaches <u>NT\$50 million or more</u>.</li> <li><del>2. However, where the asset acquired or disposed of is for business use and the counterparty is not a stakeholder, the above standard is raised to NT\$50 million.</del></li> <li>3. While entering into a sale and purchase agreement with the counterparty of the transaction, if it is necessary to meet the business needs and timeliness, the agreement may be first signed upon approval of the Chairman</li> </ol>	<ol style="list-style-type: none"> <li>1. Corresponding to the needs of the Company's operation development and management, the authorized transaction amount within the level of authority for the Chairman was adjusted from NT\$50 million to 20% of paid-in capital of the Company.</li> <li>2. Due to the fact that the authorized transaction amount has been raised to 20% of paid-in capital of the Company, Item 2, Subparagraph 2, Paragraph 3 of the original Article, providing a higher transaction amount for assets for business use, was deleted.</li> <li>3. The numbering of the Article was changed accordingly.</li> </ol>

<p>relevant laws and regulations stipulate that the transaction shall be resolved or adopted by the shareholders' meeting or be reported in the meeting, the Company shall comply.</p>	<p>before being submitted to the next Board meeting for approval.</p> <p>4. For the acquisition or disposal of intangible assets, if the Company Act or relevant laws and regulations stipulate that the transaction shall be resolved or adopted by the shareholders' meeting or be reported in the meeting, the Company shall comply.</p>	
<p>Article 8: Procedures for the Acquisition or Disposal of Securities (The above is omitted)</p> <p>III. Determination of trading terms and authorization limit</p> <p>(I) The Chairman is authorized to make the resolution on government bonds, corporate bonds, financial bonds, securities representing interests in a fund, and asset-backed securities as specified in Paragraph 1 of Article 3 of these Procedures if the transaction amount is <u>less than 20% of paid-in capital</u>. Prior approval of the Board shall be obtained where the transaction amount reaches 20% or more of paid-in capital.</p> <p>(II) The Chairman is authorized to make the resolution on stocks, depositary receipts, call (put) warrants, and beneficial interest securities as specified in Paragraph 1 of Article 3 of these Procedures if the transaction amount is less than <u>20%</u> of paid-in capital. Prior approval of the Board shall be obtained where the transaction amount reaches <u>20% or more of paid-in capital</u>.</p>	<p>Article 8: Procedures for the Acquisition or Disposal of Securities (The above is omitted)</p> <p>III. Determination of trading terms and authorization limit</p> <p>(I) The chairman of the board is authorized to conduct transactions involving government bonds, corporate bonds, financial bonds, securities representing interests in a fund, and asset-backed securities as specified in Paragraph 1 of Article 3 of these Procedures if the transaction amounts are less than 20% <u>(inclusive)</u> of paid-in capital. Prior approval of the Board shall be obtained where the transaction amount reaches 20% or more of paid-in capital.</p> <p>(II) The Chairman is authorized to make a resolution on transactions involving stocks, depositary receipts, call (put) warrants, and beneficial interest securities as specified in Paragraph 1 of Article 3 of these Procedures if the transaction amount is less than <u>5% (inclusive)</u> of paid-in capital. Prior approval of the Board shall be obtained where the transaction amount reaches <u>5%</u> or more of paid-in capital.</p>	<p>Corresponding to the needs of the Company's operation development and management, the authorized transaction amount within the level of authority for the Chairman was adjusted from 5% of paid-in capital to 20% of paid-in capital of the Company.</p>
<p>Article 9: Procedures for the Acquisition or Disposal of Intangible Assets or its Right-of-Use Assets Thereof or Membership (The above is omitted)</p>	<p>Article 9: Procedures for the Acquisition or Disposal of Intangible Assets or its Right-of-Use Assets Thereof or Membership (The above is omitted)</p>	<p>Corresponding to the needs of the Company's operation development and</p>

