



Ennoconn Corporation

2018 Annual Report

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<http://www.ennoconn.com>

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Table of Contents

Chapter 1	Letter to Shareholders	1
Chapter 2	Company Introduction	2
	I. Founding Date	2
	II. Formation History	2
Chapter 3	Corporate Governance Report	5
	I. Organization	5
	II. Information of Directors, President, Vice President, Assistant President and Heads of Departments and Branches	7
	III. Implementation of Corporate Governance	22
	IV. Information on Audit Fees	54
	V. Information on change in CPA	54
	VI. The Company's Chairman, President, or Any Managerial Officer in Charge of Finance or Accounting Matters Has in the Most Recent Year Held a Position at the Accounting Firm of its CPA or at an Affiliated Enterprise	54
	VII. Transfer & Pledge of Stock Equity by Directors, Supervisors, Managerial Officers and Holders of 10% or More of Company Shares in the Most Recent Fiscal Year and up to the Date of this Annual Report Printed	55
	VIII. Information on the Relationship among the Top Ten Shareholders	56
	IX. The Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Company, its Directors and Supervisors, Managers, and Any Companies Controlled either Directly or Indirectly by the Company	57
Chapter 4	Company Shares and Fund Raising	62
	I. Capital and Shares	62
	II. Composition of Shareholders	66
	III. Distribution Profile of Share Ownership	66
	IV. List of Major Shareholders	67
	V. Market Price, Net Value, Earnings Per Share, Dividends and Related Information for the Most Recent Two Fiscal Years	67
	VI. The Company's Dividend Policy and Implementation Status	68
	VII. Effect upon Business Performance and Earnings Per Share of any Stock Dividend Distribution Proposed or Adopted at the Most Recent Shareholders' Meeting	69
	VIII. Employee Stock Bonus and Remuneration of Directors and Supervisors	69
	IX. Share Repurchases	70
	X. Issuance of Corporate Bonds	71
	XI. Preferred Shares	78
	XII. Global Depository Receipts (GDR)	78
	XIII. Subscription of Warrants for Employees	78
	XIV. Name of Managers Holding Warrants for Employees and Top Ten Employees in terms of Subscription of Warrants, and the Acquisition Status.....	78
	XV. Subscription of New Shares for Employee Restricted Stocks	78
	XVI. Name of Managers Holding the New Shares for Employee Restricted Stocks and Top Ten Employees in terms of Subscription of the New Share,	

	and the Acquisition Status	78
	XVII. Issuance of New Shares due to Acquisition of Shares of Another Company	78
	XVIII. Implementation of Fund Usage Plan	78
Chapter 5	Operational Highlights	101
	I. Business Activities	101
	II. Production and Sales Status	123
	III. Information of Employees in the Most Recent Two Fiscal Years and up to the Date of this Annual Report Printed	131
	IV. Information on Environmental Protection Costs	131
	V. Labor Relations	132
	VI. Important Contracts	133
Chapter 6	Financial Standing	142
	I. Most Recent 5-Year Concise Financial Information with Name of the CPAs and Auditors' Opinions	142
	II. Most Recent 5-Year Financial Analysis	147
	III. Audit Committee's Review Report	152
	IV. Consolidated Financial Statements with Subsidiaries Audited by CPAs	152
	V. Financial Statements for the Most Recent Year	152
	VI. Financial Difficulties of the Company and its Affiliated Companies in the Most Recent Year up to the Date of this Annual Report Printed	152
Chapter 7	Review and Analysis of the Company's Financial Position and Financial Performance and Risk	153
	I. Financial Position	153
	II. Financial Performance	155
	III. Cash Flow	157
	IV. Impact of Major Capital Expenditures on Financial Operations During The Most Recent Year	157
	V. The Main Reasons, Improvement Plan and Investment Plan for the Upcoming Fiscal Year of the Most Recent Annual Reinvestment Policy and its Profit or Loss	157
	VI. Risk	158
	VII. Other Important Matters	162
Chapter 8	Special Notes	163
	I. Subsidiary Information	163
	II. The Most Recent Fiscal Year and up to the Date of this Annual Report Printed, Private Placement Securities	204
	III. The Most Recent Fiscal Year and up to the Date of this Annual Report Printed, Subsidiary Holding or Disposal of the Company's Stock List	204
	IV. Other Supplementary Information	204
Chapter 9	Matters Affecting Shareholders' Equity or Stock Price	204

Chapter 1 Letter to Shareholders

Thanks to the collective efforts of all employees of Ennoconn Corporation, the Company has done well during 2018, and its net consolidated operating income was NT\$68.9 billion, the net after-tax profit was NT\$1.1 billion, and earnings per share were NT\$14.45. Compared to 2017, the consolidated operating income increased by 98% and the net after-tax profit by 2%.

In 2018, the Company invested in Marketch International Corp. By integrating Marketch's strength in system integration, the Company has obtained key technologies, such as facility equipment management, manufacturing execution management system, package plant export, etc. which will strengthen our system's integration ability for intelligent factory automation and provide complete solutions to high-tech industry and manufacturing plant and process systems. In addition, in 2017, through strategic investment in S&T Kontron, a leading German industrial computer brand, the Company obtained industry 4.0 edge computing and key software technologies, and completed the layout of brand and marketing channels. The Company has derived advantages of vertical and horizontal development of intelligent manufacturing, and will complete the strategy of long-term development of industrial IoT by bringing the group's benefits into full play.

During 2019, the Company will continuously pursue the three operating strategies of brand development, system integration and ODM product design and development, and actively integrate resources of Ennoconn Corporation and the subsidiaries to reduce costs, maximize benefits and create the highest value:

- (1) Brand strategy: Continuously expand the market and strengthen brand value in industry 4.0/IoT solutions, embedded systems, IT services, soft and hard integration solutions through the subsidiary S&T Kontron.
- (2) System integration: Expand the development of intelligent factory automation in key technologies, such as factory production automation, process equipment, Facility Monitoring Control System (FMCS) and Computer Integrated Manufacturing (CIM) through the subsidiary Marketch International Corp.
- (3) ODM product design and development: By establishing the ODM technology research and development and manufacturing resource platform, Ennoconn Corporation, together with subsidiaries, such as Caswell Inc., Goldtek Technology Co., Ltd., etc., will integrate key hard and soft technologies in different vertical markets, and will continuously expand product application field to provide customers with the most competitive one-stop product design and manufacturing services.

Looking forward to the future, Ennoconn Corporation will continuously expand in the five fields of intelligent business, communication network security, lottery game, intelligent manufacturing and health care, master industrial trends in manufacturing IoT, medical IoT, firefighting IoT, retail IoT, and integrate its own key technologies with the subsidiaries to provide IIoT hard and soft integration and complete solutions.

Thanks to all our shareholders for their enduring support and encouragement. The management team and all the staff will continue to uphold our mission and are mindful of their responsibilities and will ensure profit maximization, as well as actively pursue to enlarge benefits to the company and its shareholders.

Yours sincerely,

Chairman Chu, Fu-Chuan

Chapter 2 Company Introduction

I. Founding Date: July 12, 1999

II. Formation History:

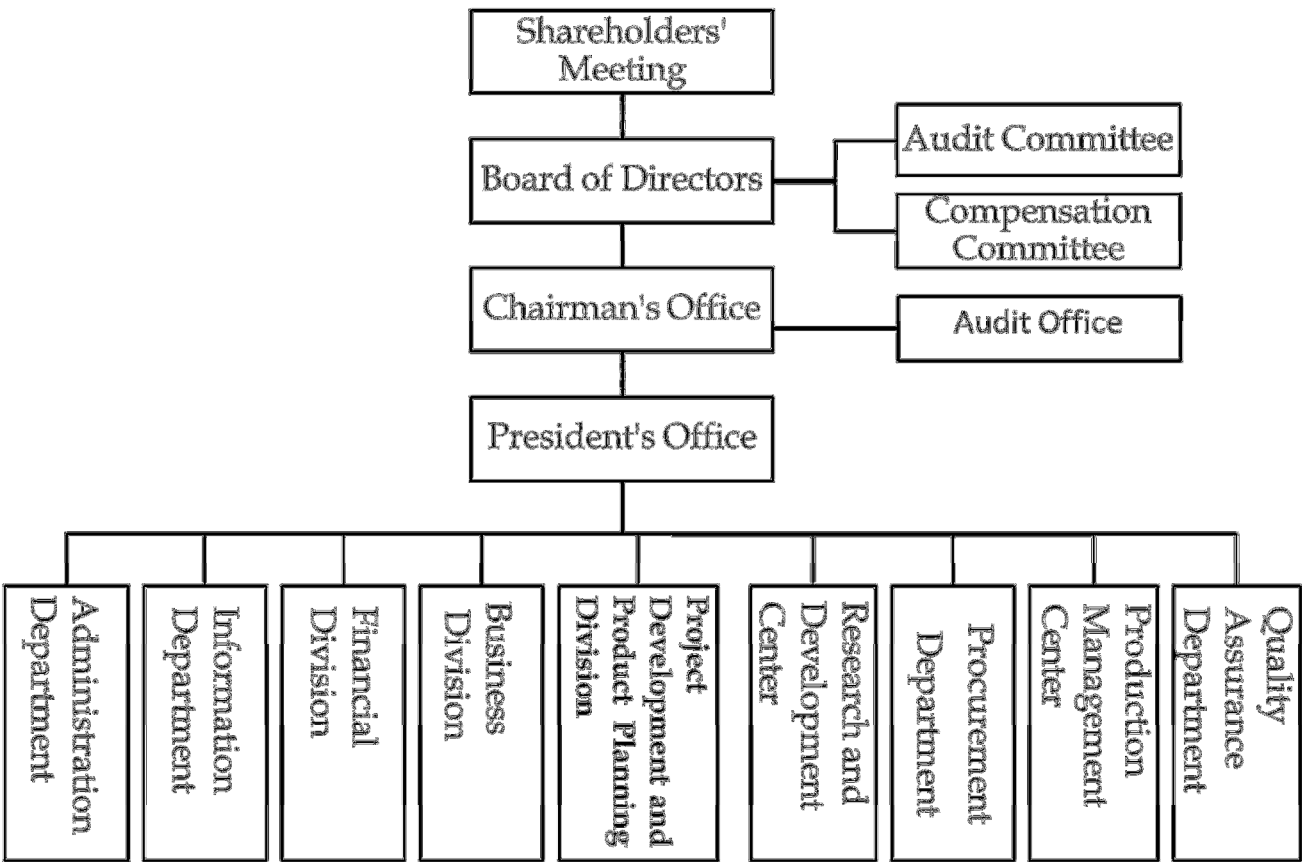
Date	Major Events
July 1999	The Company was founded and registered
February 2004	Developed the first industrial motherboard (IP-4PCI20E).
From May to October 2006	Cash capital increased to NT\$98 million and invited Portwell, Inc. for investment in business.
February 2007	Cash capital increased to NT\$200 million and invited Hon Hai Precision Industry Co., Ltd. for investment in business.
October 2007	Received orders of OEM motherboards used for POS from international renowned manufacturer A Group.
January 2008	Successfully developed POS PC system with Digipos, a renowned POS manufacturer in Europe.
March 2008	Obtained ISO 9001 Certification.
October 2008	Successfully self-developed All in One POS system (TESS).
October 2008	Successfully developed a high-level network storage system with Netgear, a renowned netcom manufacturer in US.
November 2008	Successfully developed Touch Monitor used for POS system with Digipos, a renowned POS manufacturer in Europe.
December 2008	Successfully developed Panel PC system with Digipos, a renowned POS manufacturer in Europe.
December 2008	Successfully developed low voltage, unique embedded game console control card with Japanese customer OEC.
January 2009	Received orders for ATM control system from international renowned manufacturer A Group.
November 2009	Successfully developed photo kiosks to improve experience in design for display related equipment.
September 2010	Successfully developed a low-level network storage system with Digipos, a renowned netcom manufacturer in US.
September 2010	Launched POS PC with features of easy maintenance, small size and energy saving but without fan.
April 2011	Die cast aluminum All-In-One POS with surface capacitive touch screen is favored by Digipos, a international renowned POS manufacturer in Europe.
July 2011	Cooperated the first ODM system project with renowned Japanese POS manufacturer B company.
December 2011	Developed a new generation of Intel HM65 PCH motherboard for OEC, a partner manufacturer of KONAMI (Heavyweight in the console industry) in Japan.
March 2012	The Company acquired 100% equity of INNOVATIVE SYSTEMS INTEGRATION LIMITED, and indirectly fully held reinvestment business of its subsidiary in mainland China - NANJING ASIATEK INC., to expand vehicle system business.
June 2012	Cooperate with B company, the most renowned POS manufacturer in the world, on the ODM project of main board.

Date	Major Events
August 2012	Consulted with Wincor Nixdorf, the No.1 POS brand in Europe on our self-made product All-in-One POS, and obtained the order.
November 2012	Financial Supervisory Commission (FSC) approved the public offering of the Company's shares.
December 2012	Listed in the OTC as emerging stock.
March 2014	Approved by the Taiwan Stock Exchange to list shares for trading.
From August to October 2014	Acquired 55.4% equity of Goldtek Technology Co., Ltd., a professional manufacturer of industrial hand-held device, through the subsidiary, Ennoconn International Investment Co., Ltd., by investment.
From October to December 2014	Acquired total 38.7% equity of network security equipment manufacturer Caswell Inc. by means of public acquisition, share exchange and investment through the subsidiary, Ennoconn International Investment Co., Ltd., to rapidly expand new fields and new products.
From April to July 2015	Established EnnoMech Precision (Cayman) Co., Ltd., to produce industrial computer mechanical components, provide stamping, spray painting, laser etching, shaping, polishing and other manufacturing capabilities, and exclusively serve customers with mechanical products.
October 2015	Established SyS-P Co., Ltd. to step in the global after-sales service field in POS industry.
October 2015	In line with the development trend of bank 3.0 technology, invested in Taiwan Applied Module Corporation at the end of 2015, actively stepping into the emerging industry of bank payment technology.
January 2016	Transnationally cooperated with Kontron, the industrial computer leading brand in Germany, reinvested its subsidiary with US\$57.3 million to acquire 49% equity of Kontron Canada Inc., a communication business subsidiary of Kontron. In addition to strengthen the integration and extension advantage of communication product with Kontron, with the comprehensive effect of overall integration, Ennoconn Corporation will further hand in hand to achieve growth on the global Internet security, big data and cloud communication, and grasp the opportunities on IoT application.
July 2016	Acquired 60% equity of AIS Cayman Technology Group through the investment of subsidiaries, developed man-machine interface, industry 4.0 and other related products.
August 2016	In line with the trend of the IoT market, invested 60% equity in Dexatek Technology Ltd. to build technologies related to products in the field of smart life.
October 2016	Invested nearly 30% equity in S&T AG, became the largest single shareholder. Main products and services applications of S&T include medical, communication, big data, automation, intelligent power grid, energy optimization techniques, etc. S&T also strengthened on software research and development and customer service experience, and introduced vertical market industry chain layout through Kontron's excellent brand and marketing channel. The three-party strategic alliance of Ennoconn Corporation+ S&T + Kontron will further extend each other's core advantages and benefits such as software research and development, hardware manufacturing, system integration, brand and channel, and jointly expand the market share of industrial computer and steadily develop the

Date	Major Events
	business of diversified global operation.
January 2018	Ennoconn Corporation invested 19.5% equity in DIVA Laboratories. Ltd. through the subsidiary and officially stepped in the medical industry. DIVA is a well-known manufacturer of medical displays, currently accounting for about 3% of the global market share, and of whom, major customers include Philips, GE, etc. and the products are sold in Japan, Europe, US and so on.
May 2018	Acquired about 47.15% equity of Marketch International Corp. through public acquisition. Through this strategic cooperation, Ennoconn Corporation will together with Marketch, enhance the vertical and horizontal all-round development advantages of manufacturing Internet in many aspects, such as facility equipment management, manufacturing execution management system, package plant export; combining with the core niche to accelerate the expansion of both business scale, achieve the integration benefits and enhance the competitive advantage.
June 2018	Merged and acquired Vecow Co., Ltd. through the subsidiary AIS, to expand product lines, and dig into the application fields of industrial wide temperature embedded computers, machine vision, image monitoring analysis, intelligent transportation, intelligent control, industrial automation, AGV unmanned moving vehicles and multi-port Ethernet, etc.
September 2018	Expands and distributes customer service in global gaming industry, and provides complete electromechanical integration solutions in combination with upstream and downstream supply chains.
March 2019	Through Ennoconn (Suzhou) Technology Co., Ltd. to provide Ennoconn Corporation's brand and various vertical application services, machinery equipment and plant automation, automotive assembly line control system, sewage purification system, etc. in Greater China.

Chapter 3 Corporate Governance Report

- I. Organization
 - (I) Organization Chart



(II) Department Functions

Department/Division	Main Responsibilities
Chairman's Office	Chairman/Chief Executive Officer (CEO): 1. Integrate the Company's resources and participate in the Board of Directors' decision making process to support the Company's growth. 2. Establish, consolidate or change corporate culture. 3. Formulate strategic directions such as corporate strategies and goals, as well as mergers and acquisitions. 4. Set up senior management teams to achieve organizational goals
President's Office	1. Oversee the Company's operational goals, and lead all departments to implement the Company's plans. 2. Plan the blueprint for business strategy, product planning, and technology development, as well as manage all matters related to business management of the Company.
Audit Office	Responsible for audit operations and internal control assessment and implementation of the Company, as well as provide suggestions for improvement to promote effective operations.
Administration Department	1. Responsible for establishing, implementing and improving the Company's human resources policies and various personnel management systems. 2. Provide staff services and manage general affairs.
Information Department	Responsible for planning, establishing and maintaining the Company's information systems.
Finance Division	Responsible for capital planning, accounting management, establishment and implementation of accounting policies, financial data analysis, and matters related to legal affairs of the Company.
Business Division	Responsible for formulating the Company's business development, product sales, customer service and operational strategies and development directions.
Project Development and Product Planning Division	1. Responsible for product planning, project initiating, research and development (R&D), design, production and schedule control to the end of product life cycle. 2. Responsible for the profit and loss of product lines, set selling prices and control costs
Research and Development Center	Coordinate the Company's R&D and engineering resources, and formulate R&D development directions.
Procurement Department	Responsible for the procurement of raw materials and general materials.
Production Management Center	Responsible for manufacturing operations scheduling and supply chain operations.
Quality Assurance Department	Responsible for various quality control, learn about customers' quality requirements, and master product design and production quality.

II. Information of Directors, President, Vice President, Assistant President and Heads of Departments and Branches:

(I) Directors:

As of April 30, 2019

Unit: share; %

Title	Name	Gender	Nationality or place of registration	Date first elected	Date elected	Term	Shares held when elected		Shares currently held		Shares currently held by spouse and minor children		Shares held in the name of others		Main working experience (education) background	Concurrent positions in the Company and other companies	Other manager, director or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship
Chairman	Chu, Fu-Chuan	Male	Republic of China	2012.10.04	2016.05.20	3 years	374,310	0.69%	790,787	0.95%	0	0%	0	0%	<ul style="list-style-type: none"> Bachelor of Electronic Engineering, St. John's and St. Mary's Institute of Technology Senior Assistant President, Hon Hai Precision Industry Co., Ltd. 	<ul style="list-style-type: none"> Chairman and CEO of the Company Director, Ennoconn International Investment Co., Ltd. Chairman, Goldtek Technology Co., Ltd. Chairman, Caswell Inc. Director, EnnoMech Precision Co., Ltd. Chairman, Dexatek Technology Ltd. Director, Vecow Co., Ltd. Director, S&T AG Chairman, AIS Cayman Technology Group Chairman, Ennoconn (Suzhou) Technology Co., Ltd. Director, ENGA Technology Co., Ltd. 	-	-	-
Director	Bao Shin International Investmen Co., Ltd.	-	Republic of China	2007.03.12	2016.05.20	3 years	24,916,107	46.19%	29,074,437	34.79%	-	-	-	-	-	<ul style="list-style-type: none"> Assistant President of Business Management, Hon Hai Precision Industry Co., Ltd. Representative, Shijun International Investment Co., Ltd. 	-	-	-
	Representative: Lou, Chao-Tsung	Male	Republic of China	2011.11.29	2016.05.20	3 years	106,427	0.20%	176,071	0.21%	1,196	0.00%	0	0%	<ul style="list-style-type: none"> Bachelor of Industrial Engineering and Management, Feng Chia University Engineering Management, Nan Ya Plastics Corporation 	<ul style="list-style-type: none"> Director, Innovative Systems Integration Ltd. Chairman, Ennoconn International Investment Co., Ltd Director, Marketech International Corporation Director, Goldtek 	-	-	-

Title	Name	Gender	Nationality or place of registration	Date first elected	Date elected	Term	Shares held when elected		Shares currently held		Shares currently held by spouse and minor children		Shares held in the name of others		Main working experience (education) background	Concurrent positions in the Company and other companies	Other manager, director or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship
																<ul style="list-style-type: none"> Technology Co., Ltd. • Director, Caswell Inc. • Chairman, EnnoMech Precision Co., Ltd. • Chairman, EnnoMech Precision (Cayman) Co., Ltd. • Chairman, Ennoconn Investment Holdings Co., Ltd • Legal Representative, Ennoconn (Foshan) Investment Co., Ltd. • Director, Ennoconn (Suzhou) Technology Co., Ltd. • Director, ENGA Technology Co., Ltd. 			
Director	Bao Shin International Investmen Co., Ltd.	-	Republic of China	2007.03.12	2016.05.20	3 years	24,916,107	46.19%	29,074,437	34.79%	-	-	-	-	-	<ul style="list-style-type: none"> • President of the Company 	-	-	-
	Representative: Deng, Chin-Tai	Male	Republic of China	2011.11.29	2016.05.20	3 years	0	0%	20,000	0.02%	0	0%	0	0%	<ul style="list-style-type: none"> • EMBA, National Taiwan University • Vice President of Applied Computing Business Group, Advantech Co., Ltd. 	<ul style="list-style-type: none"> • Supervisor, DIVA Laboratories. Ltd. • President, Ennoconn (Suzhou) Technology Co., Ltd. 			
Director	Liu, Yin-Kuang	Male	Republic of China	2016.05.20	2016.05.20	3 years	0	0%	0	0%	0	0%	0	0%	<ul style="list-style-type: none"> • Bachelor of Mechanical Engineering, Hwa Hsia Institute of Technology • Senior Vice President, Hon Hai Precision Industry Co., Ltd. • Chairman and President, Foxsemicon Integrated Technology Inc. 	<ul style="list-style-type: none"> • Director, Foxsemicon Integrated Technology Inc. (Samoa) • Director, Success Praise Corporation • Director, Mindtech Corporation • Special Assistant of Executive Assistant, Foxsemicon Integrated Technology Inc. 	-	-	-
Independent director	Huang, Jiun-Lang	Male	Republic of China	2013.01.22	2016.05.20	3 years	0	0%	0	0%	0	0%	0	0%	<ul style="list-style-type: none"> • Distinguished Research Fellow, 	<ul style="list-style-type: none"> • Professor, College of Electrical Engineering 	-	-	-

Title	Name	Gender	Nationality or place of registration	Date first elected	Date elected	Term	Shares held when elected		Shares currently held		Shares currently held by spouse and minor children		Shares held in the name of others		Main working experience (education) background	Concurrent positions in the Company and other companies	Other manager, director or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship
															Industrial Technology Research Institute • Consultant, Industrial Technology Research Institute • PhD in Electrical and Computer Science, University of California, Santa Barbara, USA • Assistant Research Engineer, Department of Electrical and Computer Engineering, University of California, Santa Barbara, USA	and Computer Science/Graduate Institute of Electronics Engineering, National Taiwan University			
Independent director	Fang, Wen-Chang	Male	Republic of China	2013.01.22	2016.05.20	3 years	0	0%	0	0%	0	0%	0	0%	<ul style="list-style-type: none"> • PhD in Computer Science, Northwestern University, USA • Director, Graduate Institute of Information Management, National Taipei University • Director, Graduate Institute of Business Administration, National Taipei University • Department Chair, Department of Business Administration, National Taipei University • Director, E-Business Research Center, National Taipei University • Dean, College of Business, National 	<ul style="list-style-type: none"> • Professor, Department of Business Administration, College of Business, National Taipei University • Director, Taipei Jingwen High School • Director, Da-Yeh University • Independent Director, Remuneration Committee Member and Audit Committee Member, Caswell Inc. 	-	-	-

Title	Name	Gender	Nationality or place of registration	Date first elected	Date elected	Term	Shares held when elected		Shares currently held		Shares currently held by spouse and minor children		Shares held in the name of others		Main working experience (education) background	Concurrent positions in the Company and other companies	Other manager, director or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship
															Taipei University				
Independent director	Su, Yu-Hui	Female	Republic of China	2017.05.18	2017.05.18	2 years	0	0%	0	0%	0	0%	0	0%	<ul style="list-style-type: none"> • PhD in Business Administration, National Taiwan University • Chair, Department of Accounting, Soochow University • Adjunct Professor, Department of Accounting, National Taiwan University • Director, Taiwan Accounting Association Evaluation Committee 	<ul style="list-style-type: none"> • Professor, Department of Accounting, Soochow University • Independent Director, In Win Development Inc. • Independent Director, Remuneration Committee Member and Audit Committee Member, TWi Pharmaceuticals, Inc. • Independent Director and Audit Committee Member, Makalot Industrial Co., Ltd. 	-	-	-

1. Major Shareholders of Institutional Shareholders

Name of institutional shareholder	Name of major shareholders
Bao Shin International Investmen Co., Ltd.	Hon Hai Precision Industry Co., Ltd.

Note: Directors are institutional shareholders.

2. Major Shareholder of Institutional Shareholders with a Juridical Person as its Major Shareholder

Name of institutional shareholder	Name of major shareholders
Hon Hai Precision Industry Co., Ltd.	<p>Terry Gou (9.63%)</p> <p>CTBC Hosting Terry Gou Trust Treasury Account (2.89%)</p> <p>Citibank Hosting Government of Singapore Investment Account (1.89%)</p> <p>JPMorgan Chase Hosting Vanguard Developing Markets Index Fund (1.35%)</p> <p>JPMorgan Chase Bank Hosting Vanguard STAR Developed Markets Index Fund (1.32%)</p> <p>Citibank Hosting Hon Hai Precision Industry Co., Ltd. Depositary Receipts Account (1.30%)</p> <p>Cathay Life Insurance(1.24%)</p> <p>Fubon Life Insurance Co., Ltd. (1.24%)</p> <p>Citibank Hosting Norges Bank Investemnt Account (1.19%)</p> <p>Standard Chartered Bank Hosting the Fidelity Puritan Trust: Fidelity Low-Priced Stocks Fund (1.05%)</p>

Note: The base date for shareholding is April 23, 2019.

3. Professional Qualifications and Independence of Directors:

Qualification Name	Has over five years work experience and following professional qualifications			Status of independence										Concurrent independent director position in other publicly traded companies
	Business, legal affairs, finance, accounting, lecturer or above in colleges in related departments	Judge, prosecutor, attorney, CPA or national certified professionals	Business, legal affairs, finance, accounting or related work experience	1	2	3	4	5	6	7	8	9	10	
Chu, Fu-Chuan			✓			✓	✓	✓	✓	✓	✓	✓	✓	-
Bao Shin International Investmen Co., Ltd. Representative: Lou, Chao-Tsung			✓			✓	✓	✓	✓	✓	✓	✓		-
Bao Shin International Investmen Co., Ltd. Representative: Deng, Chin-Tai			✓			✓	✓	✓	✓	✓	✓	✓		-
Liu, Yin-Kuang			✓			✓	✓	✓	✓	✓	✓	✓	✓	-
Huang, Jiun-Lang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Fang, Wen-Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Su, Yu-Hui	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3

Notes: Please tick the appropriate corresponding boxes if the directors meet any of the following conditions during the two years before being elected and during his/her term of office:

- (1) Not an employee of the Company or its affiliates
- (2) Not a director or supervisor of the Company or its affiliates. (However, this does not apply, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company directly or indirectly holds more than 50% of the voting shares.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of outstanding shares of the Company or ranking in the top ten in shareholdings.
- (4) Not a spouse, second-degree relative or third-degree relative of those listed in the above three items.
- (5) Not a director, supervisor, or employee of a institutional shareholder that directly holds five percent or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
- (6) Not a director, supervisor, manager or a shareholder holding five percent or more of the shares of a company or institution that has a business or financial relationship with the Company.
- (7) Not a professional individual who provides services or consultation in business, legal, finance, or accounting to the Company or its any related companies, nor an owner, partner, director, supervisor, officer or spouse of a sole proprietorship, partnership, company, or institution. However, this does not apply to the members of the Compensation Committee who perform their duties based on Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
- (8) Not a spouse or a second-degree relative of any other director of the Company.
- (9) No violation of Article 30 of the Company Act.
- (10) Not a governmental, judicial person or its representative as defined by Article 27 of the Company Act.

4. Diversity of Board Members

	Ability to make judgments about operations	Ability to perform accounting and financial analysis	Ability to conduct business management	Ability to conduct crisis management	Knowledge of the industry	International market perspective	Leadership	Ability to make policy decisions
Chu, Fu-Chuan	V	V	V	V	V	V	V	V
Lou, Chao-Tsung	V	V	V	V	V	V	V	V
Deng, Chin-Tai	V	V	V	V	V	V	V	V
Liu, Yin-Kuang	V	V	V	V	V	V	V	V
Huang, Jiun-Lang	V	V	V	V	V	V	V	V
Fang, Wen-Chang	V	V	V	V	V	V	V	V
Su, Yu-Hui	V	V	V	V	V	V	V	V

5. Performance Evaluation of Board of Directors and its Connection with Compensation and Remuneration:

The Company established the Regulations Governing Performance Evaluation of Board of Directors on December 26, 2012 to regularly conduct self-performance evaluation of Board members every year. The evaluation indicators include compliance with the relevant laws and regulations, degree of participation in the Company's operations, compliance with recusal due to conflict of interests, and number of training hours achieved by directors every year. In 2018, the average score based on the results of performance evaluation of the Board of Directors was 90 and above, and was reported to the Board of Directors on January 22, 2019.

According to Article 20 of the Company's Articles of Incorporation, remuneration paid to the Company's directors may not exceed 2% of the Company's profit in the current year. Reasonable remuneration shall be allocated by taking into consideration the Company's operational results and the directors' contributions to the Company's performance. The procedures for determining remuneration are based on the results of performance evaluation of directors. In addition to taking into consideration the Company's overall operational performance, future business risks and development trends of the industry, reasonable remuneration shall also be allocated in reference to the director's performance achievement rate and contributions to the Company's performance. The relevant performance appraisal and the reasonableness of remuneration allocated shall be reviewed by the Remuneration Committee and the Board of Directors, and the remuneration system shall be reviewed in due course depending on the actual operating conditions and the relevant laws and regulations, so as to strike a balance between sustainable management and risk control in the Company.

(II) Information on President, Vice President, Assistant President and Heads of Departments and Branches

As of April 30, 2019

Unit: share; %

Title	Nationality	Name	Gender	Date elected (appointed)	Number of shares held		Shares held by spouse and minor children		Shares held in the name of others		Main working experience (education) background	Concurrent positions currently held in other companies	Manager who is a spouse or relative within the second degree of kinship			Status of employee stock warrant obtained by manager
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
CEO	Republic of China	Chu, Fu-Chuan	Male	2011.06.11	790,787	0.95%	0	0%	0	0%	<ul style="list-style-type: none"> Bachelor of Electronic Engineering, St. John's and St. Mary's Institute of Technology Senior Assistant Vice President, Hon Hai Precision Industry Co., Ltd. 	<ul style="list-style-type: none"> Chairman and CEO of the Company Director, Ennoconn International Investment Co., Ltd Chairman, Goldtek Technology Co., Ltd. Chairman, Caswell Inc. Director, EnnoMech Precision Co., Ltd. Chairman, Dexatek Technology Ltd. Director, Vecow Co., Ltd. Director, S&T AG Chairman, AIS Cayman Technology Group Chairman, Ennoconn (Suzhou) Technology Co., Ltd. Director, ENGA Technology Co., Ltd. 	-	-	-	-
President	Republic of China	Deng, Chin-Tai	Male	2018.03.06	20,000	0.02%	0	0%	0	0%	<ul style="list-style-type: none"> EMBA, National Taiwan University Vice President of Applied Computing Business Group, Advantech Co., Ltd. 	<ul style="list-style-type: none"> Supervisor, DIVA Laboratories. Ltd. President, Ennoconn (Suzhou) Technology Co., Ltd. 	-	-	-	-
Executive Vice President	Republic of China	Shih, Chun-Hao	Male	2016.08.08	6,000	0.00%	0	0%	0	0%	<ul style="list-style-type: none"> Master of Industrial Engineering, National Chiao Tung University President of Mainland China Area, Prime Electronics and Satellitics Inc. 	<ul style="list-style-type: none"> Director, Thecus Technology Corporation Director, SyS-P Co., Ltd. Chairman, Servetech Co., Ltd. Director, Ennoconn (Suzhou) Technology Co., Ltd. 	-	-	-	-

Title	Nationality	Name	Gender	Date elected (appointed)	Number of shares held		Shares held by spouse and minor children		Shares held in the name of others		Main working experience (education) background	Concurrent positions currently held in other companies	Manager who is a spouse or relative within the second degree of kinship			Status of employee stock warrant obtained by manager
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
Vice President, Business Division	Republic of China	Kuo, Chia-Chi	Male	2018.03.06	10,000	0.01%	0	0%	0	0%	<ul style="list-style-type: none"> Master of Industrial Engineering, Purdue University, USA Assistant President of Applied Computing Business Group, Advantech Co., Ltd. 	-	-	-	-	-
Senior Assistant President, Research and Development Center	Republic of China	Chen, Hung-Hsiang	Male	2018.02.22	11,062	0.01%	0	0%	0	0%	<ul style="list-style-type: none"> Master of Electrical Engineering, University of California, Los Angeles, USA Assistant President of Applied Computing Business Group, Advantech Co., Ltd. 	-	-	-	-	-
CFO	Republic of China	Wu, You-Mei	Female	2018.08.13	10,000	0.01%	0	0%	0	0%	<ul style="list-style-type: none"> Master of Financial Management, National Chengchi University MSC Internatioanl Securities Invetment and Banking, University of Reading, U.K. Director, Securities and Futures Bureau, Financial Supervisory Commission 	<ul style="list-style-type: none"> Supervisor, Ennoconn International Investment Co., Ltd 	-	-	-	-

(III) Remuneration Paid to Directors (Including Independent Directors), President and Vice President, in the Most Recent Year

1. Remuneration for Directors (Including Independent Directors):

As of December 31, 2018

Unit: NT\$ thousands

Title	Name	Director's remuneration								Proportion of the sum of A, B, C and D to net income after tax (%) (Note 6)		Remuneration paid to concurrent employees								Proportion of the sum of A, B, C, D, E, F and G to net income after tax (%)		Is there any remuneration received from other invested businesses other than subsidiaries?
		Remuneration (A) (No 2)		Retirement allowance (B) (Note 3)		Remuneration from distribution of earnings (C) (Note 4)		Business execution expenses (D) (Note 5)				Remuneration, money award and special expenses etc. (E) (Note 7)		Retirement allowance (F) (Note 3)		Employee profit sharing from earnings distribution (G) (Note 8)						
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements		The Company	All companies in the consolidated financial statements	
Amount of cash	Amount of shares															Amount of cash	Amount of shares					
Chairman	Chu, Fu-Chuan (Note 1)	-	-	-	-	3,060	3,460	2,350	3,209	0.49	0.60	19,762	19,762	134	134	12,820	-	12,820	-	3.44	3.55	-
Director	Bao Shin International Investment Co., Ltd.																					
Director	Representative of Bao Shin International Investment Co., Ltd: Deng, Chin-Tai (Note 1)																					
Director	Representative of Bao Shin International Investment Co., Ltd.: Ed Wu (Note 1)																					
Director	Representative of Bao Shin International Investment Co., Ltd: Lou, Chao-Tsung																					
Director	Liu, Yin-Kuang																					
Independent director	Huang, Jiun-Lang																					
Independent director	Fang, Wen-Chang																					
Independent director	Su, Yu-Hui																					

Range of Remuneration

Range of remuneration paid to directors	Name of Directors			
	Sum of the first four items (A+B+C+D)		Sum of the first seven items (A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Under NT\$2,000,000	Chu, Fu-Chuan, Bao Shin International Investment Co., Ltd., Ed Wu, Deng, Chin-Tai, Lou, Chao-Tsung, Liu, Yin-Kuang, Huang, Jiun-Lang, Fang, Wen-Chang, Su, Yu-Hui	Chu, Fu-Chuan, Bao Shin International Investment Co., Ltd., Ed Wu, Deng, Chin-Tai, Lou, Chao-Tsung, Liu, Yin-Kuang, Huang, Jiun-Lang, Fang, Wen-Chang, Su, Yu-Hui	Bao Shin International Investment Co., Ltd., Ed Wu, Lou, Chao-Tsung, Liu, Yin-Kuang, Huang, Jiun-Lang, Fang, Wen-Chang, Su, Yu-Hui	Bao Shin International Investment Co., Ltd., Ed Wu, Lou, Chao-Tsung, Liu, Yin-Kuang, Huang, Jiun-Lang, Fang, Wen-Chang, Su, Yu-Hui
NT\$2,000,000 (inclusive) to NT\$5,000,000 (exclusive)			Deng, Chin-Tai	Deng, Chin-Tai
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)				
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)				
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)			Chu, Fu-Chuan	Chu, Fu-Chuan
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)				
NT\$100,000,000 and above				
Total	9 persons (including one juridical person)	9 persons (including one juridical person)	9 persons (including one juridical person)	9 persons (including one juridical person)

- Note 1: On March 6, 2018, Bao Shin International Investment Co., Ltd. appointed Mr. Deng, Chin-Tai to replace Mr. Ed Wu as its representative. On March 6, 2018, the Company's Board of Directors elected Director Mr. Chu, Fu-Chuan as Chairman.
- Note 2: It refers to remuneration paid to directors in 2018 (including salaries, job-related allowances, severance pay, various bonuses and performance bonus).
- Note 3: It refers to the amount contributed and paid in 2018 in accordance with the law.
- Note 4: On August 13, 2019, the Company's Board of Directors resolved the distribution of remuneration for directors.
- Note 5: It refers to business execution fees paid to directors in 2018 (including remuneration paid to representative of legal person director assigned by subsidiaries of the Company, such as transport fee, special expenses, various allowances, accommodation, and provision of physical items such as vehicles).
- Note 6: Net income after tax refers to net income after tax listed in the individual financial statements in 2018.
- Note 7: It refers to salary, job-related allowances, severance pay, various bonuses, performance bonus, transport fee, special allowances, various allowances, accommodation and provision of physical items such as vehicles received by directors serving concurrently as employees (including President, vice President, other managers and employees). Salary expenses recognized under IFRS 2 - "Share-based Payment", including employee stock warrant, new restricted employee shares, and participation in subscription of stocks in cash capital increase, shall also be included in the calculation of remuneration.
- Note 8: It refers to employee rewards (including shares and cash) received by directors serving concurrently as employees (including president, vice president, other managers and employees), where the proposed allocation of employee rewards was approved by the Board of Directors on March 29, 2019.

2. Remuneration paid to President and Vice President:

As of December 31, 2018

Unit: NT\$ thousands

Title	Name	Remuneration (A) (Note 3)		Retirement allowance (B) (Note 4)		Money award and special payment etc. (C) (Note 5)		Earning distribution as dividends for personnel (D) (Note 6)				Proportion of the sum of A, B, C and D to net income after tax (%) (Note 7)		Is there any remuneration received from other invested businesses other than subsidiaries?
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements		The Company	All companies in the consolidated financial statements	
								Amount of cash	Amount of shares	Amount of cash	Amount of shares			
CEO	Chu, Fu-Chuan (Note 1)	10,048	10,048	350	350	15,291	15,291	13,597	-	13,597	-	3.55	3.55	-
President	Deng, Chin-Tai (Note 2)													
Executive Vice President	Shih, Chun-Hao													
Vice president, Business Division	Kuo, Chia-Chi													

Range of Remuneration

Range of Remuneration Paid to President and Vice President	Name of President and Vice President	
	The Company	All invested businesses
Under NT\$2,000,000		
NT\$2,000,000 (inclusive) to NT\$5,000,000 (exclusive)	Deng, Chin-Tai, Shih, Chun-Hao, Kuo, Chia-Chi	Deng, Chin-Tai, Shih, Chun-Hao, Kuo, Chia-Chi
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)		
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)		
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	Chu, Fu-Chuan	Chu, Fu-Chuan
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)		
NT\$100,000,000 and above		
Total	4 persons	4 persons

Note 1: On March 6, 2018, the Company's Board of Directors elected Mr. Chu, Fu-Chuan as Chairman and appointed him as CEO.

Note 2: On March 6, 2018, the Board of Directors appointed Mr. Deng, Chin-Tai as President.

Note 3: It refers to salaries, job-related allowances and severance pay received by president and vice president in 2018.

Note 4: It refers to the amount contributed and paid in 2018 in accordance with the law.

Note 5: It refers to various bonuses, performance bonus, transport fee, special allowances, various allowances, accommodation, provision of physical items such as vehicles, and other remunerations received by president and vice president in 2018. Salary expenses recognized under IFRS 2 - "Share-based Payment", including employee stock warrant, new restricted employee shares, and participation in subscription of stocks in cash capital increase, shall also be included in the calculation of remuneration.

Note 6: On March 29, 2019, the proposed allocation of employee rewards was approved by the Board of Directors.

Note 7: Net income after tax refers to net income after tax listed in the individual financial statements in 2018.

3. Name of Managers to which Employee Rewards are Distributed, and Distribution of Employee Rewards:

Unit: NT\$ thousands

Title	Name	Amount of shares	Amount of cash	Total	Proportion of total amount to net income after tax (%)
CEO	Chu, Fu-Chuan (Note 1)	-	14,157	14,157	1.28
President	Deng, Chin-Tai (Note 2)				
Executive Vice President	Shih, Chun-Hao				
Vice President, Business Division	Kuo, Chia-Chi				
Senior Assistant President, Research and Development Center	Chen, Hung-Hsiang				
CFO	Wu, You-Mei (Note 3)				

Note 1: On March 6, 2018, the Company's Board of Directors elected Mr. Chu, Fu-Chuan as Chairman and appointed him as CEO.

Note 2: On March 6, 2018, the Board of Directors appointed Mr. Deng, Chin-Tai as President.

Note 3: On August 13, 2018, the Company's Board of Directors appointed Ms. Wu, You-Mei as CFO and Accounting Officer.

Note 4: These managers remain in office as of December 31, 2018.

Note 5: On March 29, 2019, the proposed allocation of employee rewards was approved by the Board of Directors.

(IV) Analysis on proportion of compensation paid to directors, president and vice presidents by the Company and all companies in the consolidated financial statements to net income after tax in the two most recent years; description of policies, standards and portfolios of compensation payments; procedures for determining remuneration and correlation of remuneration with business performance and future risks:

1. Analysis on proportion of compensation paid to directors, president and vice presidents by the Company and all companies in the consolidated financial statements to net income after tax in the two most recent years:

Year Title	2018		2017	
	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Total amount of remuneration paid to directors,president and vice presidents	4.04%	4.15%	2.77%	2.88%

2. Policies, standards and portfolios of compensation payments; procedures for determining remuneration and correlation of remuneration with business performance and future risks:

- (1) The remunerations of the company's directors and supervisors are paid according to the Company's Articles of Incorporation, where the remuneration distribution is proposed by the Board of Directors and reported at the Shareholders' Meeting. Of the directors and the managers' wage remunerations, it is reviewed and finalized by the wage remuneration council, and voted before the management board.

The remuneration for managers can be divided into wage, bonus and employee remuneration. The wage bonus are deliberated by the Remuneration Committee and finalized by the Board of Directors. Employees' remuneration is distributed based on the company's operations and Articles of Incorporation, which shall be finalized by the Board of Directors and report at the Shareholders' Meeting.

- (2) The Company has purchased liability insurance for directors. Besides, no litigation cases were received. In the future, directors are less likely to assume responsibilities, obligations or liabilities.

III. Implementation of Corporate Governance

(I) Information on the Operation of Board of Directors:

Nine meetings were held by the Board of Directors in 2018, with their attendances shown as follows:

Title	Name	Attendance in person	Attendance by proxy	Percentage of attendance in person (%)	Remark
Chairman	Chu, Fu-Chuan	9/9	0	100%	Note 1
Director	Bao Shin International Investment Co., Ltd. Representative: Ed Wu	2/2	0	100%	Note 1
Director	Bao Shin International Investment Co., Ltd. Representative: Lou, Chao-Tsung	8/9	1	89%	-
Director	Bao Shin International Investment Co., Ltd. Representative: Deng, Chin-Tai	7/7	0	100%	Note 1
Director	Liu, Yin-Kuang	7/9	2	78%	-
Independent director	Huang, Jiun-Lang	9/9	0	100%	-
Independent director	Fang, Wen-Chang	7/9	2	78%	-
Independent director	Su, Yu-Hui	9/9	0	100%	-

Note 1: On March 6, 2018, Bao Shin International Investment Co., Ltd. appointed Mr. Deng, Chin-Tai to replace Mr. Ed Wu as its representative. On March 6, 2018, the Company's Board of Directors elected Director Mr. Chu, Fu-Chuan as Chairman.

Other required disclosure:

I. State the Board Meeting's date, session, proposal contents, all Independent Directors' opinions and the Company's actions in response to the opinions if any of the following occurred:

(I) The items relating to Article 14-3 of the Securities and Exchange Act are listed as follows:

Date convened	Important resolution	Independent directors' opinions	The Company's actions in response to independent directors' opinions
2018.01.12 17th meeting of the 8th Board of Directors	(1) Approved the Company's proposal to participate in the private placement of new shares by DIVA Laboratories Ltd. through the Company's subsidiary Ennoconn International Investment Co., Ltd. (2) Approved the Company's proposal to engage in capital increase for the Company's subsidiary Ennoconn International Investment Co., Ltd. (3) Approved the issuance of new shares through the conversion of the Company's domestic and overseas unsecured convertible corporate bonds to common shares in fourth quarter of 2017. (4) Approved the application for short-term loan limit from banks.	Unanimously approved by all directors present (including independent directors)	No dissenting or qualified opinion from independent directors

	(5) Approved audit service fees for Deloitte & Touche.		
2018.01.30 18th meeting of the 8th Board of Directors	(1) Approved the distribution of year-end performance bonus for managers in 2017. (2) Approved the Company's proposal to increase investments in German listed company S&T AG through the Company's subsidiary Ennoconn Investment Holdings Co., Ltd. (3) Approved the Company's proposal to engage in capital increase for the Company's subsidiary Ennoconn Investment Holdings Co., Ltd. (4) Approved the independence status of CPAs commissioned by the Company. (5) Approved the amendment of the Company's "Procedures for Acquisition or Disposal of Assets". (6) Approved the Company's 2018 business plan.	Unanimously approved by all directors present (including independent directors)	No dissenting or qualified opinion from independent directors
2018.03.06 19th meeting of the 8th Board of Directors	(1) Elected the Chairman of the Board. (2) Approved the appointment of CEO. (3) Approved the appointment of President. (4) Approved the amendment of the Company's Sales and Collection Cycle, Implementation Rules for Internal Audit, Regulations Governing Seal Management, and Audit Committee Charter.	Unanimously approved by all directors present (including independent directors)	No dissenting or qualified opinion from independent directors
2018.03.30 20th meeting of the 8th Board of Directors	(1) Approved the Company's 2017 director and employee reward distribution plan. (2) Approved the Company's 2017 individual and consolidation financial statements. (3) Approved the Company's 2017 business report. (4) Approved the Company's 2017 profit distribution plan. (5) Approved the Company's proposal to acquire the common shares of Marketch International Corporation through the Company's subsidiary Ennoconn International Investment Co., Ltd. (6) Approved the Company's proposal to apply for loan extension from E.SUN Commercial Bank. (7) Approved the application for short-term line of credit from banks. (8) Approved the Company's provision of endorsement and guarantee for Ennoconn International Investment Co., Ltd. (9) Approved the Company's proposal to engage in capital increase for the Company's subsidiary Innovative Systems Integration Ltd. (10) Approved the amendment of the Company's "Articles of Incorporation". (11) Approved the removal of non-compete restriction against directors. (12) Approved the removal of non-compete restriction against CEO. (13) Approved the change of Head of Internal Audit. (14) Approved the Company's "Evaluation of Internal Control System Effectiveness" and "Statement of Internal Control System" in 2017. (15) Approved the convening of the 2018 Annual Shareholders' Meeting.	Unanimously approved by all directors present (including independent directors)	No dissenting or qualified opinion from independent directors

2018.05.08 21st meeting of the 8th Board of Directors	<ul style="list-style-type: none"> (1) Approved the Company's engagement in capital increase for Ennoconn International Investment Co., Ltd. (2) Approved the issuance of new shares through the conversion of the Company's domestic and overseas unsecured convertible corporate bonds to common shares in first quarter of 2018. (3) Approved the application for short-term loan limit from banks and the amendment of short-term loan limit for financial purposes from banks. 	Unanimously approved by all directors present (including independent directors)	No dissenting or qualified opinion from independent directors
2018.05.14 22nd meeting of the 8th Board of Directors	<ul style="list-style-type: none"> (1) Reported the first quarter of 2017 consolidated financial statements of the Company and subsidiaries. (2) Presented the Company's 2018 audit report and audit tracking report. 	Unanimously approved by all directors present (including independent directors)	No dissenting or qualified opinion from independent directors
2018.08.13 23rd meeting of the 8th Board of Directors	<ul style="list-style-type: none"> (1) Reported the second quarter of 2018 consolidated financial statements of the Company and subsidiaries. (2) Approved the Company's 2017 director reward distribution plan. (3) Approved the change of Finance Manager and Accounting Manager. (4) Approved the issuance of new shares through the conversion of the Company's domestic and overseas unsecured convertible corporate bonds to common shares in second quarter of 2018. (5) Approved the Company's application for short-term loan limit from Taishin International Bank. (6) Approved the Company's assumption of joint guarantee liability for the proposal of subsidiary HighAim Technology Inc. to apply for financing from banks. (7) Approved the Company's assumption of joint guarantee liability for the proposal of subsidiary HighAim Technology Inc. to apply for financing from banks. 	Unanimously approved by all directors present (including independent directors)	No dissenting or qualified opinion from independent directors
2018.09.07 24th meeting of the 8th Board of Directors	<ul style="list-style-type: none"> (1) Approved the amendment of the Company's "Regulations Governing Compensation Management". (2) Approved the Company's 2017 employee reward distribution plan for managers. (3) Approved the Company's 2018 compensation and remuneration plan for newly appointed managers. 	Unanimously approved by all directors present (including independent directors)	No dissenting or qualified opinion from independent directors
2018.11.13 25th meeting of the 8th Board of Directors	<ul style="list-style-type: none"> (1) Reported the third quarter of 2017 consolidated financial statements of the Company and subsidiaries. (2) Approved the Company's 2019 audit plan. (3) Approved the Company's proposal to engage in capital increase for the Company's subsidiary Innovative Systems Integration Ltd. (4) Approved the amendment of the Company's "Regulations Governing Compensation Management". (5) Approved the issuance of new shares through the 	Unanimously approved by all directors present (including independent directors)	No dissenting or qualified opinion from independent directors

	<p>conversion of the Company's domestic and overseas unsecured convertible corporate bonds to common shares in third quarter of 2018.</p> <p>(6) Approved the application for short-term loan limits from four banks, namely Mega International Commercial Bank, Bank SinoPac, Cathay United Bank and Far Eastern International Bank.</p> <p>(7) Approved the Company's proposal to engage in cash capital increase to issue new shares, and issue the third domestic unsecured convertible corporate bonds.</p> <p>(8) Approved the proposal of subsidiary EIH to abandon its participation in the 2018 first cash capital increase plan by the company's invested business, AIS.</p> <p>(9) Approved the amendment of expected benefits from the Company's first overseas unsecured convertible corporate bonds and second overseas convertible corporate bonds.</p>			
(II) In addition to the preceding matters, other proposals of the Board of Directors on which independent directors have dissenting opinions or qualified opinions, and that are documented or issued through written statements: Such proposals were implemented by the Company in accordance with Article 14-5 of the Securities and Exchange Act. There was no dissenting opinion or qualified opinion from independent directors as mentioned above.				
II. When directors recuse themselves for being a stakeholder in certain proposals, the name of the directors, the content of the proposals, reasons for recusal and participation in voting shall be stated:				
Board of Directors Date	Name of Directors	Proposal content	Reason for recusal	Participation in voting
2018.01.30 18th meeting of the 8th Board of Directors	Chu, Fu-Chuan	Discussion regarding the distribution of year-end performance bonus for managers in 2017	Recusal due to conflict of interests	The person recused himself and did not participate in discussion and voting.
2018.03.30 20th meeting of the 8th Board of Directors	Chu, Fu-Chuan	Discussion on the removal of non-compete restriction against directors	Recusal due to conflict of interests	The person recused himself and did not participate in discussion and voting.
2018.08.13 23rd meeting of the 8th Board of Directors	Chu, Fu-Chuan, Liu, Yin-Kuang, Ed Wu, Lou, Chao-Tsung Huang, Jiun-Lang, Fang, Wen-Chang, Su, Yu-Hui, Wu, Chi-Ming	Discussion regarding the Company's 2017 director reward distribution plan.	Recusal due to conflict of interests	The person recused himself and did not participate in discussion and voting.
2018.09.07 24th meeting of the 8th Board of Directors	Chu, Fu-Chuan	Discussion regarding the Company's 2017 employee reward distribution plan for managers.	Recusal due to conflict of interests	The person recused himself and did not participate in discussion and voting.
III. Targets for strengthening the functions of Board of Directors in the current year and the most recent year (e.g., establishing Audit Committee, enhancing information disclosure, etc.), and relevant implementation assessment: The Company has established the Remuneration Committee and the Audit Committee to assist directors in fulfilling their supervisory duties.				

(II) Operation of Audit Committee:

1. Information on the Operation of Audit Committee:

Eight meetings were held by the Audit Committee in 2018, with the attendance of independent directors listed as follows:

Title	Name	Attendance in person (Note)	Attendance by proxy	Percentage of attendance in person (%)	Remark
Independent director	Huang, Jiun-Lang	8/8	0	100%	-
Independent director	Fang, Wen-Chang	7/8	1	88%	-
Independent director	Su, Yu-Hui	8/8	0	100%	-

Other required disclosure:

I. When one of the following situations occurred to the operations of the Audit Committee, state the date, period, proposal contents and resolutions of the Audit Committee, and the Company's actions in response to the opinions of the Audit Committee.

(I) Matters specified in Article 14-5 of Securities and Exchange Act: Approved by the Audit Committee and proposed to the Board of Directors.