<p>(III) Determination of trading terms and authorization limit</p> <p>(I) The means of price determination and supporting references: The unit with such needs shall submit reports of the market transaction price of similar intangible assets, right-of-use assets or membership. Reports by professional valuation institutions shall be referenced for those with no market transaction price.</p> <p>(II) Levels of authority delegated</p> <p>1. The Chairman is authorized to make the resolution on transactions of an amount less than <u>20% of paid-in capital</u>; prior approval of the Board shall be obtained where the transaction amount reaches <u>20% or more of paid-in capital</u>. However, if it is necessary to meet the business needs and timeliness, the contract may be first signed upon approval of the Chairman before being submitted to the next Board meeting for approval.</p> <p>(The following is omitted)</p>	<p>III. Determination of trading terms and authorization limit</p> <p>(I) The means of price determination and supporting references: The unit with such needs shall submit reports of the market transaction price of similar intangible assets, right-of-use assets or membership. Reports by professional valuation institutions shall be referenced for those with no market transaction price.</p> <p>(II) Levels of authority delegated</p> <p>1. The Chairman is authorized to make the resolution on transactions of an amount less than <u>NT\$50 million (inclusive)</u>; prior approval of the Board shall be obtained where the transaction amount reaches <u>NT\$50 million or more</u>. However, if it is necessary to meet the business needs and timeliness, the contract may be first signed upon approval of the Chairman before being submitted to the next Board meeting for approval.</p> <p>(The following is omitted)</p>	<p>management, the authorized transaction amount within the level of authority for the Chairman was adjusted from NT\$50 million to 20% of paid-in capital of the Company.</p>
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## Appendices

### Appendix 1: Rules and Procedures of Shareholders' Meeting

#### Article 1

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

#### Article 2

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

#### Article 3

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

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

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

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

A shareholder holding 1 percent or more of the total number of issued shares may submit to this Corporation a written proposal for discussion at a regular shareholders' meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. In addition, when the circumstances

of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.

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

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

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

#### Article 4

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

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

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

#### Article 5

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

#### Article 6

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

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations. Shareholders and their proxies (collectively, "shareholders") shall attend shareholders' meetings based on attendance cards, sign-in cards, or other certificates of attendance. This

Corporation may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

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

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

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

#### Article 7

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

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

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

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

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

#### Article 8

This Corporation, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders' meeting, and the voting and vote counting procedures.

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

#### Article 9

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



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

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

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

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

#### Article 10

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.

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

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

#### Article 12

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

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

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

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

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

#### Article 13

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

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

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

declaration is made to cancel the earlier declaration of intent.

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

Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, 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, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

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

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation.

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

#### Article 14

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

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

#### Article 15

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

This Corporation may distribute the meeting minutes of the preceding paragraph by

means of a public announcement made through the MOPS.

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

#### Article 16

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 procedures shall be effective after ratification at the shareholders' meetings. The same applies to modifications.

## Appendix 2: Articles of Incorporation

### Chapter 1 : General Provisions

#### Article 1

The Corporation shall be incorporated, as a company limited by shares, under the Company Law of the Republic of China, and its name shall be 樺漢科技股份有限公司 in Chinese and Ennoconn Corporation in English.

#### Article 2

The Company's scope of business is as follows:

1. F118010 Wholesale of Computer Software
2. F218010 Retail Sale of Computer Software
3. F401010 International Trade ◦
4. F401021 Restrained Telecom Radio Frequency Equipments and Materials Import ◦
5. CC01080 Electronic Parts and Components Manufacturing ◦
6. CC01110 Computers and Computing Peripheral Equipments Manufacturing
7. CC01120 Data Storage Media Manufacturing and Duplicating
8. I301010 Software Design Services
9. I301020 Data Processing Services
10. I301030 Digital Information Supply Services

#### Article 3

The Company is headquartered in New Taipei City, Taiwan and when necessary may establish branches or subsidiaries at home and abroad according to resolutions by the board of directors.

#### Article 4

Public announcements of the Company shall be made in accordance with the provisions of Article 28 of the Companies Act.

#### Article 4-1

The total amount of the Company's investment in other companies is exempted from the prohibition against exceeding 40 percent of paid-up capital described in Article 13 of the Company Act. Any matters regarding the reinvestment shall be resolved in accordance with the resolutions of the Board of Directors.

#### Article 4-2

The Company may provide endorsements and guarantees and act as a guarantor in accordance with the Operation Procedures for the Endorsement and Guaranty of the Company.

### Chapter 2 : Shares

#### Article 5

The authorized capital of the Company is NT\$2.5 billion, consisting of 250 million shares, all of common stock, with a par value of NT\$10 per share. The board of directors is authorized to issue the shares in separate installments as required, of which 5 million shares are reserved for stock options with warrants for the exercise of stock options. The board of directors is also authorized to issue shares in separate installments as required.