Date convened	Important resolution	Voting results by the Audit Committee	The Company's actions in response to opinions from the Audit Committee
2018.01.12 16th meeting of the 2nd Audit Committee	(1) Approved the Company's proposal to participate in the private placement of new shares by DIVA Laboratories Ltd. through the Company's subsidiary Ennoconn International Investment Co., Ltd. (2) Approved the Company's proposal to engage in capital increase for the Company's subsidiary Ennoconn International Investment Co., Ltd. (3) Approved the issuance of new shares through the conversion of the Company's domestic and overseas unsecured convertible corporate bonds to common shares in fourth quarter of 2017. (4) Approved the application for short-term loan limit from banks. (5) Approved audit service fees for Deloitte & Touche. (6) Approved the 2017 audit report and audit tracking report.	Unanimously approved by all members present	No dissenting or qualified opinion from members
2018.01.25 17th meeting of the 2nd Audit Committee	(1) Approved the Company's proposal to increase investments in German listed company S&T AG through the Company's subsidiary Ennoconn Investment Holdings Co., Ltd. (2) Approved the Company's proposal to engage in capital increase for the Company's subsidiary Ennoconn Investment Holdings Co., Ltd. (3) Approved the independence status of CPAs commissioned by the Company.	Unanimously approved by all members present	No dissenting or qualified opinion from members

	<p>(4) Approved the amendment of the Company's "Procedures for Acquisition or Disposal of Assets".</p> <p>Approved the 2017 audit report and audit tracking report.</p>		
2018.03.06 18th meeting of the 2nd Audit Committee	<p>(1) Approved the amendment of the Company's "Sales and Collection Cycle", "Implementation Rules for Internal Audit", "Regulations Governing Seal Management", and "Audit Committee Charter".</p> <p>(2) Approved the 2018 audit report.</p>	Unanimously approved by all members present	No dissenting or qualified opinion from members
2018.03.30 19th meeting of the 2nd Audit Committee	<p>(1) Approved the Company's 2017 individual and consolidation financial statements.</p> <p>(2) Approved the Company's 2017 business report.</p> <p>(3) Approved the Company's 2017 profit distribution plan.</p> <p>(4) Approved the Company's proposal to acquire the common shares of Marketch International Corporation through the Company's subsidiary Ennoconn International Investment Co., Ltd.</p> <p>(5) Approved the Company's proposal to apply for loan extension from E.SUN Commercial Bank</p> <p>(6) Approved the application for short-term line of credit from banks.</p> <p>(7) Approved the Company's provision of endorsement and guarantee for Ennoconn International Investment Co., Ltd.</p> <p>(8) Approved the Company's proposal to engage in capital increase for the Company's subsidiary Innovative Systems Integration Ltd.</p> <p>(9) Approved the amendment of the Company's "Articles of Incorporation".</p> <p>(10) Approved the removal of non-compete restriction against directors.</p> <p>(11) Approved the change of Head of Internal Audit.</p> <p>(12) Approved the Company's "Evaluation of Internal Control System Effectiveness" and "Statement of Internal Control System" in 2017.</p> <p>(13) Approved the Company's 2018 audit report and 2017 audit tracking report.</p> <p>(14) Approved the Company's preliminary evaluation results report with the incorporation of IFRS 16 - "Leases".</p>	Unanimously approved by all members present	No dissenting or qualified opinion from members
2018.05.08 20th meeting of the 2nd Audit Committee	<p>(1) Approved the Company's engagement in capital increase for Ennoconn International Investment Co., Ltd.</p> <p>(2) Approved the formulation of new share</p>	Unanimously approved by all members present	No dissenting or qualified opinion from members

	<p>issuance plan through the conversion of the Company's domestic and overseas unsecured convertible corporate bonds in first quarter of 2018.</p> <p>(3) Approved the application for short-term loan limit from banks and the amendment of short-term loan limit for financial purposes from banks.</p> <p>Approved the 2018 audit report and audit tracking report.</p>		
2018.05.14 21st meeting of the 2nd Audit Committee	(1) Approved the 2018 audit report and audit tracking report.	Unanimously approved by all members present	No dissenting or qualified opinion from members
2018.08.13 22nd meeting of the 2nd Audit Committee	<p>(1) Approved the second quarter of 2018 consolidated financial statements of the Company and subsidiaries.</p> <p>(2) Approved the change of Finance Manager and Accounting Manager.</p> <p>(3) Approved the issuance of new shares through the conversion of the Company's domestic and overseas unsecured convertible corporate bonds to common shares in second quarter of 2018.</p> <p>(4) Approved the Company's application for short-term loan limit from Taishin International Bank.</p> <p>(5) Approved the Company's assumption of joint guarantee liability for the proposal of subsidiary HighAim Technology Inc. to apply for financing from banks.</p> <p>(6) Approved the Company's assumption of joint guarantee liability for the proposal of subsidiary HighAim Technology Inc. to apply for financing from banks.</p> <p>(7) Approved the submission of the 2018 audit report.</p>	Unanimously approved by all members present	No dissenting or qualified opinion from members
2018.11.13 23rd meeting of the 2nd Audit Committee	<p>(1) Approved the Company's proposal to engage in capital increase for the Company's subsidiary Innovative Systems Integration Ltd.</p> <p>(2) Approved the formulation of new share issuance plan through the conversion of the Company's domestic and overseas unsecured convertible corporate bonds in third quarter of 2018.</p> <p>(3) Approved the application for short-term loan limits from four banks, namely Mega International Commercial Bank, Bank SinoPac, Cathay United Bank and Far Eastern International Bank.</p> <p>(4) Approved the submission of the 2018 audit report and audit tracking report.</p> <p>(5) Approved the submission of the Company's 2019 audit plan.</p> <p>(6) Approved the Company's proposal to</p>	Unanimously approved by all members present	No dissenting or qualified opinion from members

	engage in cash capital increase to issue new shares, and issue the third domestic unsecured convertible corporate bonds. Approved the amendment of expected benefits from the Company's first overseas unsecured convertible corporate bonds and second unsecured convertible corporate bonds.												
<p>(II) Except for the aforementioned matters, other resolutions passed by more than two-thirds of all the directors but yet to be approved by the Audit Committee: None.</p>													
II.	With regard to the recusal of independent directors from voting due to conflict of interests, the name of independent directors, the content of proposals, reasons for recusal due to conflict of interests and participation in voting shall be stated: None.												
III.	Communication between independent directors, Head of Internal Audit and CPAs (including important matters, methods and results of the Company's finances and operations): Smooth channels of communication between independent directors and the Head of Internal Audit and CPAs are available, and consistent conclusions are reached between them: (I) Communication with CPAs: Independent directors will communicate the content of significant investments, financing matters or financial statements before they are issued.												
<table><tr><th>Date</th><th>Key communication points</th></tr><tr><td>2018.03.30</td><td>(1) CPAs explained the content of the 2017 consolidated financial statements after audit, major audit findings (including adjustment of entries and significant deficiencies in internal control systems), and the content of related audit report. (2) CPAs explained, discussed and communicated all the questions raised by participants. (3) CPAs explained the key audit items in the audit report for the 2017 consolidated financial statements.</td></tr><tr><td>2018.05.14</td><td>(1) CPAs explained the content of the first quarter of 2018 consolidated financial statements after review, and related review report. (2) CPAs explained, discussed and communicated all the questions raised by participants.</td></tr><tr><td>2018.08.13</td><td>(1) CPAs explained the content of the second quarter of 2018 consolidated financial statements after review, and related review report. (2) CPAs explained, discussed and communicated all the questions raised by participants.</td></tr><tr><td>2018.11.13</td><td>(1) The independent directors and CPAs learned and discussed about the financial statements for the first three quarters of 2018. (2) The independent directors and CPAs continued to learn and discuss about the newly merged important subsidiaries stated in the financial statements, as well as learned about an tracked the issues raised to CPAs from second quarter.</td></tr></table>				Date	Key communication points	2018.03.30	(1) CPAs explained the content of the 2017 consolidated financial statements after audit, major audit findings (including adjustment of entries and significant deficiencies in internal control systems), and the content of related audit report. (2) CPAs explained, discussed and communicated all the questions raised by participants. (3) CPAs explained the key audit items in the audit report for the 2017 consolidated financial statements.	2018.05.14	(1) CPAs explained the content of the first quarter of 2018 consolidated financial statements after review, and related review report. (2) CPAs explained, discussed and communicated all the questions raised by participants.	2018.08.13	(1) CPAs explained the content of the second quarter of 2018 consolidated financial statements after review, and related review report. (2) CPAs explained, discussed and communicated all the questions raised by participants.	2018.11.13	(1) The independent directors and CPAs learned and discussed about the financial statements for the first three quarters of 2018. (2) The independent directors and CPAs continued to learn and discuss about the newly merged important subsidiaries stated in the financial statements, as well as learned about an tracked the issues raised to CPAs from second quarter.
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<p>(II) Communications with the Head of Internal Audit: The Head of Internal Audit regularly holds at least one Audit Committee meeting every quarter with the independent directors, and submits the audit report and deficiency tracking report for the previous month at the end of the current month to report on the implementation of the Company's audit plan and track improvements on internal control deficiencies. The Head of Internal Audit carries out project reviews or provides further explanation of audit report items as required by independent directors.</p>													
<table><tr><th>Date</th><th>Key communication points</th></tr><tr><td>2018.01.12</td><td>Submitted the Company's 2017 audit report and audit tracking report to the independent directors for review.</td></tr></table>				Date	Key communication points	2018.01.12	Submitted the Company's 2017 audit report and audit tracking report to the independent directors for review.						
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2018.01.25	Submitted the Company's 2017 audit report and audit tracking report to the independent directors for review.
2018.03.06	Submitted the Company's 2018 audit report to the independent directors for review.
2018.03.30	Submitted the Company's 2018 audit report and 2017 audit tracking report to the independent directors for review
2018.05.08	Submitted the Company's 2018 audit report and 2017 audit tracking report to the independent directors for review
2018.05.14	Submitted the Company's 2018 audit report and 2017 audit tracking report to the independent directors for review
2018.08.13	Submitted the Company's 2018 audit report to the independent directors for review.
2018.11.13	(1) Submitted the Company's 2018 audit report and 2017 audit tracking report to the independent directors for review (2) Submitted the Company's 2019 audit plan.

(III) Difference between the Implementation of Corporate Governance and the Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies and Reasons:

Assessment item	Status of implementation			Difference from the Corporate Governance Practice Principles for TWSE or TPEX Listed Companies and related reasons
	Yes	No	Description	
I. Does the Company set and disclose corporate governance code of practice according to corporate governance practice principles for TWSE or TPEX Listed companies?	V		In order to establish a good corporate governance system, the Company has set a corporate governance code of practice, for the protection of shareholders' rights, to strengthen the functions of the BOD, respect the interests of stakeholders, enhance the transparency of information and relevant rules. Detailed information can be found on the official website of the Company.	No material difference
II. Equity structure and shareholder rights	V		(I) The Company has designated a spokesperson and a deputy spokesperson, and established an investor relations mailbox. Shareholders' suggestions, doubts and disputes are handled by the spokesperson or deputy spokesperson and the Company's share transfer agency.	No material difference
(I) Has the Company set internal operating procedures to deal with shareholder proposals, doubts, disputes and litigation matters, and does it implement these in accordance with its procedures?	V		(II) The Company has a list of major shareholders and who ultimately controls them, and regularly discloses changes in insider ownership every month in accordance with the law, thereby truly keeping abreast of information regarding major shareholders.	
(II) Does the Company have a list of those who ultimately control the major shareholders of the Company?	V		(III) The Company has established the "Procedures for Transactions with Related Persons of Specific Companies and Group Companies" and the "Regulations Governing Monitoring of Subsidiaries" to clearly specify the management of personnel and assets with affiliated companies, and conducts effective risk control through the implementation of internal control and internal audit systems.	
(III) How does the Company establish its risk management mechanism and firewalls involving related enterprises?	V		(IV) The Company has established the "Procedures for Prevention of Insider Trading" to specify the operating procedures for maintaining the	
(IV) Has the Company set internal standards to prohibit the use of undisclosed insider information to trade	V			

Assessment item	Status of implementation			Difference from the Corporate Governance Practice Principles for TWSE or TPEx Listed Companies and related reasons
	Yes	No	Description	
securities on the market?			confidentiality of significant internal information, and regularly promotes the concept in which undisclosed information that is not made public may not be used to trade the Company's securities	
<p>III. Organization and responsibilities of the Board of Directors</p> <p>(I) Does the Board of Directors set and implement a diversity policy?</p>	V		<p>(I) According to the Company's "Corporate Governance Best Practice Principles", members of the Board of Directors shall take into consideration the concept of diversity, and establish diversity policies with regard to its operations, mode of operation and development, including basic conditions and values: gender and age, and professional knowledge and skills: professional background, professional skills and industry experience. Members of the Company's Board of Directors are diverse, with science, engineering and finance-related background and industry experience to implement diversity policies, thereby establishing a sound structure of the Board of Directors.</p>	No material difference
(II) Has the Company establish other functional committees besides the Remuneration Committee and Audit Committee?	V		(II) In addition to establishing the Remuneration Committee and Audit Committee, the Company will develop the relevant regulations where necessary in the future. Each department is responsible for the remaining corporate governance operations according to its duties and responsibilities. In the future, the Company will establish various functional committees in accordance with the relevant laws and regulations, and in line with the need of the Company's actual development.	
(III) Has the Company set performance assessment rules and methods for the Board of Directors and does it perform this evaluation every year?	V		(III) The Company has established the Regulations Governing Performance Evaluation of Board of Directors, and regularly conducts performance evaluation every year.	
(IV) Does regularly evaluate the	V		(IV) The Audit Committee and the Board	

Assessment item	Status of implementation			Difference from the Corporate Governance Practice Principles for TWSE or TPEx Listed Companies and related reasons
	Yes	No	Description	
independence of CPAs?			of Directors assess the independence status of CPAs every year in accordance with the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10 and Article 47 of the Certified Public Accountant Act. CPAs are not related to the Company and the directors, while no circumstances that may affect the independence of CPAs have been found.	
IV. Does the TWSE or TPEx listed company have a dedicated unit/staff member in charge of the Company's corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, convening board/shareholder meetings in compliance with the law, apply for/change company registry, and producing meeting minutes of Board/Shareholders' meetings)?	V		The Company has designated full-time personnel in charge of coordinating corporate governance-related affairs. The share affairs unit is responsible for implementing various corporate governance-related affairs, including handling matters related to Board meetings and shareholders' meetings, preparing minutes of Board meetings and shareholders' meetings, handling company change registration, regularly inspecting and amending the Company's Corporate Governance Best Practice Principles and related regulations, providing the directors and members of the Audit Committee with information required for carrying out the relevant operations, and regularly arranging continuing education and training courses for directors, as well as regularly reports the implementation of corporate governance to the Board of Directors every year.	No material difference
V. Does the Company establish communication channels and dedicate a section for stakeholder on its website to respond to important issues of corporate social responsibility concerns?		V	The Company has designated a spokesperson and a deputy spokesperson, and has set up a stakeholder relations mailbox on the official website of the Company as a channel of communication. The Company not only provides appropriate responses to important corporate social responsibility (CSR) issues of concern, but also regularly discloses financial and business information on the Market Observation Post System (MOPS) and the official website of the Company. The Company immediately releases important news regarding events that may	No material difference

Assessment item	Status of implementation			Difference from the Corporate Governance Practice Principles for TWSE or TPEX Listed Companies and related reasons
	Yes	No	Description	
			affect stakeholders.	
VI. Has the Company appointed a professional stock affairs agency for shareholders affairs?	V		The Company has appointed Grand Fortune Securities Co., Ltd. as its share transfer agency to handle shares-related matters on its behalf.	No material difference
VII. Information disclosure (I) Does the Company set up website to disclose financial operations and corporate governance information?	V		(I) The Company has set up an investors section on its official website to disclose information regarding its finances, business and corporate governance.	No material difference
(II) Has the Company adopted other measures (such as an English website, a designated person responsible for the collection and disclosure of information, implementation of the spokesman system, the legal entities announcements uploaded to website, etc.) to disclose information?	V		(II) The Company has set up its website in both Chinese and English to provide the relevant information to shareholders and stakeholders for reference. Besides, the Company is able to disclose major news that may affect shareholders and stakeholders in a timely manner. The Company has also set up a spokesperson system to provide shareholders and stakeholders with the necessary consulting services.	
VIII. Does the Company have other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of employees, care for employees, relation with investors, relation with suppliers, relation with interested parties, continuing education for directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company's directors and supervisors)?	V		(I) Employee rights and interests: Adhering to the concept of "labor and management as one", the Company focuses on rational and humane management to build smooth communication channels, maintain good labor-management relationships, jointly create productivity, share profits, and protect the legal rights and interests of employees in accordance with the Labor Standards Act. (II) Employee care: The Company has established the Employee Welfare Committee, which handles various employee welfare matters, and is committed to talent training by actively encouraging employees to participate in various training courses. The Company conducts labor-management meetings from time to time, and has set up suggestion boxes, in order to learn about the thoughts of both parties,	No material difference

Assessment item	Status of implementation			Difference from the Corporate Governance Practice Principles for TWSE or TPEX Listed Companies and related reasons
	Yes	No	Description	
			<p>with a view to creating a win-win situation for both parties.</p> <p>(III) Investor relations: The Company convenes shareholders' meetings every year in accordance with the Company Act and the relevant regulations, and provide shareholders with the opportunity to raise questions or submit proposals. Besides, the Company has set up a spokesperson system to deal with matters related to shareholder suggestions, doubts and disputes. The Company also handles matters related to the announcement and declaration of related information in accordance with the regulations set forth by the competent authority to promptly provide information that may affect shareholders' decision-making.</p> <p>(IV) Supplier relations: The Company maintains smooth communication channels with banks, employees, consumers and suppliers to ensure good relationships with them.</p> <p>(V) Stakeholder rights: The Company has designated a spokesperson and a deputy spokesperson to communicate directly with stakeholders, thus respecting and maintaining the legal rights and interests of stakeholders.</p> <p>(VI) Continuing education for directors and supervisors: Directors of the Company possess professional background in the relevant industries and practical experience in business management. The Company provides the directors with corporate governance-related courses from time to time.</p> <p>(VII) Implementation of risk management policies and risk measurement standards: The Company establishes various internal regulations and systems in accordance with the law to conduct various risk management</p>	

Assessment item	Status of implementation			Difference from the Corporate Governance Practice Principles for TWSE or TPEX Listed Companies and related reasons
	Yes	No	Description	
			<p>and assessments.</p> <p>(VIII) Implementation of customer policies: The Company maintains smooth communication channels with customers to ensure good relationships with them.</p> <p>(IX) the Company has purchased liability insurance for directors and independent directors to enhance the protection of shareholder rights and interests.</p>	
<p>IX. Specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved.</p> <p>Based on the results of the 2018 Corporate Governance Evaluation, the Company was ranked in the top 66%-88% companies mainly because the Company failed to obtain points in the following items as described below:</p> <p>(I) Training hours for directors of the Company: The management team, CPAs, lawyers and securities firms brief the directors about changes in regulatory information and business management-related information. The Company arranges the relevant continuing education courses for all directors as required.</p> <p>(II) English documents for public information disclosure: The Company prepares the English version of meeting notices, handbooks for shareholders' meetings and annual reports in accordance with the relevant laws and regulations, while gradually enhancing the relevant information according to the shareholding status of foreign shareholders.</p>				

(IV) Organization, Responsibilities and Operation of the Remuneration Committee:

1. Information on members of the Remuneration Committee

Title	Qualification Name	Has over five years work experience and following professional qualifications			Status of independence								Number of other public companies in which the individual concurrently serves as a member of the Remuneration Committee	Remark
		Business, legal affairs, finance, accounting, lecturer or above in colleges in related departments	Judge, prosecutor, attorney, CPA or national certified professionals	Business, legal affairs, finance, accounting or related work experience	1	2	3	4	5	6	7	8		
Independent director	Fang, Wen-Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Independent director	Huang, Jiun-Lang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Independent director	Su, Yu-Hui	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-

Note 1: Please tick the boxes if the members comply with the following conditions from two years before being elected and appointed, and during his/her tenure in office:

- (1) Not an employee of this Company or its affiliates
- (2) Not a director or supervisor of the Company or its affiliates. However, this does not apply, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the company directly or indirectly holds more than 50% of the voting shares.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of outstanding shares of the Company or ranking in the top ten in shareholdings.
- (4) Not a spouse, second-degree relative or third-degree relative of those listed in the above three items.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
- (6) Not a director, supervisor, manager or a shareholder holding five percent or more of the shares of a company or institution that has a business or financial relationship with the Company.
- (7) Not a professional individual who provides services or consultation in business, legal, finance, or accounting to the Company or its any related companies, nor an owner, partner, director, supervisor, officer or spouse of a sole proprietorship, partnership, company, or institution.
- (8) No violation of Article 30 of the Company Act.

2. Information on the operation of Remuneration Committee:

- (1) The Company's Remuneration Committee consists of three members.
- (2) Term of office: May 20, 2016 to May 19, 2019. Four meetings were held by the Remuneration Committee in 2018, with the qualifications and attendance of the members listed as follows:

Title	Name	Attendance in person	Attendance by proxy	Percentage of attendance in person (%)	Remark
Convener	Fang, Wen-Chang	4/4	0	100%	-
Member	Huang, Jiun-Lang	4/4	0	100%	-
Member	Su, Yu-Hui	4/4	0	100%	-

Other required disclosure:

I. If the Board of Directors does not adopt or amend the recommendations made by the Audit Committee, the date and session of the Board of Directors' meeting, resolutions, voting results and handling of opinions from the Remuneration Committee by the Company shall be disclosed (if the compensation and remuneration approved by the Board of Directors is better than that recommended by the Remuneration Committee, the differences and related reasons shall be stated):

Date convened	Important resolution	Voting results	The Company's actions in response to opinions from the Remuneration Committee
2018.01.25 7th meeting of the 3rd Remuneration Committee	(1) Discussion regarding the distribution of year-end performance bonus for managers in 2017	Unanimously approved by all members present	No dissenting or qualified opinion from members
2018.03.30 8th meeting of the 3rd Remuneration Committee	(1) The Company's 2017 director and employee reward distribution plan.	Unanimously approved by all members present	No dissenting or qualified opinion from members
2018.08.13 9th meeting of the 3rd Remuneration Committee	(1) The Company's 2017 directors' reward distribution plan. (2) Change of Finance Manager and Accounting Manager - discussion regarding salary and remuneration.	Unanimously approved by all members present	No dissenting or qualified opinion from members
2018.09.07 10th meeting of the 3rd Remuneration Committee	(1) Amendment of the Company's "Regulations Governing Compensation Management". (2) The Company's 2017 employees' reward distribution plan for managers. (3) The Company's 2018 compensation and remuneration plan for newly appointed managers.	Unanimously approved by all members present	No dissenting or qualified opinion from members

II. If members of the Remuneration Committee has any dissenting opinion or qualified opinion on the resolutions of the Remuneration Committee, where such opinions are documented or issued through written statements, the date and session of the meeting of the Remuneration Committee, resolutions, all the members' opinions and handling of these opinions shall be stated: None.

3. Responsibilities of the Remuneration Committee:

The Remuneration Committee shall exercise the due care of a good administrator by faithfully performing the following duties and responsibilities, and submit its recommendations to the Board of Directors for deliberation:

- I. Establish and regularly review the policies, systems, standards and structure for performance evaluation, compensation and remuneration of directors and managers.
- II. Regularly evaluate and formulate the compensation and remuneration of directors and managers.

(V) Performance of Social Responsibilities:

Assessment item	Status of implementation			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and related reasons
	Yes	No	Description	
I. Implementing corporate governance	V		(I) In order to effectively manage and implement operations such as corporate governance and ethical corporate management, the Company has continuously formulated management regulations, such as "Corporate Social Responsibility Best Practice Principles", "Corporate Governance Best Practice Principles", "Ethical Corporate Management Best Practice Principles", and "Code of Ethical Conduct", which have been approved by the Board of Directors. Based on assignment of responsibilities, each functional unit launches the relevant measures in line with company policies, and regularly reviews the performance of each operation every half a year. Each functional unit will also pay close attention to the relevant international initiatives and regulations, and reviews at all time whether it is necessary to update the relevant management regulations and operating procedures.	No material difference
(I) Does the Company work out its corporate social responsibility policy and check the results of the implementation?				
(II) Does the Company conduct CSR education and training on a regular basis?	V		(II) The Company regularly conduct corporate ethics training for employees. New employees are given an employee handbook during their first day of work in order to clearly communicate	

Assessment item	Status of implementation			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and related reasons
	Yes	No	Description	
(III) Does the Company set up exclusively (or concurrently) dedicated units to promote corporate social responsibility, and authorize high level managers to handle and report to the Board of Directors?	V		<p>employee rights and obligations to them and ensure that employees understand the spirit of social responsibility. On September 4, 2012, the Company has established the "Code of Ethical Conduct" and "Procedures for Ethical Corporate Management and Guidelines for Conduct". In addition, the rewards and disciplinary system for the relevant employees is stipulated in the "Work Rules", "Regulations Governing Performance Evaluation" and personnel-related regulations to motivate employees so that employees understand the spirit of social responsibility and grow together with the Company.</p> <p>(III) Each functional unit implements CSR-related operations based on assignment of responsibilities. Through the annual performance evaluation system, the supervisors of each responsible unit evaluates and reviews the relevant implementation effectiveness during the period, and regularly formulates future development goals and implementation contents, which will be executed upon approval by the President. The President's Office is responsible for compiling and preparing CSR reports. The responsibilities of the Board of Directors include assessing the Company's performance on economic, environmental and social issues. Senior management must report the Company's operational status and other important issues in order to maintain good interaction and communication.</p>	
(IV) Has the Company set up reasonable salary compensation policies, combining employee	V		<p>(IV) The Company's Articles of Incorporation stipulates that if it posts a profit in a particular year, the Company shall not contribute</p>	

Assessment item	Status of implementation			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and related reasons
	Yes	No	Description	
performance evaluations with corporate social responsibility policy, and establishing a clear and effective system of reward and discipline?			less than 2% of its profit as employee rewards. Besides, with regard to the reward and disciplinary system for employees, the Company has established the "Regulations Governing Compensation Management", "Work Rules", "Regulations Governing Performance Evaluation" and personnel-related regulations to motivate employees so that employees understand the spirit of social responsibility and grow together with the Company.	
<p>II. Developing sustainable environment</p> <p>(I) Does the Company endeavor to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment?</p> <p>(II) Does the Company establish proper environment management systems based on its industrial features?</p> <p>(III) Does the Company monitor the impact of climate change on its operations,</p>	V		<p>(I) The Company has been carrying out measures for resource recycling and waste sorting for many years. Various disposed items are handed over to qualified recycling plants for subsequent processing. For packaging materials, the Company also uses recycled materials as much as possible to reduce their impact on environmental load. The Company also advocates energy conservation in daily operations to improve energy efficiency. The Company promotes green general affairs in daily life to reduce the impact of disposable waste on the earth's environment.</p> <p>(II) The Company has appointed fire safety management personnel to regularly carry out fire safety inspection on offices and public safety inspection on buildings. The Company has appointed a labor safety supervisor who is responsible for planning, implementing and examining safety and health management in order to carry out and achieve the goal of safety and health management.</p> <p>(III) The Company strictly carries out energy conservation and carbon reduction measures by turning off</p>	No material difference

Assessment item	Status of implementation			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and related reasons
	Yes	No	Description	
and establish company strategies to save energy and reduce the emission of carbon and greenhouse gas?			lights and controlling air-conditioner temperature settings in order to reduce energy waste.	
III. Protecting social public interests	V		(I) The Company fully complies with the Labor Standards Act and related labor regulations, and truly converses them into the Company's labor management regulations for compliance by the management team and employees, so as to safeguard the legitimate rights and interests of employees.	No material difference
(I) Does the Company establish proper management methods and procedures in accordance with the relevant regulations and the international conventions on human rights?	V		(II) The Company has established employee complaint channels which are handled by dedicated personnel.	
(II) Has the Company set up an employee complaint mechanism and proceed with care?	V		(III) The Company carries out labor safety promotion, fire drills and health checkups among employees.	
(III) Does the Company provide a safe and healthy working environment for its employees and organize training on safety and health on a regular basis?	V		(IV) Adhering to the concept of "labor and management as one", the Company regularly convenes labor-management meetings, establishes smooth communication channels, and maintain good labor-management relationships. The Company also regularly organizes routine staff meetings every month to provide updates on the Company's operational status and enable exchanges and sharing among employees, with a view to creating a stable and heartwarming working environment.	
(IV) Does the Company establish regular communication mechanisms for employees, and inform employees of the operation changes that may have significant impact on employees in a reasonable way?	V		(V) In order to enhance employees' job skills, enable employees to quickly adapt to the work environment, improve the quality of products and services, and enhance the overall competitiveness of the organization, the Company has launched the education and training program through a systematic training blueprint so that employees can grow together	
(V) Has the Company established an effective competency development career training program for employees?	V			

Assessment item	Status of implementation			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and related reasons
	Yes	No	Description	
(VI) Has the Company set up consumer protection policies and reporting procedures regarding R&D, procurement, production, operations and service processes?	V		with the Company, as well as to enhance employees' self-skills and diversify their career development. (VI) With regard to consumer rights and interests, the Company offers product liability insurance for products sold, in order to safeguard consumer rights and interests, and has set up a channel of communication on its official website so as to establish direct contact and communication with stakeholders.	
(VII) Is the Company in compliance with relevant laws and regulations as well as international standards when it comes to marketing and labeling of products and services?	V		(VII) The Company treats its customers by upholding the concept of integrity and honesty, and is customer-oriented by offers the technologies, rigorous production, excellent quality and high-quality services needed by customers.	
(VIII) Does the Company assess the past records of suppliers in terms of its impact on the environment or society before signing the contract?	V		(VIII) When establishing relationship with a new supplier, the Company will pay attention to whether the new supplier has any record of affecting the environment and the society in the past. In addition, suppliers are required to jointly meet green environmental protection requirements according to the Company's policies, and to be committed to complying with the environmental protection specifications for products, so as to enhance CSR.	
(IX) Does the Company, in its contract with its major suppliers, include clause such as that the Company may terminate the contract any time when the supplier is found violate its social responsibilities, and when such violation has significant impact on the environment and society?	V		(IX) Based on contracts signed between the Company and its major suppliers, the Company may immediately stop, terminate and revoke trading relationship with a supplier if the supplier violates the provisions of the relevant laws and regulations or letter of understanding.	
IV. Enhancing information disclosure (I) Does the Company disclose relevant critical and reliable information on CSR on its	V		(I) The Company discloses the implementation of CSR via its official website and annual report, MOPS and the media in a timely	No material difference

Assessment item	Status of implementation			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies and related reasons
	Yes	No	Description	
website and MOPS?			manner.	
V. If the Company has established its own Corporate Social Responsibility Best Practice Principles in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies, state the differences between these principles and its implementation: The Company has established the "Corporate Social Responsibility Best Practice Principles" on September 4, 2012. There was no major difference between its implementation and the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies".				
VI. Other important information that facilitates the understanding of the implementation of CSR:				
<p>(1) The Company has been carrying out measures for resource recycling and waste sorting for many years. Besides, the Company advocates energy conservation in daily operations, and strictly implements energy conservation, carbon reduction and water conservation measures by turning off lights and controlling air conditioner temperature settings, in order to reduce energy waste.</p> <p>(2) The Company has appointed fire safety management personnel to regularly carry out fire safety inspection on offices and public safety inspection on buildings. The Company has appointed a labor safety supervisor who is responsible for planning, implementing and examining safety and health management in order to carry out and achieve the goal of safety and health management.</p> <p>(3) The Company promotes charity and good deeds internally, and makes donations to disadvantaged groups from time to time. Furthermore, the Company has set up receipt boxes in its offices to collect donation of receipts, and invites public welfare groups to perform in the Company's large events.</p> <p>(4) The Company has established a spokesperson system to collect investors' suggestions, deal with their doubts, and resolve disputes among them. The Company maintains smooth communication channels with various stakeholders, including banks, employees, consumers and suppliers, while respecting and safeguarding their legitimate rights and interests, in order to maintain good relationships with them.</p>				
VII. Descriptions shall be provided if the Company's CSR report complies with verification standards of relevant certification bodies: None.				

(VI) Implementation of Ethical Corporate Management and Measures for its Implementation

Assessment item	Status of implementation			Difference from the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and related reasons
	Yes	No	Description	
<p>I. Formulating ethical corporate management policies and programs</p> <p>(I) Does the Company specify ethical corporate management policies and programs in its regulations and external documents? Do the Board of Directors and the management team actively advocate and implement these policies?</p> <p>(II) Has the Company formulated solutions to prevent unethical conduct from taking place, specified all the solutions in its operating procedures, conduct guidelines, punishments for violations and complaint and grievance channels. and implemented these solutions?</p> <p>(III) Does the Company take preventive measures against operating activities stipulated in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies or those with higher risks of unethical conduct in other scopes of business?</p>	V		<p>(I) The Company has established the "Code of Ethical Conduct" and "Procedures for Ethical Corporate Management and Guidelines for Conduct", which clearly specify the matters that should be noted by employees of the Company when performing their duties.</p> <p>(II) The Company regularly conduct corporate ethics training for employees. New employees are given an employee handbook during their first day of work in order to clearly communicate employee rights and obligations to them. Moreover, the Company incorporates ethical corporate management into performance evaluation of employees and human resource policies, and has established a clear and effective reward and disciplinary system and complaint systems.</p> <p>(III) The Company strictly complies with corporate ethics and adheres to the corporate culture of integrity and honesty to create a business environment with sustainable development.</p>	No material difference
<p>II. Implementing ethical corporate management</p> <p>(I) Has the Company evaluated the ethics records of counterparties to its business dealings, and specified ethical business policies in contracts with counterparties related to its business dealings?</p>	V		<p>(I) Before establishing business relationship with others, the Company first assesses the legality and ethical corporate management policy of agents, suppliers, customers and other business targets, and evaluates whether they have any records of unethical conduct in the past, in order to ensure that their business</p>	No material difference

Assessment item	Status of implementation			Difference from the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and related reasons
	Yes	No	Description	
(II) Has the Company established a full-time (or part-time) unit directly under the supervision of the Board of Directors, which is dedicated to promoting ethical corporate management and regularly reports its implementation to the Board of Directors?	V		management methods are fair and transparent, and that they do not request for, provide or accept bribes. (II) The Company has set up a full-time ethical corporate management unit to implement and supervise various operations, including the amendment, implementation and explanation of the relevant operating procedures and guidelines for conduct, consulting services, as well as the registration and filing of report contents, and regularly reports these matters to the Board of Directors.	
(III) Has the Company established policies to prevent conflicts of interest, provided an appropriate channel for reporting such conflicts and implemented them?	V		(III) Employees can report matters related to conflicts of interests to their direct department supervisors or vice president.	
(IV) Has the Company established an effective accounting system and internal control systems to implement ethical corporate management, designated its internal audit unit to perform regularly audits or commissioned CPAs to perform audit?	V		(IV) The Company has established effective accounting and internal control systems. Besides, the Company constantly reviews and revises these systems according to regulatory changes and actual needs. These systems are regularly examined by internal auditors in order to ensure the continuous effectiveness of system design and implementation, thereby realizing corporate governance and risk control, and eventually implementing ethical corporate management. The Audit Office is designated as the responsible unit in charge of implementing and supervising ethical corporate management-related operations, and regularly reports such matters to the Board of Directors.	
(V) Does the Company regularly hold internal and external training related to ethical corporate management?	V		(V) The Company promotes the principle of ethical corporate management in various meetings from time to time, so that its colleagues implement ethical corporate management-related	

Assessment item	Status of implementation			Difference from the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies and related reasons
	Yes	No	Description	
			norms internally and externally.	
III. Implementation of the Company's whistleblowing system (I) Has the Company established a specific whistleblowing and reward system, set up convenient whistleblowing channels and designated appropriate personnel to handle investigations against wrongdoers? (II) Has the Company established standard operating procedures for investigating reported cases and related confidentiality mechanisms? (III) Has the Company set up protection for whistleblowers to prevent them from being subjected to inappropriate measures as a result of reporting such incidents?	V		When the Company discovers or receives a report regarding an employee's involvement in unethical conduct, the Company will immediately request the employee to stop the relevant conduct if it is confirmed that the employee has violated the relevant laws and regulations or the Company's ethical corporate management policies and regulations, and will appropriately deal with the case. If necessary, the Company seek compensation for damages through legal proceedings to maintain the reputation and interests of the Company. In addition, the Company will pay special attention to the confidentiality of whistleblowers to avoid improper treatment when dealing with related matters.	No material difference
IV. Enhancing information disclosure (I) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	V		(I) The Company discloses ethical corporate management-related information via MOPS and the media in a timely manner.	No material difference
V. If the Company has established its own Ethical Corporate Management Best Practice Principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies, state the differences between these principles and its implementation: The Company has established the "Procedures for Ethical Corporate Management and Guidelines for Conduct". There was no major difference between its implementation and "Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies".				
VI. Other important information that facilitates the understanding of the implementation of ethical corporate management: None.				

- (VII) If the Company has Stipulated Best Practices for Corporate Governance and Other Relevant Bylaws, the Means to Search for these Bylaws shall be Disclosed:

The Company has established the Corporate Governance Best Practice Principles. Refer to "Implementation of corporate governance" in "III. Corporate Governance Report" for details regarding the implementation of corporate governance in the Company. The Company has established the "Rules of Procedure for Shareholders' Meetings", "Rules for Board of Directors' Meetings", "Audit Committee Charter", "Remuneration Committee Charter", "Corporate Governance Best Practice Principles", "Corporate Social Responsibility Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Code of Ethical Conduct", "Regulations Governing Election of Directors", "Procedures for Loaning of Funds to Others", "Procedures for Endorsements and Guarantees", "Procedures for Acquisition or Disposal of Assets", "Procedures for Handling Derivatives Trading", "Regulations Governing Monitoring of Subsidiaries", and "Procedures for Prevention of Insider Trading". Visit the official website of the Company for the contents of these regulations.

- (VIII) Other Material Information that can Enhance the Understanding of the State of Corporate Governance at the Company:

1. The Company has established the "Procedures for Prevention of Insider Trading", and announced the procedures to its managers and employees.
2. The Company's newly elected directors will be given a handbook prepared by the Company when taking office. The handbook contains various laws and regulations (including the handling of major information and procedures for prevention of insider trading as mentioned in the preceding paragraph) and the relevant precautionary matters with which newly elected directors should comply.

- (IX) Implementation of Internal Control System

1. Statement of internal control system

Ennoconn Corporation
Statement of Internal Controls

Date: March 29, 2019

According to the examination on internal control system done by the Company itself in 2018, we hereby states as follows:

- I. The Company's Board of Directors and management team understand their responsibilities of developing, implementing and maintaining the Company's internal control system, and such a system has been established. The objectives of this system are to meet various goals including achieving operational benefits and efficiency (including profitability, performance, as well as asset and safety protection), and ensuring the reliability, timeliness, transparency and regulatory compliance of reporting, thereby providing reasonable assurance.
- II. An internal control system has inherent constraints. No matter how comprehensive its design may be, an effective internal control system is only capable of providing adequate assurance for achieving the abovementioned objectives. In addition, the effectiveness of the internal control system may change with the environment and under different situations. Nevertheless, the Company's internal control systems are equipped with self-monitoring mechanisms, thereby allowing the Company to take immediate remedial actions in response to any identified deficiency.
- III. The Company determines whether or not the design and implementation of its internal

control system is effective according to the items for determining the effectiveness of internal control systems as stated in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The items for the determination of internal control systems adopted in the Regulations has identified five key components based on management control processes: (1) control environment, (2) risk assessment, (3) control operations, (4) information and communication, and (5) monitoring operations. Each component includes a number of items. Refer to the Regulations for details regarding the abovementioned items.

- IV. The Company has adopted the items for determining internal control systems in order to evaluate the effectiveness of its internal control system design and implementation.
- V. Based on the above results, the Company believes that the design and implementation of its internal control systems (including supervision and management of its subsidiaries), as of December 31, 2018, and understanding the level of goal achievement in regards to operational benefits and efficiency, as well as whether the reporting is reliable, timely and transparent and whether it complies with the relevant laws and regulations, is effective and can reasonably assure the accomplishment of the abovementioned goals.
- VI. This Statement is a significant part of the Company's annual report and prospectus available to the general public. If it contains false information or omits any material content, the Company is in violation of Article 20, Article 32, Article 171 and Article 174 set forth in the Taiwan's Security and Exchange Act.
- VII. The Company hereby declares that this statement had been approved by the Board of Directors on March 29, 2019. Among the seven directors present, none raised any objection to the contents of this statement.

Ennoconn Corporation

Chairman: Chu, Fu-Chuan

President: Deng, Chin-Tai

- 2. Where CPAs are commissioned to audit the Company's internal control systems, the audit report prepared by the CPAs shall be disclosed: None.
- (X) Penalties Imposed on the Company and its Internal Staff, Penalties Imposed on its Internal Staff by the Company for Violation of Internal Control Regulations, Major Deficiencies and Status of Improvements made in the Most Recent Fiscal Year up to the Printing Date of this Annual Report: None.

(XI) Significant Resolutions Made during Shareholders and Board of Directors' Meetings and Implementation Status in the Most Recent Fiscal Year up to the Printing Date of this Annual Report:

Type of meeting	Date convened	Important resolution
Board of Directors	2018.01.12	<ol style="list-style-type: none"> (1) Approved the Company's proposal to participate in the private placement of new shares by DIVA Laboratories Ltd. through the Company's subsidiary Ennoconn International Investment Co., Ltd. (2) Approved the Company's proposal to engage in capital increase for the Company's subsidiary Ennoconn International Investment Co., Ltd. (3) Approved the issuance of new shares through the conversion of the Company's domestic and overseas unsecured convertible corporate bonds to common shares in Q4 2017. (4) Approved the application for short-term loan limit from banks. (5) Approved audit service fees for Deloitte & Touche.
Board of Directors	2018.01.30	<ol style="list-style-type: none"> (1) Approved the distribution of year-end performance bonus for managers in 2017 (2) Approved the Company's proposal to increase investments in German listed company S&T AG through the Company's subsidiary Ennoconn Investment Holdings Co., Ltd. (3) Approved the Company's proposal to engage in capital increase for the Company's subsidiary Ennoconn Investment Holdings Co., Ltd. (4) Approved the independence status of CPAs commissioned by the Company. (5) Approved the amendment of the Company's "Procedures for Acquisition or Disposal of Assets". (6) Approved the Company's 2018 business plan.
Board of Directors	2018.03.06	<ol style="list-style-type: none"> (1) Elected the Chairman of the Board. (2) Approved the appointment of CEO. (3) Approved the appointment of President. (4) Approved the amendment of the Company's "Sales and Collection Cycle", "Implementation Rules for Internal Audit", "Regulations Governing Seal Management", and "Audit Committee Charter".
Board of Directors	2018.03.30	<ol style="list-style-type: none"> (1) Approved the Company's 2017 director and employee reward distribution plan. (2) Approved the Company's 2017 parent company-only and consolidation financial statements. (3) Approved the Company's 2017 business report. (4) Approved the Company's 2017 profit distribution plan. (5) Approved the Company's proposal to acquire the common shares of Marketech International Corporation through the Company's subsidiary Ennoconn International Investment Co., Ltd. (6) Approved the Company's proposal to apply for loan extension from E.SUN Commercial Bank (7) Approved the application for short-term line of credit from banks. (8) Approved the Company's provision of endorsement and guarantee for Ennoconn International Investment Co., Ltd. (9) Approved the Company's proposal to engage in capital increase for the Company's subsidiary Innovative Systems Integration Ltd. (10) Approved the amendment of the Company's "Articles of Incorporation". (11) Approved the removal of non-compete restriction against directors. (12) Approved the removal of non-compete restriction against CEO. (13) Approved the change of Head of Internal Audit. (14) Approved the Company's "Evaluation of Internal Control System Effectiveness" and "Statement of Internal Control System" in 2017. (15) Approved the convening of the 2018 Annual General Meeting.

Type of meeting	Date convened	Important resolution
Board of Directors	2018.05.08	(1) Approved the Company's engagement in capital increase for Ennoconn International Investment Co., Ltd. (2) Approved the formulation of new share issuance plan through the conversion of the Company's domestic and overseas unsecured convertible corporate bonds in Q1 2018. (3) Approved the application for short-term loan limit from banks and the amendment of short-term loan limit for financial purposes from banks.
Board of Directors	2018.05.14	(1) Reported the Q1 2017 consolidated financial statements of the Company and subsidiaries. (2) Presented the Company's 2018 audit report and audit tracking report.
Shareholders' Meeting	2018.06.28	(1) Presented the 2017 business report. (2) Presented the audit report prepared by the Audit Committee. (3) Presented the 2017 directors' and employees' reward distribution report. (4) Reported the amendment of the Company's "Guidelines for Board of Directors' Meetings". (5) Presented the Company's financing status. (6) Presented the implementation of the Company's treasury stocks. (7) Adopted the 2017 business report, individual and consolidated financial statements. Status of implementation: Resolutions passed. (8) Adopted the 2017 profit distribution plan. Status of implementation: Resolution passed. Based on the current profit distribution plan, the amount of cash dividend was NT\$9 per share, and the total amount of cash dividends distributed was NT\$682,864,299. (9) Adopted changes in the capital utilization plan for the Company's first overseas unsecured convertible corporate bonds. Status of implementation: Resolutions were passed, and change in capital use has been approved the Department of Foreign Exchange, Central Bank of R.O.C. (10) Approved the amendment of the Company's "Articles of Incorporation". Status of implementation: Resolution passed. (11) Approved the amendment of the Company's "Procedures for Acquisition or Disposal of Assets". Status of implementation: Resolution passed and implemented. (12) Approved the amendment of the Company's "Regulations Governing the Election of Directors". Status of implementation: Resolution passed and implemented. (13) Approved the removal of non-compete restriction against directors. Status of implementation: The resolution to remove the non-compete restriction against Director Chu, Fu-Chuan and Independent Director Su, Yu-Hui was passed.
Board of Directors	2018.08.13	(1) Presented the second quarter of 2018 consolidated financial statements of the Company and subsidiaries. (2) The Company's 2017 director reward distribution plan. (3) Approved the change of Finance Manager and Accounting Manager. (4) Approved the formulation of new share issuance plan through the conversion of the Company's domestic and overseas unsecured convertible corporate bonds in second quarter of 2018. (5) Approved the Company's application for short-term loan limit from Taishin International Bank. (6) Approved the Company's assumption of joint guarantee liability for the proposal of subsidiary HighAim Technology Inc. to apply for financing from banks. (7) Approved the Company's assumption of joint guarantee liability for the proposal of subsidiary HighAim Technology Inc. to apply for financing

Type of meeting	Date convened	Important resolution
		from banks.
Board of Directors	2018.09.07	(1) Approved the amendment of the Company's "Regulations Governing Compensation Management". (2) Approved the Company's 2017 employees' reward distribution plan for managers. (3) Approved the Company's 2018 compensation and remuneration plan for newly appointed managers.
Board of Directors	2018.11.13	(1) Presented the third quarter of 2018 consolidated financial statements of the Company and subsidiaries. (2) Approved the formulation of the Company's 2019 audit plan. (3) Approved the Company's engagement in capital increase for Innovative Systems Integration Ltd. (4) Approved the amendment of the Company's "Regulations Governing Compensation Management". (5) Approved the issuance of new shares through the conversion of the Company's domestic and overseas unsecured convertible corporate bonds to common shares in third quarter of 2018. (6) Approved the application for short-term loan limits from four banks, namely Mega International Commercial Bank, Bank SinoPac, Cathay United Bank and Far Eastern International Bank. (7) Approved the Company's proposal to engage in cash capital increase to issue new shares, and issue the third domestic unsecured convertible corporate bonds. (8) Approved the proposal of subsidiary EIH to abandon its participation in the 2018 first cash capital increase plan by the company's invested business, AIS. (9) Approved the amendment of expected benefits from the Company's first overseas unsecured convertible corporate bonds and second overseas convertible corporate bonds.
Board of Directors	2019.01.22	(1) Presented the Company's 2018 audit report and audit tracking report. (2) Presented the corporate social responsibility report. (3) Reported the "2018 Performance of Board of Directors" evaluated in accordance with the Regulations Governing Performance Evaluation of Board of Directors. (4) Reported the implementation of preventive measures and compliance with ethical corporate management. (5) Presented the summary report on the purchase of liability insurance for directors. (6) Approved the formulation of new share issuance plan through the conversion of the Company's domestic and overseas unsecured convertible corporate bonds in fourth quarter of 2018. (7) Approved the application for short-term line of credit from banks. (8) Approved the distribution of year-end performance bonus for managers in 2018. (9) Approved audit service fees for Deloitte & Touche. (10) Approved the assessment of independence status of CPAs commissioned by the Company. (11) Approved the amendment of the Company's "Procedures for Acquisition or Disposal of Assets". (12) Approved the Company's 2019 business plan.
Board of Directors	2019.03.29	(1) Presented the Company's 2018 audit report and 2017 audit tracking report. (2) Presented the Company's preliminary evaluation results report with the incorporation of IFRS 16 - "Leases". (3) Approved the Company's 2018 directors' and employees' reward

Type of meeting	Date convened	Important resolution
		<p>distribution plan.</p> <p>(4) Approved the Company's 2018 individual and consolidated financial statements.</p> <p>(5) Approved the Company's 2018 business report.</p> <p>(6) Approved the Company's 2018 profit distribution plan.</p> <p>(7) Approved the amendment of the Company's "Articles of Incorporation".</p> <p>(8) Approved the amendment of the Company's "Procedures for Loaning of Funds to Others" and "Procedures for Endorsement and Guarantees".</p> <p>(9) Approved the Company's "Evaluation of Internal Control System Effectiveness" and "Statement of Internal Control System" in 2018.</p> <p>(10) Approved the convening of the 2019 Annual General Meeting.</p>

(XII) Dissenting Opinions or Qualified Opinions on Resolutions Passed by the Board of Directors that are Made by Directors and Supervisors, and are Documented or Issued through Written Statements, in the Most Recent Year up to the Printing Date of this Annual Report: None.

(XIII) Summary of Resignation and Dismissal of the Company's Chairman, President, Accounting Manager, Financial Manager, Internal Auditors, and R&D Supervisor in the Most Recent Year up to the Printing Date of this Annual Report:

As of April 30, 2019

Title	Name	Date appointed	Date dismissed	Reason for resignation or dismissal
Chairman	Ed Wu	2016.05.20	2018.03.06	Reassignment of representative by corporate shareholder
President	Chu, Fu-Chuan	2011.06.11	2018.03.06	Elected as chairman by the Board of Directors
Finance Manager and Accounting Officer	Tsao, Hsi-Chung	2015.06.15	2018.08.13	Personal career planning
Audit Office Assistant Manager	Wei, I-Ju	2010.07.26	2018.03.16	Personal career planning

IV. Information on Audit Fees

(I) Range of CPA Fees:

Name of Accounting firm	Name of CPA		Audit period	Remark
Deloitte & Touche	Liu, Shui-En	Yang, Ching-Chen	2018.01.01~2018.12.31	-

Range of amount		Fee item	Audit fee	Non-audit fee	Total
1	Under NT\$2,000			✓	
2	NT\$2,000 (inclusive) to NT\$4,000		✓		✓
3	NT\$4,000(inclusive) to NT\$6,000				
4	NT\$6,000 (inclusive) to NT\$8,000				
5	NT\$8,000 (inclusive) to NT\$10,000				
6	Over NT\$10,000 (inclusive)				

Unit: NT\$ thousands

Audit fee	Non-audit fee					Remark
	System design	Business registration	Human resources	Others	Subtotal	
2,912	0	270	0	346	616	Non-audit fee - Others (1) Transfer pricing report (2) Other professional service reports

- (II) If the non-audit fees paid to the CPAs, their accounting firm and affiliated companies of their accounting firm exceed one-fourth of the audit fees paid to them, the amount of audit and non-audit fees, and the content of non-audit services shall be disclosed: None.
- (III) Where the accounting firm was replaced, and the audit fees in the year when the replacement was made was less than that in the previous year before replacement, the amount of audit fees paid before replacement and reasons for paying this amount shall be disclosed: None.
- (IV) If the audit fees were reduced by 15% and above compared to the previous year, the amount and percentage of decrease in audit fees, as well as the reason for such decrease shall be disclosed: None.

V. Information on change in CPA: None

VI. The Company's Chairman, President, or Any Managerial Officer in Charge of Finance or Accounting Matters Has in the Most Recent Year Held a Position at the Accounting Firm of its CPA or at an Affiliated Enterprise: None.

VII. Transfer & Pledge of Stock Equity by Directors, Supervisors, Managerial Officers and Holders of 10% or More of Company Shares in the Most Recent Fiscal Year and up to the Date of this Annual Report Printed:

(I) Changes in Equity Held by Directors, Managers and Major Shareholders:

Title	Name	2018		Current year up to April 30	
		Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged	Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged
Chairman and CEO	Chu, Fu-Chuan (Note 1)	50,000	-	86,814	-
Institutional Director	Bao Shin International Investment Co., Ltd.	-	-	1,707,760	-
Director	Representative of Bao Shin International Investment Co., Ltd.: Lou, Chao-Tsung	-	-	10,341	-
Director and President	Representative of Bao Shin International Investment Co., Ltd.: Deng, Chin-Tai (Note 1)	-	-	20,000	-
Director	Liu, Yin-Kuang	-	-	-	-
Independent director	Huang, Jiun-Lang	-	-	-	-
Independent director	Fang, Wen-Chang	-	-	-	-
Independent director	Su, Yu-Hui	-	-	-	-
Executive Vice President	Shih, Chun-Hao	-	-	6,000	-
Business Division Vice President	Kuo, Chia-Chi (Note 2)	-	-	10,000	-
Research and Development Center Senior Assistant President	Chen, Hung-Hsiang (Note 3)	1,000	-	10,062	-
CFO	Wu, You-Mei (note 4)	-	-	10,000	-

Note 1: On March 6, 2018, Bao Shin International Investment Co., Ltd. appointed Mr. Deng, Chin-Tai to replace Mr. Ed Wu as its representative. On March 6, 2018, the Company's Board of Directors elected Director Mr. Chu, Fu-Chuan as Chairman and appointed Mr. Deng, Chin-Tai as President.

Note 2: On March 6, 2018, Mr. Kuo, Chia-Chi took over the position of Vice President at the Business Division.

Note 3: On February 22, 2018, Mr. Chen, Hung-Hsiang took over the position of Senior Assistant President at the Research and Development Center.

Note 4: On August 13, 2018, the Company's Board of Directors appointed Ms. Wu, You-Mei as CFO and Accounting Officer.

(II) Circumstances in which Counterparties of Equity Transfer are Related Parties: None.

(III) Information on Equity Pledge: None.

VIII. Information on the Relationship among the Top Ten Shareholders

As of April 30, 2019

Unit: share; %

Name (Note 1)	Shares held		Shares held by spouse and minor children		Shares held through other parties		Title or name and relationship of top 10 largest shareholders who are related parties or each other's spouses and relatives within the second degree of kinship		Remark
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Title (or name)	Relationship	
Bao Shin International Investment Co., Ltd.	29,074,437	34.79%	-	-	-	-	Hyield Venture Capital Co., Ltd.	Same ultimate parent company	-
Representative of Bao Shin International Investment Co., Ltd.: Huang, Chiu-Lien	0	0.00%							
Fubon Life Insurance Co., Ltd.	3,642,145	4.36%	-	-	-	-	-	-	-
Representative of Fubon Life Insurance Co., Ltd.: Tsai, Ming-Hsing	0	0.00%							
Cathay Life Insurance Co., Ltd.	3,369,756	4.03%	-	-	-	-	-	-	-
Representative of Cathay Life Insurance Co., Ltd.: Huang, Tiao-Kuei	0	0.00%	-	-	-	-	-	-	-
HSBC in custody for Value Partners High-Dividend Stocks Fund Investment Account	2,526,000	3.02%	-	-	-	-	-	-	-
New Labor Pension Fund	1,818,894	2.18%	-	-	-	-	-	-	-
Hyield Venture Capital Co., Ltd.	1,808,180	2.16%	-	-	-	-	Bao Shin International Investment Co., Ltd.	Same ultimate parent company	-
Representative of Hyield Venture Capital Co., Ltd.: Huang, De-Cai	0	0.00%	-	-	-	-	-	-	-
JPMorgan Chase Bank in custody for International Explorer Fund Investment Account	1,221,763	1.46%	-	-	-	-	-	-	-
Labor Insurance Fund	1,158,961	1.39%	-	-	-	-	-	-	-
Standard Chartered Bank in custody for Fidelity Funds - Greater China Fund Investment Account	1,022,031	1.22%	-	-	-	-	-	-	-
JPMorgan Chase Bank in custody for Schroder Small Explorer Fund Investment Account	883,919	1.06%	-	-	-	-	-	-	-

Note 1: All the 10 largest shareholders shall be listed. For institutional shareholders, the title of the institutional shareholder as well as the name of their representative shall be indicated.