#### Article 5-1

The Company may transfer stock to employees at a price that is lower than the actual average price of the shares, or the Company may issue employee stock options at a price that is lower than the common stock closing price of the issue date, pursuant to a resolution approved by the majority of total issued shares represented at the shareholders'

meeting and the consent of more than two-thirds of the attending shareholders' voting rights.

#### Article 6

The Company buy back its shares and the qualification requirements of employees including the employees of parents or subsidiaries of the company meeting certain specific requirements. The condition of transfer stock authorized by Board of meeting.

The Company issue employee stock option and The qualification requirements of employees, including the employees of parents or subsidiaries of the company meeting certain specific requirements. The condition of issue stock authorized by Board of meeting.

The Company issue restricted stock for employees and The qualification requirements of employees, including the employees of parents or subsidiaries of the company meeting certain specific requirements. The condition of issue stock authorized by Board of meeting.

The Company issuance of new shares reserve for employees and the qualification requirements of employees including the employees of parents or subsidiaries of the company meeting certain specific requirements. The condition of Subscription authorized by Board of meeting.

#### Article 7

The share certificates of the Company shall without exception be in registered form, signed by, or affixed with the seals of, at least three directors, and authenticated by the competent governmental authority upon issuance.

Shares issued by the Company may also be exempt from printing of share certificates, and the Company shall arrange for such shares to be recorded by a centralized securities custodian institution.

#### Article 8

All entries in the shareholders register due to share transfers shall be suspended for 60 days prior to an ordinary shareholders' meeting, or for 30 days prior to an extraordinary shareholders' meeting, or for 5 days prior to the record date fixed for distributing dividends, bonus, or any other benefit.

### Chapter 3 : Shareholders' Meeting

#### Article 9

Shareholders' meetings of the Company are of two kinds: regular shareholders' meetings and extraordinary shareholders' meetings. The regular shareholders' meeting is called once per year within six months of the close of the fiscal year. Extraordinary shareholders' meetings may be called in accordance with applicable laws and regulations whenever necessary.

#### Article 10

For any shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by using the proxy form issued by the Company and specifying the scope of proxy.

Shareholders attend shareholders' meeting by proxy in accordance with Article 177 of the Company Law and The Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies.

#### Article 11

Each shareholder of the Company is entitled to one vote per share, unless otherwise provided by applicable law or regulation.

#### Article 12

Unless otherwise provided by applicable law or regulation, a resolution of the

shareholders' meeting shall be adopted by the consent of a majority of the votes represented by those in attendance at the meeting, in person or by proxy, by shareholders who represent a majority of the total issued shares.

#### Chapter 4 : Board of Directors

##### Article 13

The Company shall have seven to nine directors, with three-year office term. Directors are elected and appointed by the shareholders' meeting from candidates in accordance with the candidate nomination system of Article 192-1 of the Company Act. Candidate(s) may continue in office if re-elected.

The aggregate shareholding percentages of the entire bodies of directors shall comply with the regulations prescribed by the securities supervisory authorities.

The aforesaid Board of Directors must have at least three independent directors.

The nomination of directors and related announcement shall comply with the relevant regulations of the Company Law and the Securities and Exchange Law. The election of independent directors and non-independent directors shall be held together; provided, however, the number of independent directors and non-independent directors elected shall be calculated separately.

The professional qualifications, restrictions on shareholding and concurrent post, affirmation of independence, nomination and election processes, exercise of authority and other requirements of independent directors shall be determined and executed in accordance with the Securities and Exchange Law and related regulations.

##### Article 13-1

In compliance with Articles 14-4 of the Securities and Exchange Law, the Corporation shall establish an Audit Committee, which shall consist of all independent directors. The Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the Company Law, the Securities and Exchange Law and other relevant regulations.

##### Article 14

The Board of Directors shall consist of directors of the company, and the chairman of the Board of Directors shall be elected by a majority of directors in attendance at a meeting attended by over two-thirds of the Board of Directors. The chairman of the Board of Directors shall represent this Company in external matters.

Each director shall attend the meeting of the board of directors in person. Where a director is unable to attend the meeting of the board of directors, he may appoint another director as his proxy to attend the meeting by issuing a letter of proxy. Each director can act as a proxy for only one other director.

Each director shall be notified at least seven days in advance of the reasons for calling a Board of Directors meeting. In emergency circumstances, however, a meeting may be called on shorter notice. The aforesaid meeting notice may be prepared in either written or electronic format.

The notice of the meeting may be made by electronic mail or facsimile transmission

Any Director attending the meeting via video conference shall be deemed attending the meeting in person.