IX. The Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Company, its Directors and Supervisors, Managers, and Any Companies Controlled either Directly or Indirectly by the Company

As of December 31, 2018

Unit: share; %

Invested business	Investments by the Company		Investments by the Company, its directors, supervisors, managers and directly or indirectly controlled investment businesses		Combined investments	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
Innovative Systems Integration Ltd.	166,221,030	100.00%	-	-	166,221,030	100.00%
Ennoconn International Investment Co., Ltd.	702,635,000	100.00%	-	-	702,635,000	100.00%
Caswell Inc.	20,000,000	29.66%	3,250,000	4.82%	23,250,000	34.48%
Ennoconn Investment Holdings Co.,Ltd	239,360,000	100.00%	-	-	239,360,000	100.00%
ENGA Technology Co., Ltd.	-	-	3,500,000	100.00%	3,500,000	100.00%
Victor Plus Holding Ltd.	-	-	500,000	100.00%	500,000	100.00%
AIS Cayman Technology	-	-	2,250,000	60.00%	2,250,000	60.00%
S&T AG	-	-	17,585,008	26.60%	17,585,008	26.60%
AIS	-	-	1,500,000	100.00%	1,500,000	100.00%
Vecow Co., Ltd.	-	-	20,000,000	100.00%	20,000,000	100.00%
Goldtek Technology Co., Ltd.	-	-	17,002,831	56.74%	17,002,831	56.74%
EnnoMech Precision (Cayman) Co., Ltd.	-	-	13,800,000	100.00%	13,800,000	100.00%
SyS-P Co., Ltd.	-	-	-	100.00%	-	100.00%
Ennowyse Corporation	-	-	5,040,000	60.00%	5,040,000	60.00%
Thecus Technology Corporation	-	-	10,200,000	60.00%	10,200,000	60.00%
Dexatek Technology Ltd.	-	-	12,600,000	60.00%	12,600,000	60.00%
Marketch International Corp.	-	-	83,468,613	45.21%	83,468,613	45.21%
HighAim Technology INC.	-	-	3,302,618	66.05%	3,302,618	66.05%
Dominate United Enterprise Ltd.	-	-	2,100,000	100.00%	2,100,000	100.00%
EnnoMech Precision Co., Ltd.	-	-	1,000,000	100.00%	1,000,000	100.00%
Funology Investment Inc.	-	-	1,000	100.00%	1,000	60.00%
Andrix International Ltd.	-	-	900	100.00%	900	60.00%
Caso Inc.	-	-	8,105,130	99.00%	8,105,130	34.14%
Caswell International Investment Co., Ltd.	-	-	-	100.00%	-	34.48%
Caswell Americas,Inc	-	-	61,380,000	100.00%	61,380,000	34.48%

Invested business	Investments by the Company		Investments by the Company, its directors, supervisors, managers and directly or indirectly controlled investment businesses		Combined investments	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
Thecus NL B.V.	-	-	2,600	100.00%	2,600	60.00%
Tecas USA., Inc.	-	-	750,000	100.00%	750,000	60.00%
Keenest Electronic Corp.	-	-	12,000,000	100.00%	12,000,000	56.74%
SYS-P Corp	-	-	50,000	100.00%	50,000	100.00%
S&T CZ s.r.o., Czech Republic	-	-	50,000,000	100.00%	50,000,000	26.60%
S&T Plus s.r.o., Czech Republic	-	-	10,000,000	100.00%	10,000,000	26.60%
S&T Services Polska Sp.z.o.o., Poland	-	-	2,120	100.00%	2,120	26.60%
S&T Crna Gora d.o.o., Montenegro	-	-	25,000	100.00%	25,000	26.60%
S&T Bulgaria e.o.o.d., Bulgaria	-	-	13,126	100.00%	13,126	26.60%
S&T Poland Sp.z.o.z., Poland	-	-	26,974	100.00%	26,974	26.60%
S&T Services s.r.o., Slovakia	-	-	991,572	100.00%	991,572	26.60%
S&T Slovenija d.d., Slovenia	-	-	1,310,716	100.00%	1,310,716	26.60%
S&T Hrvatska d.o.o., Croatia	-	-	221,300	100.00%	221,300	26.60%
S&T Macedonia d.o.o.e.l., Macedonia	-	-	568,000	100.00%	568,000	26.60%
S&T Romania S.R.L., Romania	-	-	7,921	100.00%	7,921	26.60%
S&T Serbia d.o.o., Serbia	-	-	8,786	100.00%	8,786	26.60%
S&T Albania Sh.p.k., Albania	-	-	100	100.00%	100	26.60%
S&T Mold srl., Moldova	-	-	1,135,094	100.00%	1,135,094	26.60%
S&T Consulting Hungary Kft., Hungary	-	-	100,000	100.00%	100,000	26.60%
S&T Deutschland GmbH, Germany	-	-	25,000	100.00%	25,000	26.60%
Computer Betting Company GmbH, Austria	-	-	36,336	100.00%	36,336	26.60%
SecureGUARD GmbH, Austria	-	-	92,460	69.00%	92,460	18.35%
S&T embedded GmbH, Germany	-	-	-	0.00%	-	0.00%
S&T CEE Holding s.r.o., Slovakia	-	-	1,881,565	100.00%	1,881,565	26.60%
Dorobet Ltd., Malta	-	-	198,000	99.00%	198,000	26.33%
S&T Smart Energy GmbH, Austria	-	-	36,000	100.00%	36,000	26.60%
Amanox Solutions AG, Switzerland	-	-	53,760	51.00%	53,760	13.57%
Hamcos IT Service GmbH, Germany	-	-	98,000	49.00%	98,000	13.03%

Invested business	Investments by the Company		Investments by the Company, its directors, supervisors, managers and directly or indirectly controlled investment businesses		Combined investments	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
Kontron Austria GmbH, Austria(formerly S&T Electronics and Payment Systems GmbH, Austria)	-	-	32,702	100.00%	32,702	26.60%
S&T SME Distribution GmbH, Austria	-	-	17,850	51.00%	17,850	13.57%
S&T Services GmbH, Austria	-	-	35,000	100.00%	35,000	26.60%
S&T Technologies GmbH, Austria	-	-	35,000	100.00%	35,000	26.60%
Linforge Technologies GmbH, Austria	-	-	35,000	100.00%	35,000	26.60%
GADA Group Romania SRL, Romania	-	-	105,000	84.00%	105,000	22.34%
Affair OOO, Russia	-	-	4,800,000	48.00%	4,800,000	12.77%
SnT Services Bel LCC, BLR	-	-	113,267	100.00%	113,267	26.60%
S&T Asia Inc., Taiwan	-	-	-	0.00%	-	0.00%
SteuDaTecc System-und Netzwerktechnik GmbH	-	-	25,000	100.00%	25,000	26.60%
XTRO AG, Germany	-	-	50,000	100.00%	50,000	26.60%
STS Sportwetten GmbH, Austria	-	-	36,400	100.00%	36,400	26.60%
S&T Slovakia s.r.o., Slovakia	-	-	1,659,696	100.00%	1,659,696	26.60%
S&T Services Kft., Hungary	-	-	268,000	100.00%	268,000	26.60%
Kontron America Inc.	-	-	2,036,040	100.00%	2,036,040	26.60%
Kontron Canada Inc.	-	-	50,000,200	100.00%	50,000,200	26.60%
Kontron Asia Pacific Design Sdn. Bhd.	-	-	44,581,112	100.00%	44,581,112	26.60%
Kontron (Beijing) Technology Co., Ltd.	-	-	15,398,961	100.00%	15,398,961	26.60%
Kontron Europe GmbH	-	-	23,600,000	100.00%	23,600,000	26.60%
Kontron S&T AG, Germany (formerly Kontron AG)	-	-	58,277,969	95.00%	58,277,969	25.27%
Kontron ECT design s.r.o.	-	-	500,000	100.00%	500,000	26.60%
Kontron UK Ltd.	-	-	172,550	100.00%	172,550	26.60%
Kontron Modular Computers S.A.S.	-	-	344,503	100.00%	344,503	26.60%
Kontron Technology A/S	-	-	500,000	100.00%	500,000	26.60%
Kontron Electronics GmbH, Germany	-	-	102,150	100.00%	102,150	26.60%
Kontron Austria Electronics GmbH, Austria	-	-	54,000	100.00%	54,000	26.60%

Invested business	Investments by the Company		Investments by the Company, its directors, supervisors, managers and directly or indirectly controlled investment businesses		Combined investments	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
Kontron Electronics AG, Switzerland	-	-	1,000	100.00%	1,000	26.60%
Kontron Austria Holding GmbH, Austria	-	-	35,000	100.00%	35,000	26.60%
S&T PilsCom s.r.o., Czech Republic	-	-	100,000	100.00%	100,000	26.60%
RTSoft Project OOO, Russia	-	-	372,500	75.00%	372,500	19.95%
S&T IT Technologie srl., Moldova	-	-	50,000	100.00%	50,000	26.60%
Kapsch CarrierCom d.o.o.	-	-	10,900,000	100.00%	10,900,000	26.60%
Kapsch DOOEL Skopje	-	-	307,000	100.00%	307,000	26.60%
Marketch Integrated Pte. Ltd.	-	-	9,235,678	100.00%	9,235,678	45.21%
Market Go Profits Ltd.	-	-	39,569,104	100.00%	39,569,104	45.21%
MIC-Tech Global Corp.	-	-	131,560	100.00%	131,560	45.21%
Headquarter International Ltd.	-	-	1,289,367	100.00%	1,289,367	45.21%
Tiger United Finance Ltd.	-	-	1,410,367	100.00%	1,410,367	45.21%
Marketch Engineering Pte. Ltd.	-	-	421,087	100.00%	421,087	45.21%
Marketch Integrated Manufacturing Company Limited	-	-	1,400,000	100.00%	1,400,000	45.21%
MIC-Tech Viet Nam Co., Ltd.	-	-	-	100.00%	-	45.21%
Marketch Co., Ltd.	-	-	-	100.00%	-	45.21%
eZoom Information, Inc.	-	-	20,000,000	100.00%	20,000,000	45.21%
PT Marketch International Indonesia	-	-	1,200,000	100.00%	1,200,000	45.21%
ADAT Technology Co., Ltd.	-	-	2,000,000	30.30%	2,000,000	13.70%
Marketch Netherlands B.V.	-	-	300,000	100.00%	300,000	45.21%
Marketch International Sdn. Bhd.	-	-	122,424,750	100.00%	122,424,750	45.21%
MIC-Tech Ventures Asia Pacific Inc.	-	-	39,466,604	100.00%	39,466,604	45.21%
Marketch Integrated Construction Co., Ltd.	-	-	28,500	95.00%	28,500	42.95%
Russky H.K. Limited	-	-	833,000	100.00%	833,000	45.21%
Frontken MIC Co. Limited	-	-	2,337,608	100.00%	2,337,608	45.21%
MICT International Limited	-	-	5,400,000	60.00%	5,400,000	27.13%
Nanjing Asiatek Inc.	-	-	-	100.00%	-	100.00%
Ennoconn (Foshan) Investment Co., Ltd.	-	-	-	100.00%	-	100.00%
Beijing Caswell Ltd.	-	-	-	28.03%	-	9.66%

Invested business	Investments by the Company		Investments by the Company, its directors, supervisors, managers and directly or indirectly controlled investment businesses		Combined investments	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
HighAim Technology Inc.	-	-	-	66.05%	-	39.63%
EnnoMech Precision (Shenzhen) Co., Ltd.	-	-	-	100.00%	-	100.00%
Goldtek Technology (Shenzhen) Co., Ltd.	-	-	-	56.74%	-	32.19%
Ennoconn (Suzhou) Technology Co., Ltd.	-	-	-	100.00%	-	100.00%
Kunshan Ennoconn Smart Technology Co., Ltd.	-	-	-	100.00%	-	100.00%
MIC-Tech (Wuxi) Co., Ltd.	-	-	-	45.21%	-	20.44%
MIC-Tech (Shanghai) Corp., Ltd.	-	-	-	45.21%	-	20.44%
Fuzhou Jiwei System Integrated Co., Ltd.	-	-	-	45.21%	-	20.44%
Shanghai Puritic Co., Ltd.	-	-	-	39.33%	-	17.78%
MIC-Tech Electronics Engineering Corp.	-	-	-	45.21%	-	20.44%
SKMIC (Wuxi) Co., Ltd.	-	-	-	22.15%	-	10.01%
Chen Gao M&E Engineering (Shanghai) Co., Ltd	-	-	-	45.21%	-	20.44%
Frontken MIC (Wuxi) Co. Ltd.	-	-	-	45.21%	-	20.44%
Intergrated Manufacturing & Services Co., Ltd.	-	-	-	27.13%	-	12.27%
MIC-Tech China Trading (Shanghai) Co., Ltd.	-	-	-	45.21%	-	20.44%

Chapter 4 Company Shares and Fund Raising

I. Capital and Shares

(I) Capital Formation:

Unit: Shares NT\$

Year	Issued Price	Authorized Capital Stock		Paid-in Capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital	Property other than Cash Offset by the Number of Shares	Others
July 12, 1999 (Note 1)	10	4,000,000	40,000,000	1,000,000	10,000,000	Capital stock at establishment	-	-
October 25, 1999 (Note 2)	10	4,000,000	40,000,000	4,000,000	40,000,000	Capital increase by 30,000,000 in cash	-	-
January 15, 2001 (Note 3)	10	10,000,000	100,000,000	10,000,000	100,000,000	Capital increase by 60,000,000 in cash	-	-
May 25, 2005 (Note 4)	20 10	10,000,000	100,000,000	4,000,000	40,000,000	Capital contributions by claims of 20,000,000 Capital reduction of 80,000,000	-	-
June 24, 2005 (Note 5)	20	10,000,000	100,000,000	5,000,000	50,000,000	Cash capital increase by 10,000,000 in cash	-	-
May 11, 2006 (Note 6)	10 10 10	60,000,000	600,000,000	14,000,000	140,000,000	Cash capital increase by 70,000,000 in cash Capital increase from earnings by 18,489,850 Capital increase from employee bonus by 1,510,150	-	-
October 4, 2006 (Note 7)	10	60,000,000	600,000,000	16,800,000	168,000,000	Cash capital increase by 28,000,000 in cash	-	-
March 6, 2007 (Note 8)	12.5	60,000,000	600,000,000	36,800,000	368,000,000	Cash capital increase by 200,000,000 in cash	-	-
June 22, 2007 (Note 9)	10	60,000,000	600,000,000	37,793,600	377,936,000	Capital increase from earnings 9,936,000	-	-
August 21, 2008 (Note 10)	10 10	60,000,000	600,000,000	40,040,000	400,400,000	Capital increase from earnings by 19,136,000 Capital increase from employee bonus by 3,328,000	-	-
August 25, 2009 (Note 11)	10 12.26	60,000,000	600,000,000	41,675,111	416,751,110	Capital increase from earnings by 14,014,000 Capital increase from employee bonus by 2,337,110	-	-
August 13, 2010	10	60,000,000	600,000,000	46,185,340	461,853,400	Capital increase from earnings by	-	-

Year	Issued Price	Authorized Capital Stock		Paid-in Capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital	Property other than Cash Offset by the Number of Shares	Others
(Note 12)	13.58					38,757,860 Capital increase from employee bonus by 6,344,430		
September 26, 2011 (Note 13)	10 14.24	60,000,000	600,000,000	47,409,788	474,097,880	Capital increase from earnings by 11,084,480 Capital increase from employee bonus by 1,160,000	-	-
September 17, 2012 (Note 14)	25 10 13.96	60,000,000	600,000,000	53,945,984	539,459,840	Cash capital increase by 50,000,000 in cash Capital increase from earnings by 9,481,960 Capital increase from employee bonus by 5,880,000	-	-
July 17, 2013 (Note 15)	10 42.42	100,000,000	1,000,000,000	60,450,341	604,503,410	Capital increase from earnings by 60,635,280 Capital increase from employee bonus by 4,408,290	-	-
April 16, 2014 (Note 16)	128	100,000,000	1,000,000,000	66,530,341	665,303,410	Cash capital increase by 60,800,000 in cash	-	-
January 21, 2015 (Note 17)	236	100,000,000	1,000,000,000	68,680,341	686,803,410	Share swap of 21,500,000	Swapped 8,600,000 shares of CASwell Inc.	-
November 30, 2015 (Note 18)	10	100,000,000	1,000,000,000	68,875,760	688,757,600	Converted 1,954,190 in the first domestic convertible corporate bonds	-	-
February 15, 2016 (Note 19)	10	100,000,000	1,000,000,000	69,728,698	697,286,980	Converted 8,529,380 in the first domestic convertible corporate bonds	-	-
May 19, 2016 (Note 20)	10	100,000,000	1,000,000,000	70,495,867	704,958,670	Converted 7,671,690 in the first domestic convertible corporate bonds	-	-
August 11, 2016 (Note 21)	388	100,000,000	1,000,000,000	74,995,867	749,958,670	Capital increase by 45,000,000 in cash	-	-
August 29, 2016 (Note 22)	10	100,000,000	1,000,000,000	75,618,210	756,182,100	Converted 6,223,430 in the first domestic convertible corporate bonds	-	-
November 22, 2016 (Note 23)	10	100,000,000	1,000,000,000	76,152,738	761,527,380	Converted 5,345,280 in the first and second domestic convertible corporate bonds	-	-
February 6, 2017	10	100,000,000	1,000,000,000	76,300,802	763,008,020	Converted 1,480,640 in the first and second	-	-

Year	Issued Price	Authorized Capital Stock		Paid-in Capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital	Property other than Cash Offset by the Number of Shares	Others
(Note 24)						domestic convertible corporate bonds		
May 31, 2017 (Note 25)	10	100,000,000	1,000,000,000	76,388,434	763,884,340	Converted 87,632 in the first and second domestic convertible corporate bonds	-	-
August 7, 2017 (Note 26)	10	100,000,000	1,000,000,000	76,398,052	763,980,520	Converted 9,618 in the first and second domestic convertible corporate bonds	-	-
December 7, 2017 (Note 27)	10	100,000,000	1,000,000,000	76,527,598	765,275,980	Converted 139,546 in the first and second domestic convertible corporate bonds	-	-
February 1, 2018 (Note 28)	10	100,000,000	1,000,000,000	76,528,811	765,288,110	Converted 1,213 in the first and second domestic convertible corporate bonds	-	-
May 24, 2018 (Note 29)	10	100,000,000	1,000,000,000	77,365,249	773,652,490	Converted 836,438 in the second domestic convertible corporate bonds and first overseas domestic convertible corporate bonds	-	-
March 13, 2019	10	100,000,000	1,000,000,000	83,574,472	835,744,720	Capital increase by 60,000,000 in cash	-	-

Note 1: The Economic Affairs Bureau of Taipei City Government Approval Letter No. Shang-Er—88328790 issued on September 16, 1999

Note 2: The Economic Affairs Bureau of Taipei City Government Approval Letter No. Shang-Er—88347702 issued on October 25, 1999

Note 3: The Ministry of Economic Affairs Approval Letter No. (090)-Shang—0900100965 issued on January 15, 2001

Note 4: The Ministry of Economic Affairs Approval Letter No. Shou-Zhong—09432172260 issued on May 25, 2005

Note 5: The Ministry of Economic Affairs Approval Letter No. Shou-Zhong—09432336280 issued on June 24, 2005

Note 6: The Ministry of Economic Affairs Approval Letter No. Shou-Zhong—09532165220 issued on May 11, 2006

Note 7: The Ministry of Economic Affairs Approval Letter No. Shou-Zhong—09532926230 issued on October 04, 2006

Note 8: The Ministry of Economic Affairs Approval Letter No. Shou-Zhong—09631769360 issued on March 06, 2007

Note 9: The Ministry of Economic Affairs Approval Letter No. Shou-Zhong—09632312080 issued on June 22, 2007

Note 10: The Economic Development Bureau of Taipei County Government Official Letter No. Jing-Deng—0973049365 issued on August 21, 2008

Note 11: The Ministry of Economic Affairs Official Letter No. Shou-Zhong—09832930520 issued on August 25, 2009

Note 12: The Taipei County Government Official Letter No. Jing-Deng—0993148047 issued on August 13,

2010

- Note 13: The New Taipei City Government Official Letter No. Jing-Deng—1005059538 issued on September 26, 2011
- Note 14: The Ministry of Economic Affairs Official Letter No. Shou-Shang—10101192660 issued on September 27, 2012
- Note 15: The Ministry of Economic Affairs Official Letter No. Shou-Shang—10201140690 issued on July 17, 2013
- Note 16: The Ministry of Economic Affairs Official Letter No. Shou-Shang—10301065980 issued on April 16, 2014
- Note 17: The Ministry of Economic Affairs Official Letter No. Shou-Shang—10401002010 issued on January 21, 2015
- Note 18: The Ministry of Economic Affairs Official Letter No. Shou-Shang—10401247880 issued on November 30, 2015
- Note 19: The Ministry of Economic Affairs Official Letter No. Shou-Shang—10501027780 issued on February 15, 2016
- Note 20: The Ministry of Economic Affairs Official Letter No. Shou-Shang—10501104050 issued on May 19, 2016
- Note 21: The Ministry of Economic Affairs Official Letter No. Shou-Shang—10501193160 issued on August 11, 2016
- Note 22: The Ministry of Economic Affairs Official Letter No. Shou-Shang—10501209510 issued on August 29, 2016
- Note 23: The Ministry of Economic Affairs Official Letter No. Shou-Shang—10501266500 issued on November 22, 2016
- Note 24: The Ministry of Economic Affairs Official Letter No. Shou-Shang—10601014510 issued on February 6, 2017
- Note 25: The Ministry of Economic Affairs Official Letter No. Shou-Shang—10601069670 issued on May 31, 2017
- Note 26: The Ministry of Economic Affairs Official Letter No. Shou-Shang—10601112420 issued on August 7, 2017
- Note 27: The Ministry of Economic Affairs Official Letter No. Shou-Shang—10601164100 issued on December 7, 2017
- Note 28: The Ministry of Economic Affairs Official Letter No. Shou-Shang—10701012860 issued on February 1, 2018
- Note 29: The Ministry of Economic Affairs Official Letter No. Shou-Shang—10701057310 issued on May 24, 2018
- Note 30: The Ministry of Economic Affairs Official Letter No. Shou-Shang—10801036000 issued on April 3, 2019

(II) Types of Shares Issued:

April 30, 2019; Unit: Share

Type of Shares	Authorized Capital			Remarks
	Outstanding Shares	Non-issued Shares	Total	
Common Shares	83,574,472	16,425,528	100,000,000	Listed Stocks

II. Composition of Shareholders:

April 30, 2019; Unit: Share

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other Institutions	Foreign Institutions & Individuals	Individuals	Treasury Shares	Total
Number of individuals	5	21	72	142	8,494	1	8,735
Number of Shares Held	3,980,472	8,264,214	33,460,944	14,583,885	22,629,957	655,000	83,574,472
Shareholdings (%)	4.76%	9.89%	40.04%	17.45%	27.08%	0.78%	100.00%

III. Distribution Profile of Share Ownership:

April 30, 2019; Unit: Share

Shares	Number of Shareholders	Number of Shares Held	Shareholdings (%)
1-999	1,456	198,397	0.24%
1,000-5,000	6,354	10,579,389	12.66%
5,001-10,000	496	3,632,097	4.35%
10,001-15,000	159	1,965,038	2.35%
15,001-20,000	65	1,167,396	1.40%
20,001-30,000	61	1,504,776	1.80%
30,001-40,000	30	1,035,081	1.24%
40,001-50,000	18	808,195	0.97%
50,001-100,000	39	2,693,979	3.22%
100,001-200,000	25	3,520,488	4.21%
200,001-400,000	11	3,194,342	3.82%
400,001-600,000	5	2,284,558	2.73%
600,001-800,000	5	3,634,714	4.35%
800,001-1,000,000	2	1,713,855	2.05%
1,000,001 or above	9	45,642,167	54.61%
Total	8,735	83,574,472	100.00%

IV. List of Major Shareholders

April 30, 2019; Unit: Share

Name of Major Shareholders	Shares	Shares Held	Shareholdings (%)
Bao Shin International Investment Co., Ltd.		29,074,437	34.79%
Fubon Life Insurance Co., Ltd.		3,642,145	4.36%
Cathay Life Insurance Co., Ltd.		3,369,756	4.03%
HSBC Custodian Investment Account for Value Partners High-Dividend Stocks Fund		2,526,000	3.02%
New labor pension fund		1,818,894	2.18%
Hong Yang Venture Capital Co., Ltd.		1,808,180	2.16%
Chase Bank Custodian Investment Account for Developed International Exploration Funds		1,221,763	1.46%
Labor insurance fund		1,158,961	1.39%
Standard Chartered Bank Custodian Investment Account for Fidelity Funds - Greater China Fund		1,022,031	1.22%
Chase Bank Custodian Investment Account for Schroders Small Exploration Funds		883,919	1.06%

V. Market Price, Net Value, Earnings Per Share, Dividends and Related Information for the Most Recent Two Fiscal Years

Unit: NT\$; thousand share

Item		Year	2017	2018	Current Year to April 30, 2019
Market Price Per Share	Highest		515	536	312
	Lowest		296	189	235.5
	Average		424.97	377.42	274.47
Equity Per Share	Before Distribution		88.23	85.38	Note 3
	After Distribution		79.31	-	
Earnings per Share	Weighted Average Shares		75,838	76,686	
	Earnings per Share		14.28 (Note 2)	14.45	
Dividends per Share	Cash Dividends		8.88	7 (Note 1)	
	Stock Dividends	Stock Dividends from Retained Earnings	-	- (Note 1)	
		Stock Dividends from Capital Reserve	-	- (Note 1)	
	Accumulated Undistributed Dividends		-	-	
Investment Return Analyses	Price-earning ratio		29.76	26.12	
	Price-dividend ratio		47.86	53.92 (Note 1)	
	Cash Dividend Yield		2.09%	1.85%	

Note 1: Distribution of earnings for 2018 has been approved by the Board of Directors but not been approved by the AGM.

Note 2: It has been restated and audited by the CPA in 2017.

Note 3: No relevant financial information shall be disclosed.

VI. The Company's Dividend Policy and Implementation Status

(I) Dividend Policy

If the Company has a profit for the year, it shall set aside no less than 2% of the total profit for employee bonus. The Board of Directors shall decide to distribute the bonus in shares or cash; the persons who receive the bonus shall include employees of subsidiary companies who meet certain conditions, and relevant measures shall be decided by the authorized Board of Directors. If the Company earns the aforementioned profit, the Board of Directors shall set aside no more than 2% of the total profit for Director bonus. Proposals for the distribution of employee bonus as well as Director bonus shall be submitted to the shareholder's meeting.

However, if the Company has accumulated losses, an amount of compensation shall be set aside for the amount of losses before distributing employee and Director bonuses in accordance with the aforementioned percentages.