##### Article 15

Where the chairman of the board of directors is on leave or cannot exercise his powers or perform his duties for any reason, an acting chairman shall be designated in accordance with Article 208 of the Company Law.

##### Article 16

The Board of Directors is authorized to decide the compensation to all directors at a rate consistent with general practices in the industry. The Board of Directors is authorized to purchase liability insurance for directors , in accordance with a resolution of the board of directors adopted by consent of a majority of the votes represented by those the majority in attendance at the board of directors meeting.

#### Chapter 5 : Manager

##### Article 17

The Company may appoint one Chief Executive Officer, whose commissioning, decommissioning and pay rate shall be as pursuant to Article 29 of the Company Act.

#### Chapter 6 : Accounting

##### Article 18

After the close of each fiscal year, the following reports shall be prepared by the board of directors and submitted to the regular shareholders' meeting for ratification. 1. Business Report. 2. Financial Statements. 3. Proposal Concerning Appropriation of Net Profits or Recovering of Losses.

##### Article 19 (deleted)

##### Article 20

Where the Company has a profit before tax for each fiscal year, the Company shall first reserve certain amount of the profit to recover losses for preceding years, and then set aside no less than 2% of the remaining profit for distribution to the employees of parents or subsidiaries of the company as remuneration and no more than 2% of the remaining profit for distribution to directors as remuneration.

The Company may allocate employees' remuneration prescribed in the preceding paragraph in the form of stock or cash to employees of an affiliated company meeting certain conditions. The Board or the person duly designated by the Board is authorized to decide the conditions and allocation method.

##### Article 20-1

The current year earnings, if any, the allocation shall be prioritized by following:

1. Offset prior years' accumulated losses.
2. Setting aside 10% for legal reserve, except for the accumulated legal reserve has reached the Company's paid-in capital.
3. Setting aside or reversing a certain amount as a special reserve according to the relevant regulations.
4. The remaining which is deducted item 1 to 3 from the current year earing, plus the previous year's undistributed earnings and the adjustment of undistributed earnings, could be allocated to shareholders as dividends according to the distribution plan proposed by the board of directors and approved by the shareholders' meeting.

Considering the Company's current status and future development, the earing distribution need to be took into account future capital expenditure and fund requirements, the distribution plan need to be proposed by the board of directors and approved by the shareholders' meeting. The cash dividends shall not be less than 10% of the total dividends.

##### Article 20-2

The company if cancel stock offering should be approved by shareholders' meeting. As the Company is still listed company, or emerging shouldn't amend this article.

#### Chapter 7 : Supplementary Provisions

##### Article 21

Any matters not sufficiently provided for in these Articles of Incorporation shall be



handled in accordance with the Company Act and other applicable laws or regulations.

#### Article 22

These Articles of Incorporation were enacted on June 30, 1999.

The 1st amendment was made on December 1, 2000.

The 2nd amendment was made on April 12, 2001.

The 3rd amendment was made on October 29, 2004.

The 4th amendment was made on April 7, 2005.

The 5th amendment was made on April 7, 2005.

The 6th amendment was made on April 24, 2006

The 7th amendment was made on May 28, 2007.

The 8th amendment was made on February 9, 2011.

The 9th amendment was made on June 28, 2011.

The 10th amendment was made on June 27, 2012.

The 11th amendment was made on October 4, 2012.

The 12th amendment was made on January 22, 2013.

The 13th amendment was made on June 4, 2013.

The 14th amendment was made on April 29, 2014.

The 15th amendment was made on May 12, 2015.

The 16th amendment was made on May 20, 2016.

The 17th amendment was made on June 28, 2018.

The 18th amendment was made on June 28, 2019.

### Appendix 3: Shareholdings of All Directors

Shares held by all directors, date as of April 25, 2020

Title	Name	Shares held in share register
Chairman	CHU, FU-CHUAN	800,787
Director	CHU, CHENG-CHING	0
Director	Bao Shin International Investment Co., Ltd. representative: LOU, CHAO-TSUNG	29,074,437
Director	Bao Shin International Investment Co., Ltd. representative: TENG, CHIA-LIN	29,074,437
Independent Director	FANG, WEN-CHANG	0
Independent Director	SU, YU-HUI	0
Independent Director	WANG, CHIEN-MIN	0
Total		29,875,224

Note : Total outstanding shares are 83,574,472 shares which included 655,000 shares of treasury stock by April 25, 2020.