If it is "net profit for the current period" in the Company's annual final accounts, the profit shall be distributed in the following order:

- (1) Set aside an amount to make up losses.
- (2) Set aside 10% as statutory reserve. However, in case the said reserve has already reached the total amount of the paid-in capital, the Company may not be subject to this provision.
- (3) Appropriate or reverse an amount as special capital reserve in accordance with law.
- (4) In the case of "net profit for the current period in the final accounts," after the amounts specified in subparagraphs (1) to (3) above are deducted, the remaining amount, the accumulated undistributed earnings at the beginning of the period, and the undistributed earnings at the end of the period are adjusted; the Board of Directors shall put forward a distribution proposal for the distributable earnings and submit it to the shareholders' meeting for approval.

The Company is currently in the growth stage and will be expanded in line with business development in the future. The distribution of earnings shall be based on the Company's future capital expenditure budgets and capital requirements, and the Board of Directors shall put forward a distribution proposal, and the distribution shall only be executed after the resolution of the shareholders' meeting. However, not less than 10% of the dividends to be distributed in the current year shall be distributed in cash. The Company's dividends to the shareholders shall be appropriated based on accumulated distributable earnings; to protect the shareholders' interests, no less than 15% of the distributable earnings shall be the basis for reference.

(II) Distribution of Proposed Dividends at the Shareholders' Meeting

The Company's Board of Directors passed the proposal for earnings distribution for 2018 on March 29, 2019 (has not been approved at the shareholders' meeting via resolution yet).

- (1) Cash dividends in the earnings distribution: 7 (NT\$/share).
- (2) Cash from legal capital reserve and capital surplus to be distributed: 0 (NT\$/share).
- (3) Total amount of cash (dividends) distributed to shareholders: NT\$580,436,304.

(III) When There is a Material Change in the Expected Dividend Policy, It Shall be Stated: As of the publication date of the annual report, the Company has no plan to change the dividend policy.

VII. Effect upon Business Performance and Earnings Per Share of any Stock Dividend Distribution Proposed or Adopted at the Most Recent Shareholders' Meeting 56

The Company does not distribute stock dividends for 2018, but it still requires approval from the shareholders' meeting via resolution.

VIII. Employee Stock Bonus and Remuneration of Directors and Supervisors

- (I) The Percentage and Scope of Employee Bonus and Director bonus as Set Out in the Company's Articles of Incorporation: Refer to 6-(1) for details.
- (II) Accounting Treatment for the Basis for Estimating the Employees Bonus and Director Bonus for the Current Period, the Basis for the Calculation of the Number of Shares Distributed to the Employees as the Bonus and the Actual Distribution, and for any Difference between the Actual Number Distributed and the Estimated Number:
 - (1) The basis for estimating the amount of employees' and Directors' bonuses for the current period: Please refer to the above-mentioned 6-(1) for information regarding the dividend policy.
 - (2) The basis for calculating the number of shares to be distributed to employees as the bonus for the current period: None.
 - (3) Accounting treatment for difference between the actual number distributed and the estimated figures: It is considered as a change in accounting estimates and is included in profit or loss in the actual year for distribution.
- (III) Information on Distribution of Bonuses Approved by the Board of Directors:
 - (1) The amount of employee bonus and Director bonus in cash or shares, if there is any difference between the above-mentioned amount and estimated amount of recognized expenses for the current fiscal year, the amount and reasons of, as well as response to the said difference shall be disclosed:

The Company's annual earnings distribution for 2018 was approved by the Board of Directors on March 29, 2019. The Company's distribution of the bonus to employees in cash for 2018 totaled NT\$33,818,800, accounting for 2.95% of the profit in the final accounts of 2018; the distribution of the bonus to Director reached NT\$3,060,000, accounting for 0.27% of the profit in the final accounts of 2018. The estimated bonus to employees in cash was NT\$33,818,800 and to Directors was NT\$3,060,000 in the year of 2018, which were estimated in accordance with 2.95% and 0.27%, respectively, of the pre-tax profit as stated in the dividend policy of 6-(1); there is no discrepancy between the annual amount and estimated amount.
 - (2) The proportion of the amount of employee bonus in the form of shares to the net income after taxes and the total amount of employee bonus for the current fiscal year:

The Company's dividends for 2018 were all distributed to employees in cash and not in form of stock.
- (IV) If There is Any Difference between the Actual Amount of Bonus Distributed to Employees and Directors (Including Number and Dollar Amount of Shares Distributed, as well as Share Price) and the Recognized Amount of the Bonuses to Employees and Directors in the Previous Fiscal Year, the Amount and Reasons of, as well as Response to the Said Difference shall be Stated:

In the 2017 annual earnings distribution of the Company, the distribution of employee bonus and Director bonus is as follows.

Unit: NT\$

Year of 2017	Amount recognized in the financial statements	Actual distribution amount approved by the Board of Directors	Differences	Reasons for the differences
Bonus to employees in cash	50,000,000	50,000,000	-	-
Bonus to Directors	2,901,205	2,901,205	-	
Total	52,901,205	52,901,205	-	

IX. Share Repurchases: None.

X. Issuance of Corporate Bonds

(I) Domestic and Overseas Corporate Bonds:

Type of corporate bond	The 2nd Issuance of Domestic Unsecured Convertible Corporate Bonds	The 3rd Issuance of Domestic Unsecured Convertible Corporate Bonds	The 1st Issuance of Overseas Unsecured Convertible Corporate Bonds
Date of issuance	May 13, 2016	February 26, 2019	March 10, 2017
Par Value	NT\$100,000 each	NT\$100,000 each	US\$200,000 per each
Place of issuance and transaction	Taipei Exchange	Taipei Exchange	Singapore Exchange Ltd.
Issued Price	Issued by par value	Issued by 100.2% of par value	Issued by par value
Total	NT\$1,800,000,000	NT\$6,000,000,000	US\$200,000,000 For the conversion of corporate bonds, a fixed exchange rate at 1: 31.653 for US to NTD was adopted for repayment, reverse repurchase, and redemption of bonds
Interest rate	Coupon rate 0%	Coupon rate 0%	Coupon rate 0%
Term	5 year; issued on May 13, 2016; expiration date: May 13, 2021	5 years; issued on February 26, 2019; expiration date: February 26, 2024	5 years; issued on March 10, 2017; expiration date: March 10, 2022
Guarantee Agency	Not applicable	Not applicable	Not applicable
Consignee	Bank SinoPac	Bank SinoPac	Citicorp International Limited
Underwriting Institution	KGI Securities Co., Ltd.	Yuanta Securities Co., Ltd.	Foreign Underwriting Host: KGI Asia Limited Domestic Underwriter for Submission: KGI Securities Co., Ltd.
Certified Attorney	Handsome Attorneys-at-law: Attorney Chui, Ya-Wen	Handsome Attorneys-at-law: Attorney Chui, Ya-Wen	Lee and Li Attorneys-at-law: Attorney Sung, Tien-Hsiang
CPA	Deloitte & Touche CPA Yang, Ching-Ting and Yang, Ching-Chen	Deloitte & Touche CPA Liu, Shui-En and Yang, Ching-Chen	Deloitte & Touche CPA Liu, Shui-En and Yang, Ching-Chen
Repayment Method	Except for the conversion of the convertible corporate bonds by the bondholders into the Company's	Except for the conversion of the corporate bonds by the bondholders into the Company's ordinary shares in	1. Except for the redemption and buy-back and cancellation of the bonds or the exercise of the

Type of corporate bond	The 2nd Issuance of Domestic Unsecured Convertible Corporate Bonds	The 3rd Issuance of Domestic Unsecured Convertible Corporate Bonds	The 1st Issuance of Overseas Unsecured Convertible Corporate Bonds
	ordinary shares in accordance with Article 10 of the regulations, or early redemption by the Company in accordance with Article 18 of the regulations, or buyback and cancellation of the bonds by securities firms, or the exercise of the right of reverse repurchase by the bondholders in accordance with Article 19, the Company repays the bonds held by the bondholders in cash in lump sum upon the maturity of the bonds based on the par value of the bonds.	accordance with Article 10 of the regulations, or early redemption by the Company in accordance with Article 17 of the regulations, or buyback and cancellation of the bonds by securities firms, or the exercise of the right of reverse repurchase by the bondholders in accordance with Article 18, the Company repays the bonds held by the bondholders in cash in lump sum upon the maturity of the bonds based on the par value of the bonds.	conversion right by the bondholders, on the maturity date of the bonds, the issuing company will repay the bonds in full according to the par value of the bonds plus the annual interest rate of 1.25% for the earning rate (hereinafter referred to as the "redemption price"). 2. The redemption price upon maturity will be converted into New Taiwan dollar at a fixed exchange rate, and the amount in New Taiwan dollar will be converted into US dollar at the exchange rate at that time (1:31.653 as indicated by Taipei Forex Inc. at 11:00 a.m.).
Outstanding amount	NT\$1,210,600,000	NT\$6,000,000,000	US\$42,100,000
Terms of Redemption or Advance Repayment	1. Where the bonds have been issued from the following day after the second month of issuance (July 14, 2016) to the 40th day before the expiration date (April 3, 2021), where the closing price of the Company's ordinary shares on Taipei Exchange exceeds 30% or more of the conversion price of the convertible bonds at that time for 30 consecutive business days, the Company may, within 30 business days thereafter, mail the bondholders (those on the list of creditors five	1. Where the bonds have been issued from the following day after the third month of issuance (May 27, 2019) to the 40th day before the expiration date (January 17, 2024), if the closing price of the Company's ordinary shares at the Taiwan Stock Exchange Corporation (TWSE) exceeds 30% or more of the conversion price of the convertible bonds at that time for 30 (inclusive) consecutive business days, mail the bondholders (those on the list of creditors five business days before the mailing of the "bond	1. After two years from the issuance of the bonds, for 20 trading days out of 30 consecutive business days, where, after converted into the amount in the US dollar at the real-time exchange rate, the closing price of the issuing company's ordinary shares on the Taiwan Stock Exchange reaches 130% or more of the amount of the early redemption price multiplied by the conversion price (at a fixed exchange rate of 1:31.653 agreed up on the price determination date) at that time and

Type of corporate bond	The 2nd Issuance of Domestic Unsecured Convertible Corporate Bonds	The 3rd Issuance of Domestic Unsecured Convertible Corporate Bonds	The 1st Issuance of Overseas Unsecured Convertible Corporate Bonds
	<p>business days before the mailing of the "bond recalling notice" shall prevail; the investors who subsequently acquire the bonds through trading or other reasons shall be notified through public announcement) the "bond recalling notice" by registered mail 30 days before the recalling date (the said period starts from the date of the mailing the notice, and the expiration date of the said period is the base date for recalling the bonds, and the said period shall not be termination period of converting the convertible corporate bonds), while sending Taipei Exchange an official letter for making public announcement; within five business days after the base date of recalling the bonds, the bondholders' convertible corporate bonds shall be redeemed in cash based on the par value of the bonds.</p> <p>2. Where the bonds have been issued from the following day after the second month of issuance (July 14, 2016) to the 40th day before the expiration date (April 3, 2021), where the balance of the circulating bonds is less than 10% of the total original monetary amount of the</p>	<p>recalling notice" shall prevail; the investors who subsequently acquire the convertible corporate bonds through trading or other reasons shall be notified through public announcement) the "bond recalling notice" by registered mail 30 days before the recalling date (the said period starts from the date of the mailing the notice, and the expiration date of the said period is the base date of recalling the bonds, and the said period shall not be the termination period of conversion as stated in Article 9), while sending Taipei Exchange an official letter for making public announcement; within five business days after the base date of recalling the bonds, the bondholders' convertible corporate bonds shall be redeemed in cash based on the par value of the bonds.</p> <p>2. Where the bonds have been issued from the following day after the third month of issuance (May 27, 2019) to the 40th day before the expiration date (January 17, 2024), if the balance of the circulating bonds is less than 10% of the total original monetary amount of issued bonds, the Company may, at any time</p>	<p>divided by the par value, the issuing company may redeem all or part of the bonds at the early redemption price (as defined below).</p> <p>2. Where over 90% of the bonds are redeemed, converted, and bought back and canceled, the issuing company may redeem the bonds still in circulation at the issuing company's early redemption price.</p> <p>3. In the case of the changes in the taxation laws of the Republic of China, the issuing company's tax burden increases due to the issuance of the bonds after the issuance date and needs to pay additional fees or bears a higher cost, the issuing company may redeem all of the bonds early at the early redemption price in accordance with the brokerage contract. Where a bondholder does not participate in the redemption, the bondholder shall not request the issuing company to pay additional taxes or fees.</p> <p>4. The early redemption price will all be converted into New Taiwan dollar at the fixed exchange rate of 1:31.653 (based on the fixing displayed by Taipei Forex Inc. at 11:00 a.m.). The amount in the New</p>

Type of corporate bond	The 2nd Issuance of Domestic Unsecured Convertible Corporate Bonds	The 3rd Issuance of Domestic Unsecured Convertible Corporate Bonds	The 1st Issuance of Overseas Unsecured Convertible Corporate Bonds
	<p>issued bonds, the Company may mail the bondholders (those on the list of creditors five business days before the mailing of the "bond redemption notice" shall prevail; the investors who subsequently acquire the bonds through trading or other reasons shall be notified through public announcement) the "bond recalling notice" by registered mail 30 days before the recalling date (the said period starts from the date of the mailing the notice, and the expiration date of the said period is the base date of recalling the bonds, and the said period shall not be the termination period of converting this convertible corporate bond), while sending Taipei Exchange an official letter for making public announcement; within five business days after the base date of recalling the bonds, the bondholders' convertible corporate bonds shall be redeemed in cash based on the par value of the bonds.</p> <p>3. Where a bondholder fails to respond to the Company's stock affairs agency in writing before the base date stated in the "redemption notice" (effective upon delivery of the notice;</p>	<p>thereafter, mail the bondholders (those on the list of creditors five business days before the mailing of the "bond recalling notice" shall prevail; the investors who subsequently acquire the convertible corporate bonds through trading or other reasons shall be notified through public announcement) the "bond recalling notice" by registered mail 30 days before the recalling date (the said period starts from the date of the mailing the notice, and the expiration date of the said period is the base date of recalling the bonds, and the said period shall not be the termination period of conversion as stated in Article 9), while sending Taipei Exchange an official letter for making public announcement; within five business days after the base date of recalling the bonds, the bondholders' convertible corporate bonds shall be redeemed in cash based on the par value of the bonds.</p> <p>3. Where a bondholder fails to respond to the Company's stock affairs agency in writing before the base date stated in the "bond recalling notice" (effective upon delivery of the notice; in the case of mailing, the</p>	<p>Taiwan dollar will be converted into the amount in the US dollar at the real-time exchange rate for redemption.</p> <p>The "early redemption price" refers to the price of each bond calculated by the par value of the bond plus the earning rate. The earning rate is a rate calculated by applying a compound interest rate of 1.25% per annum from the date when an investor purchases bonds till the early redemption date.</p>

Type of corporate bond		The 2nd Issuance of Domestic Unsecured Convertible Corporate Bonds	The 3rd Issuance of Domestic Unsecured Convertible Corporate Bonds	The 1st Issuance of Overseas Unsecured Convertible Corporate Bonds
		in the case of mailing, the postmark date shall prevail), the Company shall redeem the convertible corporate bonds held by the bondholder in cash based on the nominal amount.	postmark date shall prevail), the Company shall recall the convertible corporate bonds held by the bondholder in cash based on the par value.	
Restrictive Clauses		None	None	The bond shall not be directly raised, sold, or delivered within the territory of the Republic of China.
Names of Credit Rating Agency, Evaluation Date, and Rating Result of Corporate Bond		Not applicable	Not applicable	Not applicable
Other Rights	Amount of Ordinary Shares, Overseas Depositary Receipts, or Other Securities through Conversion (Swap or Subscription)	As of April 30, 2019, 5,894 bonds had been converted with the nominal amount of NT\$100,000 each, and the monetary amount of the converted bonds is NT\$589,400,000. The accumulated number of ordinary shares through conversion is 1,414,262.	As of April 30, 2019, zero bond had been converted.	As of April 30, 2019, 15 bonds had been converted with the nominal amount of US\$200,000 each, and the monetary amount of the converted bonds is US\$3,000,000. The accumulated number of ordinary shares through conversion is 200,460. The bondholders had exercised the put option US\$ 154,900,000 in principal amount and the outstanding amount is US\$ 42,100,000.
	Issuance and Conversion (Swap or Subscription) Methods	See Appendix I below	See Appendix II below	See Appendix III below
Potential Dilution of Equity and Impact on Shareholders' Equity		If the overseas unsecured convertible corporate bonds issued this time are entirely converted into ordinary shares based on the post-issuance conversion	If the overseas unsecured convertible corporate bonds issued this time are entirely converted into ordinary shares based on the post-issuance conversion	If the overseas unsecured convertible corporate bonds issued this time are entirely converted into ordinary shares based on the post-issuance conversion

Type of corporate bond	The 2nd Issuance of Domestic Unsecured Convertible Corporate Bonds	The 3rd Issuance of Domestic Unsecured Convertible Corporate Bonds	The 1st Issuance of Overseas Unsecured Convertible Corporate Bonds
	price, the dilution ratio of the original shareholders' equity is approximately 3.53%, so its dilution effect on the original shareholders' equity is still limited.	price, the dilution ratio of the original shareholders' equity is approximately 21.15%. The Company raised funds in the form of cash capital increase and conversion of corporate bonds in the year of 2019, which will effectively reduce and delay the dilution of equity. In view of the impact on the existing shareholders' equity, raising funds through borrowing from banks may not increase the share capital immediately, but the cost of capital is relatively high, and it may erode the Company's profit easily, while only increasing the Company's liabilities after the fundraising; also the net value cannot be raised immediately, which has limited effect on the sustainable operations. However, the issuance of new shares and conversion of corporate bonds through cash capital increase can increase the Company's net value per share. Although the conversion of corporate bonds will increase the Company's liabilities before the conversion, when the corporate bonds are being converted into ordinary shares, in addition to reducing liabilities, it will increase the shareholders' equity, which will in turn increase the net value per share.	price, the dilution ratio of the original shareholders' equity is approximately 3.16%, so its dilution effect on the original shareholders' equity is still limited.

Type of corporate bond	The 2nd Issuance of Domestic Unsecured Convertible Corporate Bonds	The 3rd Issuance of Domestic Unsecured Convertible Corporate Bonds	The 1st Issuance of Overseas Unsecured Convertible Corporate Bonds
		Therefore, it will better protect the existing shareholders' equity in the long run.	
Transfer Agent	Not applicable	Not applicable	Not applicable

(II) The Convertible Bonds Issued by the Company that can be Converted into Ordinary Shares, Overseas Depositary Receipts, or Other Marketable Securities are Listed in the Table Below:

Type of corporate bond		The 2nd Issuance of Domestic Unsecured Convertible Corporate Bonds			The 3rd Issuance of Domestic Unsecured Convertible Corporate Bonds	The 1st Issuance of Overseas Unsecured Convertible Corporate Bonds		
Item	Year	2017	2018	Current Year to April 30, 2019	Current Year to April 30, 2019	2017	2018	Current Year to April 30, 2019
Market price of the convertible corporate bonds (NTD)	Highest	122.4	129	103	110.60	-	123.65	105.99
	Lowest	105.2	102.4	102	105.75	-	103.51	104.35
	Average	115.26	114.72	102.75	107.96	-	111.75	104.98
Conversion Price		412.2	403	395.5	267.7	473.7	463.94	459.71
Conversion price on the date of issuance and during the period of issuance		Issued on May 13, 2016; the conversion price during the period of issuance was NT\$435.			Issued on February 26, 2019; the conversion price during the period of issuance was NT\$272.8.	Issued on March 10, 2017; the conversion price during the period of issuance was NT\$488.		
Method for Performing Conversion Obligations		Issuance of new shares			Issuance of new shares	Issuance of new shares		

- XI. Preferred Shares: None.**
- XII. Global Depository Receipts (GDR): None.**
- XIII. Subscription of Warrants for Employees: None.**
- XIV. Name of Managers Holding Warrants for Employees and Top Ten Employees in terms of Subscription of Warrants, and the Acquisition Status: None.**
- XV. Subscription of New Shares for Employee Restricted Stocks: None.**
- XVI. Name of Managers Holding the New Shares for Employee Restricted Stocks and Top Ten Employees in terms of Subscription of the New Share, and the Acquisition Status: None.**
- XVII. Issuance of New Shares due to Acquisition of Shares of Another Company: None.**
- XVIII. Implementation of Fund Usage Plan:**

- (I) The Second Issuance of Domestic Unsecured Convertible Corporate Bonds in May 2016:

The funds raised for the second issuance of the domestic unsecured convertible corporate bonds by the Company were completed in May 2016; the funds raised was NT\$1.8 billion. As of the second quarter of 2016, the Company has completed the investment in Ennoconn Investment Holdings Co., Ltd. as planned and obtained 49% equity of KCI indirectly through the company. Because of the consideration for timeliness, some of the sources of the funds were originally from a bank loan for the investment. After completing the second fundraising for the domestic unsecured convertible corporate bond funds, NT\$1.3 billion out of NT\$1.8 billion raised was used to repay the bank loan, which was completed according to the fund utilization plan.

- (II) First Issuance of Overseas Unsecured Convertible Corporate Bonds in March 2017:

The Company's first fundraising for the overseas unsecured convertible corporate bonds was completed in March 2017; the funds raised were US\$200 million (equivalent to around NT\$6,330,600,000), which were used in procuring materials and finished goods in the foreign currency. After the fundraising was completed in March, 2017, due to the impact of international economic situations, such as the raising inflation pressure driven by the U.S. in response to the demand and the Fed interest rate hike, the credit borrowing rate in US dollar terms has risen sharply. In order to effectively use the funds to reduce the Company's capital cost, it was approved by the Board of Directors via resolution on June 9, 2017, to adjust the fund utilization plan. In addition to the procurements of materials and finished goods in the foreign currency, a portion of the funds were adjusted, as indicated in the fund utilization plan, to invest in Ennoconn Investment Holdings Co.,Ltd. to obtain the equity of S&T AG, which was completed according to the fund utilization plan.

- (III) The Third Issuance of Domestic Unsecured Convertible Corporate Bonds in February 2019:

The Company's third fundraising for the domestic unsecured convertible corporate bonds was completed in February 2019; the funds raised were US\$6,012,000,000. As of the first quarter of 2019, the funds were used for the repayment of the funds used for the repayment of the principal and interest, generated when the bondholders holding the first issued overseas unsecured convertible corporate bonds exercised their right of reverse repurchase, which was completed as planned. Since not all the bondholders holding the first issued overseas unsecured convertible corporate bonds exercised the right of reverse repurchase, the Company's repayment of the principal and interest generated from the exercising the right of reverse repurchase by the bondholders decreased. After deducting the repayment of the principal and interest generated from the exercising the right of reverse repurchase by the bondholders of

the second issued domestic unsecured convertible corporate bond holders in the second quarter of 2019, a revised fund utilization plan had be submitted to the Board of Directors,dated on May 13, 2019 to apply the remaining funds toward repaying the bank loan to improve the financial structure and save the interest expense.

Appendix I

Ennoconn Corporation

The Methods for the Second Issuance and Conversion of Domestic Unsecured Convertible Corporate Bonds

- I. Name of bond:
Ennoconn Corporation (hereinafter referred to as "the Company"); the second issuance of domestic unsecured convertible corporate bonds (hereinafter referred to as "the convertible corporate bonds").
- II. Issuance date:
On May 13, 2016 (hereinafter referred to as the "issuance date").
- III. Total amount of issuance:
The par value of each of the convertible corporate bonds is NT\$100,000; the convertible corporate bonds are issued by 100% of the par value; the total number of the issued bonds is 18,000, and the total maximum amount of issuance is NT\$1.8 billion.
- IV. Issuance period:
The issuance period is five years; the bonds were issued on May 13, 2016, and will expire on May 13, 2021 (hereinafter referred to as the "expiration date").
- V. Coupon rate of the bonds:
The coupon rate is 0% per annum.
- VI. Date and methods of repayment:
Except for the conversion of the convertible corporate bonds by the bondholders into the Company's ordinary shares in accordance with Article 10 of the regulations, or early redemption by the Company in accordance with Article 18 of the regulations, or buyback and cancellation of the bonds by securities firms, or the exercise of the right of reverse repurchase by the bondholders in accordance with Article 19, the Company repays the bonds held by the bondholders in cash in lump sum upon the maturity of the bonds based on the par value of the bonds.
- VII. Guarantee status:
The convertible corporate bonds are unsecured bonds. However, where the convertible corporate bonds are issued, the Company issues or privately offers other secured corporate bonds with equity warrants or secured corporate bonds; then, the convertible corporate bonds shall also be set at the same level of claims or collateral as the secured corporate bonds with equity warrants or the secured corporate bonds.
- VIII. Target for conversion:
The Company's ordinary shares; the Company will fulfill its conversion obligations by issuing new shares.
- IX. Period of conversion:
The bondholders may, from the following day after two months from the date of issuance of the convertible corporate bond (July 13, 2016) to the expiration date (May 13, 2021), except for (1) when the ownership transfer of ordinary shares are terminated from transferring by law, (2) from 15 days prior to the date of the termination of the ownership transfer of the Company's stock dividends, cash dividends, or cash capital increase subscription to the base date of the distribution of rights, or (3) from the date of the capital reduction to one day before the start of the trading day of the capital reduction for issuance of new shares, file a request to the Company's stock affairs agency through trading securities firms, while informing the Taiwan Depository & Clearing Corporation (hereinafter referred to as "TDCC"), to convert the convertible corporate bonds held into the Company's ordinary shares in accordance with the provisions of Articles 10, 11, 13, and 15 of the regulations.

- X. Procedure for filing a request for conversion:
- (I) The bondholders shall conduct the conversion via book-entry operations through TDCC.
- A bondholder shall fill in the "The Application Form for Conversion/ Redemption/ Reverse Repurchase of Convertible Corporate Bonds via Book Entry Operations" (indicating conversion) at the original trading securities firm; then the said securities firm shall file an application to TDCC; after TDCC accepts the application, it will notify the Company's stock affairs agency electronically; the conversion takes effect upon delivery, and it does not allow for application for cancellation; the conversion procedures will be completed within five business days after delivery, directly transferring the Company's ordinary shares to the bondholder's TDCC account.
- (II) Where overseas ethnic Chinese and foreign nationals apply for conversion of the convertible corporate bonds into the Company's ordinary shares, it shall all be handled through book-entry operations by TDCC.
- XI. Conversion price and adjustment:
- (I) Methods of determining the conversion price
- With May 5, 2016 as the base date of determining the conversion price, a simple arithmetic mean of the closing prices of the Company's ordinary shares on the business day one day, three days, and five days, respectively, prior to the base date (exclusive) is chosen as the benchmark price, and then the benchmark price is multiplied by the convertible premium rate of 105.07%, which is the conversion price of the convertible corporate bonds (rounding the number to one decimal place). Where there is an event of ex-rights or ex-dividends before the base date of determining the conversion price, the sampled closing price used to calculate the conversion price shall be calculated as the price after ex-rights or ex-dividends; the conversion price after being determined shall be subject to the ex-rights or ex-dividends and adjusted according to the conversion price adjustment formula before the issuance date. In accordance with the method above, the conversion price is set at NT\$435 per bond.
- (II) Adjustment of the conversion price
1. After the issuance of the convertible corporate bonds, except for the issuance (or private placement) of various marketable securities with common stock conversion rights or stock options in exchange for ordinary shares, or the issuance of new shares through capitalization of employee bonus, where the Company's issued (or privately offered) shares increase (including but not limited to cash capital increase through public offering and issuance or private placement, capitalization of retained earnings, capitalization of capital surplus, issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies, stock split, and cash capital increase for the issuance of overseas depositary receipts), the Company shall adjust the conversion price of the convertible corporate bonds in accordance with the following formula (rounding the number to one decimal place; the numbers above one decimal place will not be adjusted), while sending Taipei Exchange (hereinafter referred to as "Taipei Exchange") an official letter for mailing public announcement; it will be adjusted on the base date of the ex-rights for issuance of new shares (Note 1) (if there are contributions to shares, it shall be adjusted after the full contributions are collected).

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \left[\frac{\text{Number of issued shares (Note 2)} + \frac{\text{Contributions per share (Note 3)} \times \text{Number of newly issued or privately offered shares}}{\text{Real-time price per share (Note 4)}}}{\text{Number of issued shares} + \text{number of newly issued or privately offered shares}} \right]$$

Note 1: In the case of the stock split, it is the base date of the split; in the case of capital increase through mergers or acquisitions, it shall be adjusted on the base date of mergers or acquisitions; in the case of capital increase through bookbuilding or cash capital increase for the issuance of overseas depositary receipts, without the base date of ex-rights, it shall be adjusted after the full contributions are collected; in the case of cash capital increase through private placement, it shall be adjusted upon the delivery of privately offered marketable securities. Where the price of issuance of new shares is changed after the base date of the ex-rights for the issuance of new shares through cash capital increase, it shall be re-adjusted based on the price of the new shares. Where the adjusted conversion price is lower than the original adjusted conversion price announced before the base date of the ex-rights, an official letter shall be sent to Taipei Exchange for making public announcement for such an adjustment.

Note 2: The number of issued shares refers to the total number of issued shares of common stocks (including the issuance of shares through public offering and issuance and private placement) minus the number of treasury shares that have been bought back by the Company but have not been cancelled or transferred.

Note 3: If the contributions per share are stock dividends or stock split, the amount of contributions is zero. In the case of issuance of new shares with capital increase from mergers, the contributions per share are the net value per share multiplied by the share conversion ratio based on the Company's most recent eliminated financial statements certified or verified by the CPA before the base date of mergers. In the case of issuance of new shares through acquisitions of shares of other companies, the contributions per share are the net value per share multiplied by the share conversion ratio based on the companies' most recent financial statements certified or verified by the CPA.

Note 4: The real-time price per share shall be determined based on a simple arithmetic mean of the closing prices of the Company's ordinary shares on the business day one day, three days, and five days, respectively, prior to the base date of ex-rights, price determination, stock split, or private placement of marketable securities.

2. After the issuance of the convertible corporate bonds, if the ratio of the cash dividends of the Company's ordinary shares to the real-time price per share exceeds 1.5%, the conversion price shall be reduced on the base date of ex-dividends at the ratio of the real-time price per share (rounding the number to one decimal place; the numbers above one decimal place will not be adjusted); an official letter shall be sent to Taipei Exchange for making public announcement for such an adjustment. The provision for the conversion price reduction does not apply to the requests for conversion filed before the base date of ex-dividends (exclusive). The adjustment formula is as follows:

Conversion price after reduction = the conversion price before reduction (1 - the ratio of cash dividends of ordinary shares to the real-time price (Note) per share)

Note: A simple arithmetic mean of the closing prices of the Company's ordinary shares on the business day one day, three days, and five days, respectively, prior to the date of announcing ex-dividends and the termination of the ownership transfer of cash dividends is chosen as the real-time price per share.

3. After the issuance of the convertible corporate bonds, where the Company publicly re-offers and re-issues (or privately offers) various marketable

securities with common stock conversion rights or stock options at a conversion or subscription price lower than the real-time price per share (Note 1), the Company shall adjust the conversion price of the convertible corporate bonds according to the formula below (rounding the number to one decimal place; the numbers above one decimal place will not be adjusted); an official letter shall be sent to Taipei Exchange for making public announcement for such an adjustment; it shall be adjusted upon the date of the issuance of the aforementioned securities or stock options or upon the delivery of the privately offered marketable securities.

$$\begin{array}{c}
 \text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of issued shares (Note 2)} + \frac{\text{The conversion or subscription price of newly issued (or privately offered) marketable securities with common stock conversion rights or stock options} \times \text{Number of shares that can be converted or subscribed for newly issued (or privately offered) marketable securities with common stock conversion rights or stock options}}{\text{Real-time price per share}}}{\text{Number of issued shares + number of shares that can be converted or subscribed for newly issued (or privately offered) marketable securities with common stock conversion rights or stock options}}
 \end{array}$$

Note 1: A simple arithmetic mean of the closing prices of the Company's ordinary shares on the business day one day, three days, and five days, respectively, prior to the base date of price determination of public re-offering and re-issuance (or private placement) of various marketable securities with common stock conversion rights or stock options or the date of delivery of privately offered marketable securities is chosen as the real-time price.

Note 2: The number of issued shares refers to the number of issued shares of common stocks through public offering and issuance and private placement, minus the number of treasury shares that have been bought back by the Company but have not been cancelled or transferred. If the re-issuance (or private placement) of various marketable securities with common stock conversion rights or stock options is funded by treasury shares, the number of issued shares in the adjustment formula shall deduct the number of the shares that can be converted or subscribed for newly issued (or privately offered) marketable securities

4. If the number of ordinary shares is reduced due to the capital reduction conducted through means other than the Company's cancellation of treasury shares after the issuance of the convertible corporate bonds, the conversion price shall be calculated based on the formula below and adjusted on the base date of capital reduction, while an official letter shall be sent to Taipei Exchange for making public announcement for such an adjustment.

(1) Where capital is reduced to make up losses:

Conversion price after adjustment =

Conversion price before adjustment (number of ordinary shares issued before capital reduction (Note)/number of ordinary shares issued after capital reduction)

(2) During cash capital reduction:

Conversion price after adjustment =

(conversion price before adjustment - cash refund per share) (number of ordinary shares issued before capital reduction/the number of ordinary shares issued after capital reduction)

Note: The number of issued shares shall include the number of shares through public issuance and private placement and minus the number of treasury shares that

have been bought back by the Company but not cancelled or transferred.

XII. Listing and termination of listing of the convertible corporate bonds

The convertible corporate bonds shall be applied to Taipei Exchange for listing for trading before the date of issuance, and the listing shall be terminated when the whole number is converted into ordinary shares or when all the shares are bought back or repaid by the Company. The matters above are announced by the Company with the approval of Taipei Exchange.

XIII. Listing of new shares after conversion:

Where the convertible corporate bonds are converted into the Company's ordinary shares, the converted ordinary shares are listed and traded on the Taiwan Stock Exchange upon the date of delivery. The matters above are announced by the Company with the approval of the Taiwan Stock Exchange Corporation.

XIV. Changes of registration of share capital:

The Company shall publicly announce the number of shares converted from the convertible corporate bonds in the last quarter within 15 days after the end of each quarter. The Company shall apply for changes of registration of share capital at the competent authority in charge of business registration at least once a quarter.

XV. Handling of the insufficient amount for one share at the time of conversion:

When being converted into the Company's ordinary shares, if there is an insufficient amount for one share, the Company will pay in cash to make it up (rounding the number to the nearest integer).

XVI. The ownership of annual cash dividends and stock dividends via conversion:

(I) Cash dividends

1. Where a bondholder of the convertible corporate bonds files a request for conversion between the first day of January of the current year and 15 business days (exclusive) before the Company handles the termination of transfer of ownership of stock dividends with the Taiwan Stock Exchange in the current year, the bondholder may participate in the resolution of the annual shareholders' meeting in the current year regarding the annual stock dividend distribution for the last year.
2. From 15 business days (inclusive) before the Company handles the termination of transfer of ownership of stock dividends with the Taiwan Stock Exchange in the current year to the base date of ex-rights (inclusive) for stock dividends, the convertible corporate bonds shall stop converting.
3. Where a bondholder of the convertible corporate bonds files a request for conversion between the base date of ex-dividends for cash dividends for the current year and December 31 of the current year (inclusive), the bondholder shall not participate in the resolution of the annual shareholders' meeting in the current year regarding the annual cash dividend distribution for the last year but may participate in the annual shareholders' meeting in the following year regarding the annual cash dividend distribution for the current year.

(II) Stock dividends

1. Where a bondholder of the convertible corporate bonds files a request for conversion between the first day of January of the current year and 15 business days (exclusive) before the Company handles the termination of transfer of ownership of stock dividends with the Taiwan Stock Exchange in the current year, the bondholder may participate in the resolution of the annual shareholders' meeting in the current year regarding the annual stock dividend distribution for the last year.
2. From 15 business days (inclusive) before the Company handles the termination

of transfer of ownership of stock dividends with the Taiwan Stock Exchange in the current year to the base date of ex-rights (inclusive) for stock dividends, the convertible corporate bonds shall stop converting.

3. Where a bondholder of the convertible corporate bonds files a request for conversion between the base date of ex-dividends for stock dividends for the current year and December 31 of the current year (inclusive), the bondholder shall not participate in the resolution of the annual shareholders' meeting in the current year regarding the annual stock dividend distribution for the last year but may participate in the annual shareholders' meeting in the following year regarding the stock cash dividend distribution for the current year.

XVII. Rights and obligations after conversion:

The creditor's rights and obligations after obtaining the ordinary shares via conversion are the same as the original ordinary shares issued by the Company.

XVIII. The Company's redemption right to the bonds

- (I) Where the bonds have been issued from the following day after the second month of issuance (July 14, 2016) to the 40th day before the expiration date (April 3, 2021), where the closing price of the Company's ordinary shares on Taipei Exchange exceeds 30% (inclusive) or more of the conversion price of the convertible bonds at that time for 30 consecutive business days, the Company may, within 30 business days thereafter, mail the bondholders (those on the list of creditors five business days before the mailing of the "bond recalling notice" shall prevail; the investors who subsequently acquire the bonds through trading or other reasons shall be notified through public announcement) the "bond recalling notice" by registered mail 30 days before the date of recalling the bonds (the said period starts from the date of the mailing the notice, and the expiration date of the said period is the base date of recalling the bonds, and the said period shall not be the termination period of converting the convertible corporate bonds), while sending Taipei Exchange an official letter for making public announcement; within five business days after the base date of recalling the bonds, the bondholders' convertible corporate bonds shall be redeemed in cash based on the par value of the bonds.
- (II) Where the bonds have been issued from the following day after the second month of issuance (July 14, 2016) to the 40th day before the expiration date (April 3, 2021), if the balance of the circulating bonds is less than 10% of the total original monetary amount of the issued bonds, the Company may mail the bondholders (those on the list of creditors five business days before the mailing of the "bond recalling notice" shall prevail; the investors who subsequently acquire the bonds through trading or other reasons shall be notified through public announcement) the "bond recalling notice" by registered mail 30 days before the date of recalling the bonds (the said period starts from the date of the mailing the notice, and the expiration date of the said period is the base date of recalling the bonds, and the said period shall not be the termination period for converting the convertible corporate bonds), while sending Taipei Exchange an official letter for making public announcement; within five business days after the base date of recalling the bonds, the bondholders' convertible corporate bonds shall be redeemed in cash based on the par value of the bonds.
- (III) Where a bondholder fails to respond to the Company's stock affairs agency in writing before the base date stated in the "recalling notice" (effective upon delivery of the notice; in the case of mailing, the postmark date shall prevail), the Company shall redeem the convertible corporate bonds held by the bondholder in cash based on the par value.

XIX. The bondholder's rights to reverse repurchase:

The date of May 13, 2019 (the mark of three years after issuance) is the base date for the bondholders of the bonds to reverse repurchase the bonds. The Company shall mail the bondholders (those on the list of creditors five business days before the mailing of the "notice of exercising of the right to reverse repurchase" shall prevail; the investors who subsequently acquire the bonds through trading or other reasons shall be notified through public announcement) "notice of exercising of the right to reverse repurchase" by registered mail before April 3, 2019 (40 days before the base date of reverse repurchase), while sending Taipei Exchange an official letter for making public announcement of the exercising of the right to reverse repurchase by the bondholders; the bondholders may notify the Company's stock affairs agency in writing 40 days before the base date of reverse repurchase (effective upon delivery of the notice; in the case of mailing, the postmark date shall prevail) of requiring the Company to redeem the bonds held in cash based on the par value of the bonds plus the accrued premiums; the accrued premiums upon the mark of three years after issuance are 103.0301% of the par value of the bonds (the actual earning are 1%). After the Company accepts a request for reverse repurchase, it shall redeem the bonds in cash within five business days after the base date of reverse repurchase. The date above may be postponed to the next business day if the Taiwan Stock Exchange is closed on the date.

- XX. All the convertible corporate bonds recalled (including those purchased at the securities firms) redeemed, or converted by the Company will be canceled and may not be sold or issued, and the conversion rights attached thereto will be eliminated.
- XXI. The convertible corporate bonds and converted ordinary shares are all registered. The transfer, registration of changes, pledges, or lost reporting, shall be handled in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies" and the relevant provisions of the Company Act. Taxation matters are handled in accordance with the tax laws of the time.
- XXII. Bank SinoPac is the creditors' consignee of the convertible corporate bonds and exercises the power of auditing and supervises the matters related to the Company's issuance of the convertible corporate bonds on behalf of the creditors' interests. Where the creditors holding the convertible corporate bonds, regardless of subscription at the time of issuance or purchase in the middle of the process, agree on the terms of the brokerage contract between the Company and its consignee, the consignee's rights and obligations, and the methods of issuance and conversion, and grant the consignee full authority within the scope of consignee's responsibility, the said authorization shall not be revoked in the middle of the process; as for the content of the brokerage contract, the creditors may make inquiries at the Company or the consignee's business office at any time during business hours.
- XXIII. The repayment of the principal for and conversion of the convertible corporate bonds are handled by the Company's stock affairs agency.
- XXIV. The convertible corporate bonds shall not be issued in the physical form in accordance with the provisions of Article 8 of the Securities and Exchange Act.
- XXV. Where the matters are not specified in the regulations regarding the issuance and conversion of the convertible corporate bonds, relevant laws and regulations shall prevail.

Appendix II

Ennoconn Corporation

The Methods for the Third Issuance and Conversion of Domestic Unsecured Convertible Corporate Bonds

- I. Name of bond
Ennoconn Corporation (hereinafter referred to as "the Company"); the third issuance of domestic unsecured convertible corporate bonds (hereinafter referred to as "the convertible corporate bonds").
- II. Issuance date
On February 26, 2019 (hereinafter referred to as the "issuance date").
- III. Total amount of issuance and par value per bond
The par value of each of the convertible corporate bonds is NT\$100,000, and 60,000 of the bonds have been issued; the total par value of issuance is NT\$6,000,000,000 based on 100.2% of the par value.
- IV. Issuance period
The issuance period is five years; the bonds were issued on February 26, 2019, and will expire on February 26, 2024 (hereinafter referred to as the "expiration date").
- V. Coupon rate of the bonds:
The coupon rate is 0% per annum.
- VI. Date and methods of repayment:
Except for the conversion of the convertible corporate bonds by the holders into the Company's ordinary shares in accordance with Article 10 of the regulations, or the exercise of the right of reverse repurchase in accordance with Article 18 of the regulations, or early redemption by the Company in accordance with Article 17 of the regulations, or buyback and cancellation of the bonds by securities firms, the Company repays the bonds held by the bondholders in cash in lump sum upon the maturity of the bonds based on the par value of the bonds.
- VII. Guarantee status
The convertible corporate bonds are unsecured bonds. However, where the convertible corporate bonds are issued, the Company re-issues or privately offers other secured corporate bonds with equity warrants or convertible corporate bonds; then, the convertible corporate bonds shall also be set at the same level of claims or collateral as the secured corporate bonds with equity warrants or the convertible corporate bonds.
- VIII. Target for conversion
The Company's ordinary shares will issued by the Company in the form of new shares to fulfill its conversion obligation. The new shares issued will be distributed through the book-entry operations and will not be printed in the physical form.
- IX. Period of conversion
The bondholders may, from the following day after three months from the date of issuance of the convertible corporate bond (May 27, 2019) to the expiration date (February 26, 2024), except for (1) when the ownership transfer of ordinary shares are terminated by law, (2) from 15 days prior to the date of the termination of the ownership transfer of the Company's stock dividends, cash dividends, or capital increase subscription to the base date of the distribution of rights, or (3) from the date of the capital reduction to one day before the start of the trading day of the capital reduction for issuance of new shares, file a request to the Company's stock affairs agency through trading securities firms, while informing the Taiwan Depository & Clearing Corporation (hereinafter referred to as "TDCC"), to convert the convertible corporate bonds held into the Company's ordinary shares in accordance with

the provisions of Articles 10, 11, 13, and 15 of the regulations.

X. Procedure for filing a request for conversion:

- (I) The bondholders shall conduct the conversion via book-entry operations through TDCC.

A bondholder shall fill in the "The Application Form for Conversion/ Redemption/ Reverse Repurchase of Convertible Corporate Bonds via Book Entry Operations" (indicating conversion) with the passbook in which the bonds are listed at the original trading securities firm; then the said securities firm shall file an application to TDCC; after TDCC accepts the application, it will send the form to the Company's stock affairs agency; the conversion takes effect upon the delivery of the form at the Company's stock affairs agency, and it does not allow for application for cancellation; the conversion procedures will be completed by the Company's stock affairs agency within five business days after delivery, directly transferring the Company's ordinary shares to the bondholder's TDCC account.

- (II) Where overseas ethnic Chinese and foreign nationals apply for conversion of the convertible corporate bonds into the Company's ordinary shares, it shall all be handled through book-entry operations by TDCC.

XI. Conversion price and adjustment

- (I) Methods of determining the conversion price

With February 18, 2019 as the base date of determining the conversion price of the convertible corporate bonds, a simple arithmetic mean of the closing prices of the Company's ordinary shares on the business day one day, three days, and five days, respectively, prior to the base date (exclusive) is chosen as the benchmark price, and then the benchmark price is multiplied by the convertible premium rate of 110%, which is the conversion price of the convertible corporate bonds (rounding the number to one decimal place). Where there is an event of ex-rights or ex-dividends before the base date of determining the conversion price, the sampled closing price used to calculate the conversion price shall be calculated as the price after ex-rights or ex-dividends; the conversion price after being determined shall be subject to the ex-rights or ex-dividends and adjusted according to the conversion price adjustment formula before the issuance date. In accordance with the method above, the conversion price is set at NT\$272.8 per bond.

- (II) Adjustment of the conversion price

1. After the issuance of the convertible corporate bonds, except for the issuance (or private placement) of various marketable securities with common stock conversion rights or stock options in exchange for ordinary shares, or the issuance of new shares through capitalization of employee bonus, where the Company's issued (or privately offered) shares increase (including but not limited to cash capital increase through public offering and issuance or private placement, capitalization of retained earnings, capitalization of capital surplus, issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies, stock split, and cash capital increase for the issuance of overseas depositary receipts), the Company shall adjust the conversion price of the convertible corporate bonds in accordance with the following formula (rounding the number to one decimal place; the numbers above one decimal place will not be adjusted), while sending Taipei Exchange (hereinafter referred to as "Taipei Exchange") an official letter for mailing public announcement; it will be adjusted on the base date of the ex-rights for issuance of new shares (Note 1) (if there are contributions to shares, it shall be adjusted after the full contributions are collected).

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of issued shares (Note 2)} + \frac{\text{Contributions per share (Note 3)} \times \text{number of newly issued or privately offered shares}}{\text{Real-time price per share (Note 4)}}}{\text{Number of issued shares} + \text{number of newly issued or privately offered shares}}$$

- Note 1: In the case of the stock split, it will be adjusted on the base date of the stock split; in the case of capital increase through mergers or acquisitions, it shall be adjusted on the base date of mergers or acquisitions; in the case of capital increase through bookbuilding or cash capital increase for the issuance of overseas depositary receipts, without the base date of ex-rights, it shall be adjusted after the full contributions are collected; in the case of cash capital increase through private placement, it shall be adjusted upon the delivery of privately offered marketable securities. Where the price of issuance of new shares is changed after the base date of the ex-rights for the issuance of new shares through cash capital increase, it shall be re-adjusted based on the price of the new shares. Where the adjusted conversion price is lower than the original adjusted conversion price announced before the base date of the ex-rights, an official letter shall be sent to Taipei Exchange for making public announcement for such an adjustment.
- Note 2: The number of issued shares refers to the total number of issued shares of common stocks (including the issuance of shares through public offering and issuance and private placement) minus the number of treasury shares that have been bought back by the Company but have not been cancelled or transferred.
- Note 3: If the contributions per share are stock dividends or stock split, the amount of contributions is zero. In the case of issuance of new shares with capital increase from mergers, the contributions per share are the net value per share multiplied by the share conversion ratio based on the Company's most recent eliminated financial statements certified or verified by the CPA before the base date of mergers. In the case of issuance of new shares through acquisitions of shares of other companies, the contributions per share are the net value per share multiplied by the share conversion ratio based on the companies' most recent financial statements certified or verified by the CPA.
- Note 4: The real-time price per share shall be determined based on a simple arithmetic mean of the closing prices of the Company's ordinary shares on the business day one day, three days, and five days, respectively, prior to the base date of ex-rights, price determination, stock split, or private placement of marketable securities.

2. After the issuance of the convertible corporate bonds, where the Company publicly re-offers and re-issues (or privately offers) various marketable securities with common stock conversion rights or stock options at a conversion or subscription price lower than the real-time price per share (Note 1), the Company shall adjust the conversion price of the convertible corporate bonds according to the formula below (rounding the number to one decimal place; the numbers above one decimal place will not be adjusted); an official letter shall be sent to Taipei Exchange for making public announcement for such an adjustment; it shall be adjusted upon the date of the issuance of the aforementioned securities or stock options or upon the delivery of the privately offered marketable securities

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of issued shares (Note 2)} + \frac{\text{The conversion or subscription price of newly issued (or privately offered) marketable securities or stock options} \times \text{Number of shares that can be converted or subscribed for newly issued (or privately offered) marketable securities or stock options}}{\text{Real-time price per share (Note 1)}}}{\text{Number of issued shares} + \text{number of shares that can be converted or subscribed for newly issued (or privately offered) marketable securities or stock options}}$$

Note 1: A simple arithmetic mean of the closing prices of the Company's ordinary shares on the business day one day, three days, and five days, respectively, prior to the base date of price determination of public re-offering and re-issuance (or private placement) of various marketable securities with common stock conversion rights or stock options or the date of delivery of privately offered marketable securities is chosen as the real-time price. If there is an event of ex-rights or ex-dividends before the base date of determining the conversion price, the sampled closing price used to calculate the conversion price shall be calculated as the price after ex-rights or ex-dividends first.

Note 2: The number of issued shares shall include the number of issued shares through public offering and issuance and private placement, minus the number of treasury shares that have been bought back by the Company but have not been cancelled or transferred. Where the re-issuance (or private placement) of various marketable securities with common stock conversion rights or stock options is funded by treasury shares, the number of issued shares in the adjustment formula shall deduct the number of the shares that can be converted or subscribed for newly issued (or privately offered) marketable securities

3. Where the number of ordinary shares is reduced due to the capital reduction conducted through means other than the Company's cancellation of treasury shares after the issuance of the convertible corporate bonds, the conversion price shall be calculated based on the formula below (rounding the number to one decimal place) and adjusted on the base date of capital reduction, while an official letter shall be sent to Taipei Exchange for making public announcement for such an adjustment.

(1) Where capital is reduced to make up losses:

Conversion price after adjustment =

Conversion price before adjustment (number of issued ordinary shares before capital reduction (Note)/number of issued ordinary shares after capital reduction)

(2) During cash capital reduction:

Conversion price after adjustment =

(Conversion price before adjustment - cash refund per share) × (number of issued ordinary shares before capital reduction (Note)/number of issued ordinary shares after capital reduction)

Note: The number of issued shares shall include the number of shares through public issuance and private placement and minus the number of treasury shares that have been bought back by the Company but not cancelled or transferred.

(3) Adjustment of conversion during ex-dividends

After the issuance of the convertible corporate bonds, if the ratio of the cash dividends of the Company's ordinary shares to the real-time price per share exceeds 1.5%, the conversion price shall be reduced on the base date of ex-dividends at the ratio of the real-time price per share (rounding the number to one decimal place; the numbers above one decimal place will not be adjusted); an official letter shall be sent to Taipei Exchange for making public announcement for such an adjustment. The provision for the conversion price reduction does not apply to the requests for conversion filed before the base date of ex-dividends (exclusive). The adjustment formula is as follows:

Conversion price after reduction = the conversion price before reduction (1 - the ratio of cash dividends of ordinary shares to the real-time price per share)

Note: A simple arithmetic mean of the closing prices of the Company's ordinary

shares on the business day one day, three days, and five days, respectively, prior to the date of announcing ex-dividends and the termination of the ownership transfer of cash dividends is chosen as the real-time price per share.

XII. Listing and termination of listing of the convertible corporate bonds

The convertible corporate bonds shall be applied to Taipei Exchange for listing for trading before the date of issuance, and the listing shall be terminated when the whole number is converted into ordinary shares or when all the shares are bought back or repaid by the Company. The matters above are announced by the Company with the approval of Taipei Exchange.

XIII. Listing of new shares after conversion

Where the convertible corporate bonds are converted into the Company's ordinary shares, the converted ordinary shares are listed and traded on the Taiwan Stock Exchange upon the date of delivery. The matters above are announced by the Company with the approval of the Taiwan Stock Exchange Corporation. The Company's ordinary shares are not issued in the physical form, and the converted ordinary shares are listed and traded on the Taiwan Stock Exchange in the non-physical form from the date of delivery.

XIV. Changes of registration of share capital:

The Company shall publicly announce the number of ordinary shares converted from the convertible corporate bonds in the last quarter within 15 days after the end of each quarter. The Company shall apply for changes of registration of share capital at the competent authority in charge of business registration at least once a quarter.

XV. Handling of the insufficient amount for one share at the time of conversion:

When being converted into the Company's ordinary shares, if there is an insufficient amount for one share, the Company will pay in cash to make it up (rounding the number to the nearest integer).

XVI. Rights and obligations after conversion

The creditor's rights and obligations after obtaining the ordinary shares after filing a request for conversion are the same as the original ordinary shares issued by the Company.

XVII. The Company's redemption rights to the bonds

(I) Where the bonds have been issued from the following day after the third month of issuance (May 27, 2019) to the 40th day before the expiration date (January 17, 2024), where the closing price of the Company's ordinary shares at Taipei Exchange exceeds 30% (inclusive) or more of the conversion price of the convertible bonds at that time for 30 consecutive business days, the Company may, within 30 business days thereafter, mail the bondholders (those on the list of creditors five business days before the mailing shall prevail; the investors who subsequently acquire the bonds through trading or other reasons shall be notified through public announcement) the "bond recalling notice" by registered mail 30 days before the date of recalling the bonds (the said period starts from the date of the mailing the notice, and the expiration date of the said period is the base date of recalling the bonds, and the said period shall not be the termination period of converting the convertible corporate bonds), while sending Taipei Exchange an official letter for making public announcement; within five business days after the base date of recalling the bonds, the bondholders' convertible corporate bonds shall be redeemed in cash based on the par value of the bonds.

(II) Where the bonds have been issued from the following day after the second month of issuance (May 27, 2019) to the 40th day before the expiration date (January 17, 2024), if the balance of the circulating bonds is less than 10% of the total original monetary amount of the issued bonds, the Company may mail the bondholders (those

on the list of creditors five business days before the mailing shall prevail; the investors who subsequently acquire the bonds through trading or other reasons shall be notified through public announcement) the "bond recalling notice" by registered mail 30 days before the date of recalling the bonds (the said period starts from the date of the mailing the notice, and the expiration date of the said period is the base date of recalling the bonds, and the said period shall not be the termination period for converting the convertible corporate bonds), while sending Taipei Exchange an official letter for making public announcement; within five business days after the base date of recalling the bonds, the bondholders' convertible corporate bonds shall be redeemed in cash based on the par value of the bonds.

- (III) Where a bondholder fails to respond to the Company's stock affairs agency in writing before the base date stated in the "bond recalling notice," the Company shall redeem the convertible corporate bonds held by the bondholder in cash based on the par value within five business days after the base date of recalling the bonds.

XVIII. The Bondholder's rights to reverse repurchase:

The mark of three years after issuance (February 26, 2022) is the base date for the bondholders of the bonds to reverse repurchase the bonds early, which shall be handled in accordance with the method below:

The Company shall mail the bondholders (those on the list of bondholders five business days before the mailing of the "notice of exercising of the right to reverse repurchase" shall prevail; the investors who subsequently acquire the bonds through trading or other reasons shall be notified through public announcement) "notice of exercising of the right to reverse repurchase" by registered mail before 30 days before the base date of reverse repurchase of the convertible corporate bonds (January 27, 2022), while sending Taipei Exchange an official letter for making public announcement of the exercising of the right to reverse repurchase by the bondholders; the bondholders may notify the Company's stock affairs agency in writing within 30 days after the announcement (effective upon delivery of the notice; in the case of mailing, the postmark date shall prevail; the notice shall not be returned; the end-date of this 30-day period shall be the base date of reverse repurchase) of requiring the Company to redeem the convertible corporate bonds held in cash based on the par value of the convertible corporate bonds plus the accrued premiums; the accrued premiums upon the mark of three years after issuance are 1.5075% of the par value of the bonds (the annual earning rate is 0.5%). After the Company accepts the request, it shall redeem the convertible corporate bonds in cash within five business days after the base date of reverse repurchase. The date above may be postponed to the next business day if the Taiwan Stock Exchange is closed on the date.

XIX. The ownership of annual cash dividends and stock dividends via conversion:

(I) Cash dividends

1. Where a bondholder of the convertible corporate bonds files a request for conversion between the beginning of the current year and 15 business days (exclusive) before the Company terminates the transfer of ownership of cash dividends in the current year, the converted ordinary shares may participate in the resolution of the annual shareholders' meeting of the current year regarding the annual cash dividend distribution for the last year. 一月一日
2. From 15 business days (inclusive) before the Company terminates the transfer of ownership of cash dividends in the current year to the base date of ex-rights (inclusive) for cash dividends, the convertible corporate bonds shall stop converting.
3. Where a bondholder files a request for conversion between the following date of the base date of ex-dividends for cash dividends for the current year and December 31 of the current year (inclusive), the bondholder shall not

participate in the resolution of the annual shareholders' meeting of the current year regarding the annual cash dividend distribution for the last year but may participate in the annual shareholders' meeting in the following year regarding the annual cash dividend distribution for the current year.

(II) Stock dividends

1. Where a bondholder files a request for conversion between the period between January 1st of each year to 15 business days (exclusive) before the Company terminates the transfer of ownership of stock dividends in the current year, the bondholder may participate in the resolution of the annual shareholders' meeting in the current year regarding the annual stock dividend distribution for the last year.
2. From 15 business days (inclusive) before the Company terminates the transfer of ownership of stock dividends in the current year to the base date of ex-rights (inclusive) for stock dividends, the convertible corporate bonds shall stop converting.
3. Where a bondholder of the convertible corporate bonds files a request for conversion between the following date of the base date of ex-dividends for stock dividends in the current year to December 31 of the current year (inclusive), the bondholder shall not participate in the resolution of the annual shareholders' meeting in the current year regarding the annual stock dividend distribution for the last year but may participate in the annual shareholders' meeting in the following year regarding the stock cash dividend distribution for the current year.

- XX. All the convertible corporate bonds recovered (including those brought back by the securities firms) redeemed, or converted by the Company will be canceled and may not be sold or issued, and the conversion rights attached thereto will be eliminated.
- XXI. The convertible corporate bonds and converted ordinary shares are all registered. The transfer, registration of changes, pledges, or lost reporting, shall be handled in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies" and the relevant provisions of the Company Act. Taxation matters are handled in accordance with the tax laws of the time.
- XXII. Bank SinoPac is the creditors' consignee of the convertible corporate bonds and exercises the power of auditing and supervises the matters related to the Company's issuance of the convertible corporate bonds on behalf of the creditors' interests. Where the creditors holding the convertible corporate bonds, regardless of subscription at the time of issuance or purchase in the middle of the process, agree on the terms of the brokerage contract between the Company and its consignee, the consignee's rights and obligations, and the methods of issuance and conversion, and grant the consignee full authority within the scope of consignee's responsibility, the said authorization shall not be revoked in the middle of the process; as for the content of the brokerage contract, the creditors may make inquiries at the Company or the consignee's business office at any time during business hours.
- XXIII. The repayment of the principal for and conversion of the convertible corporate bonds are handled by the Company's stock affairs agency.
- XXIV. The convertible corporate bonds shall not be issued in the physical form in accordance with the provisions of Article 8 of the Securities and Exchange Act.
- XXV. Where the matters are not specified in the regulations regarding the issuance and conversion of the convertible corporate bonds, relevant laws and regulations shall prevail.

Appendix III

Ennoconn Corporation

The Methods for the First Issuance and Conversion of Overseas Unsecured Convertible Corporate Bonds

- I. Name of issuing company
Ennoconn Corporation (hereinafter referred to as "Ennoconn Corporation" or "issuing company")
- II. Purpose of issuance
The purpose of raising funds through the unsecured convertible corporate bonds this time (hereinafter referred to as "the bonds") is to meet the foreign currency needs for the procurement of materials required during operations and manufactured goods.
- III. Total amount
The total amount of overseas unsecured convertible corporate bonds issued this time is capped at US\$200,000,000 (including oversubscription).
The convertible corporate bonds will be repaid, reverse repurchased, and redeemed at a fixed exchange rate of NT\$1: US\$31.653. The fixed exchange rate refers to the exchange rate of the New Taiwan dollar against the US dollar, which is based on the fixing displayed by Taipei Forex Inc. at 11:00 a.m. on the date of setting the pricing (hereinafter referred to as the "fixed exchange rate").
- IV. Method for issuance
The bonds are issued outside the Republic of China and handled in accordance with the laws and regulations of the country where the bonds are sold and international market practices. All the bonds will be publicly available.
- V. Type, par value, and issued price of the corporate bond
The bonds are registered unsecured convertible corporate bonds. The par value of each of the convertible corporate bonds is US\$200,000; the convertible corporate bonds are issued by 100% of the par value.
- VI. Issuance date
March 10, 2017
- VII. Maturity date
March 10, 2022.
- VIII. Place of listing
The bonds will be listed on the Singapore Exchange Limited
- IX. Coupon rate of the bonds
The coupon rate of the bonds is tentatively set at an annual interest rate of 0%.
- X. Repayment of bonds upon maturity
 - (I) Except for the bonds that have been redeemed, bought back, and canceled or the exercise of the conversion right by the bondholders, on the maturity date of the bonds, the issuing Company shall repay the bonds in full according to the par value of the bonds plus the yield rate, which is 1.25% of annual interest rate (hereinafter referred to as the "redemption price").
 - (II) The redemption price upon maturity will be converted into New Taiwan dollar at the fixed exchange rate (1:31.653 in the fixing displayed by Taipei Forex Inc. at 11:00 a.m.), and the amount in the New Taiwan dollar will be converted into US dollar at the real-time exchange rate.
- XI. The bondholders' rights to reverse repurchase
 - (I) Except for the following circumstances, the bondholders may not require the issuing company to redeem all or part of the bonds they hold before the maturity date.

1. Except for the bonds that have been redeemed, bought back and cancelled, or the exercise of the conversion right by bondholders, the bondholders may request the issuing company to redeem part or all of the bonds they hold based on the par value of the bonds plus the interest premiums at an annual interest rate of 1.25% (hereinafter referred to as "the early redemption price for bondholders").
 2. Where the trading of the issuing company's ordinary shares is terminated on the Taiwan Stock Exchange, the bondholders may require the issuing company to redeem all or part of the bonds they hold at the early redemption price for bondholders.
 3. In the case of changes of control in the issuing company as defined in the brokerage contract, the bondholders may require the issuing company to redeem all or part of the bonds they hold at the early redemption price for bondholders.
- (II) Where the bondholders exercise the above-mentioned rights of reverse repurchase, and the issuing company accepts a bondholder's request for reverse repurchase, the both shall act in accordance with the procedures stipulated in this bond brokerage contract. The early redemption price of the bonds will be paid in cash by the issuing company on the payment date as set out in the brokerage contract.
- (III) The early redemption price will all be converted into New Taiwan dollar at the fixed exchange rate (1:31.653 based on the fixing displayed by Taipei Forex Inc. at 11:00 a.m.). The amount in the New Taiwan dollar will be converted into the amount in the US dollar at the real-time exchange rate for redemption.

XII. The issuing company's rights to early redemption

The issuing company may redeem the bonds early in the following circumstances.

- (I) After two years from the issuance of the bonds, for 20 trading days out of 30 consecutive business days, where, after converted into the amount in the US dollar at the real-time exchange rate, the closing price of the issuing company's ordinary shares on the Taiwan Stock Exchange reaches 130% or more of the amount of the early redemption price multiplied by the conversion price (at a fixed exchange rate of 1:31.653 agreed up on the price determination date) at that time and divided by the par value, the issuing company may redeem all or part of the bonds at the early redemption price (as defined below).
- (II) Where over 90% of the bonds are redeemed, converted, and bought back and canceled, the issuing company may redeem the bonds still in circulation at the issuing company's early redemption price.
- (III) In the case of the changes in the taxation laws of the Republic of China, the issuing company's tax burden increases due to the issuance of the bonds after the issuance date and needs to pay additional fees or bears a higher cost, the issuing company may redeem all of the bonds early at the early redemption price in accordance with the brokerage contract. Where a bondholder does not participate in the redemption, the bondholder shall not request the issuing company to pay additional taxes or fees.
- (IV) The early redemption price will all be converted into New Taiwan dollar at the fixed exchange rate of 1:31.653 (based on the fixing displayed by Taipei Forex Inc. at 11:00 a.m.). The amount in the New Taiwan dollar will be converted into the amount in the US dollar at the real-time exchange rate for redemption.

The "early redemption price" refers to the price of each bond calculated by the par value of the bond plus the earning rate. The earning rate is a rate calculated by applying a compound interest rate of 1.25% per annum from the date when an investor purchases bonds till the early redemption date.

XIII. Conversion

(I) Target for conversion

The bondholders may apply for the conversion of the bonds into the issuing company's newly issued ordinary shares at the conversion price during the conversion period (as defined below).

(II) Procedure for conversion

Where the bondholders request conversion, they shall prepare the relevant documents or certificates required by the laws of the Republic of China, as well as the conversion notice set out in the brokerage contract, and submit an application for conversion to the issuing company via an overseas conversion agent.

In accordance with the current laws of the Republic of China, where the issuing company's bondholders apply for conversion of the bonds into the issuing company's newly issued ordinary shares, the issuing company shall, within five business days after receiving the conversion notice, delivered the ordinary shares by means of book-entry operations through TDCC. Where the bondholders who requested the conversion has not opened a TDCC account in accordance with the laws of the Republic of China, the issuing company will deliver the ordinary shares by means of book-entry operations after the bondholders complete the relevant account opening procedures. Where there are any changes in the aforementioned laws of the Republic of China regarding conversion, the amended laws shall prevail.

The business day referred to in the preceding paragraph is the day the Taiwan Stock Exchange is open.

(III) Period of conversion

Except for the bonds that have been redeemed and bought back and cancelled, exercise of the conversion right by bondholders, and the termination period of ownership transfer as set out in the brokerage contract (as defined below), from the following day of the 30th day of the issuance of the bonds to the 10th day before the expiration date, the bondholders may, in accordance with the relevant laws and provisions set out in the brokerage contract, request the issuing company to convert the bonds into the issuing company's newly issued ordinary shares.

The current laws and regulations governing the termination period for ownership transfer are as follows:

1. Within 60 days before the interim shareholders' meeting, within 30 days before the interim shareholders' meeting, or other termination periods for ownership transfer by law.
2. In the case of handling stock dividends, cash dividends, or cash capital increase, it shall be from 15 business days before the issuing company's termination date of transfer of stock dividends, termination date of transfer of cash dividends, or termination date of cash capital increase subscription until the base date of the distribution of rights.
3. Where the issuing company conducts capital reduction, it shall be from the base date of the capital reduction conducted by the issuing company to one day before the trading day of the capital reduction in exchange for new shares.
4. Where there are changes in laws and regulations of R.O.C governing the termination date of ownership transfer, it shall be conducted in accordance with amended laws and regulations

(IV) Conversion price

The conversion price of the bonds is NT\$488, which is 113.75% of the reference price of NT\$429 (as defined below), and the conversion price is rounded to two decimal place. The reference price refers to the closing price of the issuing

company's common stock on the price determination date of Taiwan Stock Exchange, or a simple arithmetic mean of the closing prices of the common stock one business day, three business days, and five business days prior to the price determination date.

(V) Number of ordinary shares converted

With the bond principal multiplied by the fixed exchange rate agreed upon on the price determination date as the numerator, the conversion price at the time of request for conversion is used as the denominator to calculate the number of the bonds that can be converted into the issuing company's ordinary shares. Where there is less than one share, after the issuing company deducts the expenses incurred by the exchange and other processing fees, if there is any remaining amount, it shall pay an amount in the US dollar (at a fixed exchange rate agreed on price determination date) to make up the balance to US\$1 (to the nearest integer) .

(VI) Adjustment of the conversion price

After the issuance of the bonds, the conversion price shall be adjusted in accordance with the terms below and provisions set out in the brokerage contract:

1. (a) After the issuance of the bonds, except for the issuance of various marketable securities with common stock conversion rights or stock options in exchange for ordinary shares, or the issuance of new shares through capitalization of employee bonus (including but not limited to issuance of new shares as employee remuneration and issuance of restricted employee shares), where the Company's issued (or privately offered) shares increase (including but not limited to cash capital increase, capitalization of retained earnings, capitalization of capital surplus, stock split, issuance of various marketable securities with conversion rights or stock options, capital increase through acquisitions of shares of other companies, capital increase through mergers, and cash capital increase for the issuance of overseas depositary receipts), and the new share subscription price or issuance price is lower than the real-time price per share (the definition of the real-time price per share is subject to the brokerage contract), the conversion price shall be adjusted in accordance with the formula below (rounding the number to two decimal place; the numbers above two decimal place will not be adjusted), and it shall be adjusted on the base date of the ex-rights for the issuance of new shares (Note 1).

Where the price of issuance of new shares is changed after the base date of the ex-rights for the issuance of new shares through cash capital increase, it shall be re-adjusted based on the updated issuance price of the new shares in accordance with the formula below. Where the adjusted conversion price is lower than the original adjusted conversion price announced before the base date of the ex-rights, public announcement shall be made again.

Conversion price after adjustment = conversion price before adjustment
× adjustment coefficient

Adjustment coefficient = $[ENS + (NNS \cdot PNI) / P] / [ENS + NNS]$

Of which, ENS= number of issued shares (Note 2)

NNS= number of newly issued shares

PNI=Issuance price of new share (Note 3)

P= real-time price per share on the base date (as defined in the brokerage contract)

Note 1: In the case of capital increase through mergers, it shall be adjusted on

the base date of mergers; in the case of capital increase through acquisitions, it shall be adjusted on the base date of acquisitions; in the case of privately offered ordinary shares, it shall be adjusted upon the delivery date of privately offered marketable securities. In the case of capital increase through bookbuilding or cash capital increase for the issuance of overseas depositary receipts, without the base date of ex-rights, it shall be adjusted on the date when the issuance is completed.

Note 2: The number of issued shares refers to the total number of issued shares of common stocks through issuance and private placement minus the number of treasury shares that have been bought back by the Company but have not been cancelled or transferred.

Note 3: If the issuance price of new shares is stock dividend or stock split, the issuance price of new shares is zero. In the case of capital increase through mergers or acquisitions of shares of other companies, the issuance price of new shares is the net value per share multiplied by the share conversion ratio based on the Company's most recent eliminated financial statements certified or verified by the CPA before the base date of mergers or acquisitions.

- (b) After the issuance of the bonds, where the issuing company publicly re-offers and re-issues (or privately offers) various marketable securities with common stock conversion rights or stock options at a conversion or subscription price lower than the real-time price per share (the real-time price per share is as defined in the brokerage contract), the issuing company shall adjust the conversion price of the bonds according to the formula below (rounding the number to two decimal place; the numbers above two decimal place will not be adjusted); it shall be adjusted upon the date of the issuance date of the said securities or stock options or upon the delivery date of the privately offered marketable securities:

Conversion price after adjustment = conversion price before adjustment
× adjustment coefficient

Adjustment coefficient = $[\text{ENS} + (\text{NNOPNO})/\text{P}]/[\text{ENS} + \text{NNO}]$

ENS = number of issued shares (Note 1)

NNO = number of newly issued marketable securities or stock options that can converted or subscribed

PNO = conversion or subscription price of newly issued marketable securities or stock options

P = real-time price per share on the base date (as defined in the brokerage contract)

Note 1: The number of issued shares refers to the number of issued shares of common stocks through issuance and private placement minus the number of treasury shares that have been bought back by the Company but have not been cancelled or transferred. Where the public re-offering and re-issuance (or private offering) of various marketable securities with common stock conversion rights or stock options are supported by treasury shares, the formula shall be adjusted as the number of issued shares minus the number of newly issued (or privately offered) marketable securities that can converted or subscribed.

2. When the issuing company implements capital reduction through treasury shares, the conversion price will not be adjusted.

If the number of ordinary shares is reduced due to the capital reduction conducted through means other than the issuing company's cancellation of treasury stock after the issuance of the bonds, the conversion price shall be calculated based on the following formula and adjusted on the base date of the capital reduction:

$$\text{Conversion price after adjustment} = \frac{\text{Conversion price before adjustment} \times \text{number of issued ordinary shares before capital reduction}}{\text{Number of issued ordinary shares after capital reduction}}$$

3. After the issuance of the bonds, where the issuing company distributes cash dividends or other forms of cash of ordinary shares to the shareholders, the issuing company shall adjust the conversion price (rounding the number to two decimal place; the numbers above two decimal place will not be adjusted) according to the formula below in line with the provisions of the brokerage contract (the adjustment method of the conversion price is detailed in the brokerage contract).

Conversion price after reduction = the conversion price before reduction (1 - the ratio of cash dividends of ordinary shares to the real-time price per share)

The definition of real-time price per share shall be in line with the definition in the brokerage contract.

- (VII) The ownership of annual dividends and bonuses regarding conversion:

The bondholders shall not enjoy the issuing company's dividends before the conversion; after the conversion, the holders of the ordinary shares shall have the same right to enjoy the dividends according to law as the shareholders of the issuing company's ordinary shares.

- (VIII) Restrictions on the identity for conversion

In accordance with the current laws of R.O.C, investors in mainland China who have the rights to exercise the conversion rights are limited to qualified domestic institutional investors (QDII) approved by the competent authorities in the mainland China and/or investors in mainland China who have obtained the approval of the Investment Review Committee of the Ministry of Economic Affairs of R.O.C; the said investors may exercise the conversion rights within the limits prescribed or approved by the relevant competent authorities in accordance with the relevant procedures and laws and are subject to the relevant laws and regulations. Where there are changes in the aforementioned laws and regulations regarding the investments in securities in Taiwan by investors from mainland China, the procedure shall be handled in accordance with the amended laws and regulations.

- XIV. The cancellation of bonds

Where the bonds are bought back by the issuing company (including bought back by the secondary market), redeemed early, repaid when due, or converted or reverse repurchased by bondholders, they shall be canceled and will not be issued any more.

- XV. Restrictions on sales

The bond shall not be directly raised, sold, or delivered within the territory of the Republic of China.

XVI. Taxation

(I) Withholding income tax

In accordance with the laws of R.O.C, bond interest and call premiums (if any) obtained by the bondholders who do not have a for-profit institution at a fixed location within the territory of R.O.C and who are not residents of R.O.C shall be subject to a withholding tax of 15%.

(II) Securities transaction tax: In accordance with the laws of R.O.C, stockholders are required to pay a securities transaction tax of 0.3% of the transaction amount upon the sales of shares.

(III) Where there are any changes in relevant tax laws of R.O.C, it shall be handled in accordance with the then regulations.

(IV) As for the underwriting fees paid by the issuing company to the foreign underwriter, relevant tax shall be paid by the foreign underwriter in accordance with the laws of R.O.C.

XVII. Choice of law

The issuance, management and disposal of the bonds shall be handled in accordance with the foreign laws and regulations agreed upon by the issuing company and the foreign underwriting host. However, the approval of issuing the bonds and exercise of the conversion rights of the bonds shall be in accordance with the laws of R.O.C and governed by the laws of R.O.C.

XVIII. Addition to terms of issuance

The changes in and amendments to the provisions of the regulations shall be jointly discussed by the issuing company and the foreign underwriting host based on the market conditions and laws and take effect after the approval of the competent authority.

XIX. Underwriting agency and other relevant institutions

Foreign Underwriting Host: KGI Asia Limited

Domestic Underwriter for Submission: KGI Securities Co., Ltd.

Consignee: Citicorp International Limited

Principal and interest repaying agent and conversion institution: Citibank, N.A., London Branch

Chapter 5 Operational Highlights

I. Business Activities

(I) Business Activities

1. Business Scope

(1) Major Content of Business Activities

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
11. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

(2) Operational Proportion:

Unit: NT\$ thousands

Product \ Year	2017		2018	
	Net Operating Income	Proportion (%)	Net Operating Income	Proportion (%)
Industrial computer software and hardware sales	34,843,145	99.83	68,945,964	99.98
After-sales services	60,919	0.17	16,495	0.02
Total	34,904,064	100.00	68,962,459	100.00

(3) Current Commodities (Services) of the Company:

- A. New generation fanless embedded industrial motherboard
- B. Next generation console controller
- C. Industrial intelligent gateway and industrial control human machine interface
- D. Bedside care computer
- E. MQTT/Restful IoT intelligent gateway

(4) New Products (Services) Planned to Develop:

- A. OPCUA industrial intelligent gateway and Ethercat industrial control human machine interface
- B. Next generation host controller
- C. Large game console main display
- D. Large game slot machine system
- E. Tablet PC
- F. Medical computer

- G. Software defined network industrial servers
- H. Lottery machine
- I. Intelligent traffic host and monitor
- J. Kiosk interactive multimedia automatic service machine

2. Industry Overview:

(1) Status and Development of the Industry:

The Company and its subsidiaries are professional R&D and design manufacturers for Industrial PC (IPC), also known as "industrial computer", the main products are industrial computer embedded boards and embedded system products, hereinafter referred to as "industrial computer boards and system", which are mainly used in point of sales terminals (POS), large game consoles, automatic control equipment, automatic teller machine (ATM), lottery machines, electronic display board, medical care equipment, set-top box and other end products. In 2015, the Company acquired equity of Caswell Inc. and stepped into the field of network communication security, with main sales downstream of the international renowned industrial computer manufacturers. Herein to analyze the current industrial situation of the main products of the Company and its subsidiaries:

According to the research data from Market Intelligence Consulting Institute (MIC) of Institute for Information Industry, Taiwan's industrial computer industry grew rapidly in 2017, with total shipments reaching NT\$179 billion, a 16.6% growth from 2016.

According to MIC senior industry analyst, the growth in shipments in 2017 was mainly attributed to several acquisitions by Taiwanese manufacturers in 2016.

Looking ahead to 2018, Wei Chuan-Chien indicated that Taiwan's industrial computer shipments were expected to exceed NT\$200 billion in 2018 with an increase of 12.2% from last year, with industrial Internet of things (IIoT) and intelligent manufacturing as potential growth drivers. Mainly because, in recent years, with the development of smart manufacturing, IIoT and other emerging industries, major enterprises are gradually investing capital to introduce smart manufacturing related solutions. Secondly, the benefits brought by industry mergers and acquisitions and crossover cooperation are gradually appeared. The expansion of manufacturers' business scope has become the driving force for the growth of Taiwan's industrial computer industry.

After a long period of development, the industrial computer industry has reached a certain maturity, with complete industrial structure, abundant module supply chain, mass production management experience and a small number of diverse capabilities. At present, industrial computer manufacturers are moving towards manufacturing products with high added value, focusing on enhancing their design capabilities and strengthening their core technologies of research and development. In addition, the extensive application of the Internet and the advent of the digital era of computers have created new business opportunities, new layouts and new markets. With the promotion of new technology and the rapid expansion of its application, the field of application expands from simple factory automation to various industries and daily life, such as

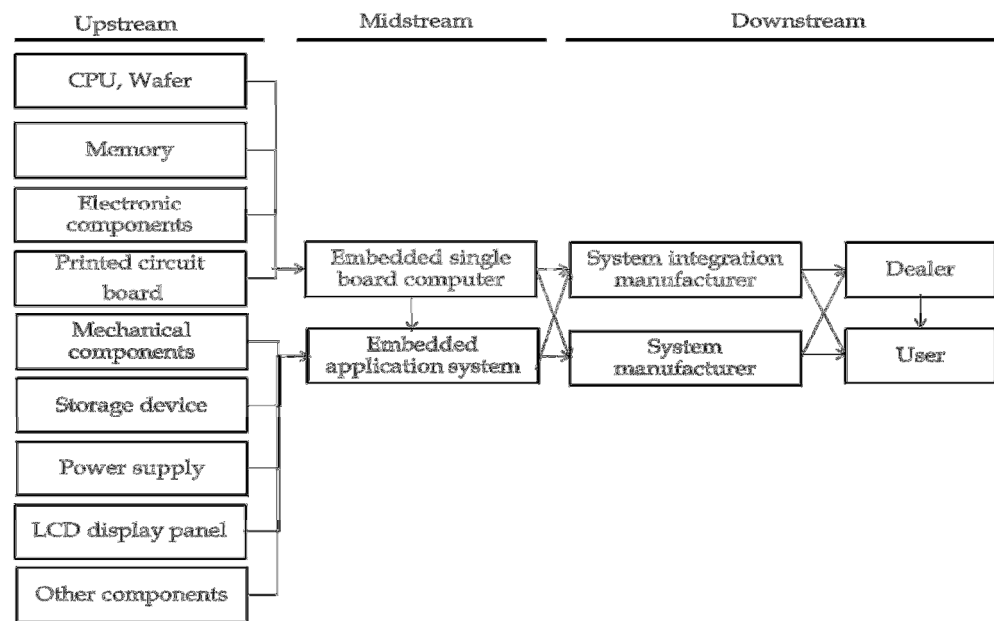
safety products, monitoring products, traffic control, business transaction system, medical care equipment, etc. Under the continuous development of the original application market and the continuous expansion of the new application field, the product categories tend to be diversified, and the overall market size will continue to expand and grow.

In recent years, The application field of industrial computer products continues to expand, including medical, military, aerospace, communication, robot automation equipment, smart power grid and the internet of things (IoT) have developed application products, which will become the growth momentum of overall output value of domestic industrial computer in the future. Among them, robot automation equipment and IoT products are widely used, and the future shipment growth is the most promising.

The characteristics of the industrial computer industry have always been that the orders are mostly customized, and the orders are few and varied. Therefore, PC or EMS factories are not easy to enter the industrial computer industry, as a result that the industrial computer manufacturers with high flexibility and customization can maintain the blue ocean market of niche industrial computer products.

According to the forecast of Gartner, an international research and advisory company, the total number of users of mobile phones, tablets and PCs will reach 7.3 billion by 2020, while the number of IOT devices will increase significantly to 26 billion surpassing the above-mentioned network devices, which will generate more than US\$300 billion in marginal revenue. The Gartner report further stated that US\$166 billion will be invested in various IoT industries by 2020, with transportation, retail, warehousing, healthcare and manufacturing industries as the major industries. IoT is an innovative concept, but formed by the integration of three traditional industries, including the automation industry, telecommunications industry and computer industry. The Company and its subsidiaries are "professional vertical integration manufacturers of industrial computers", starting from the interactive end products, focusing on four big emerging product line of big data, IoT, IoV, and robot. With the demand from POS machines upgraded to near field communication (NFC) payment technology because of Apple Pay recently, shows great potential in its future development.

(2) The Relevance of Upstream, Midstream and Downstream Industry



(3) Development Trends of Product

- A. Internet of Things (IoT) devices will become the driving force for the future development of IPC industry.

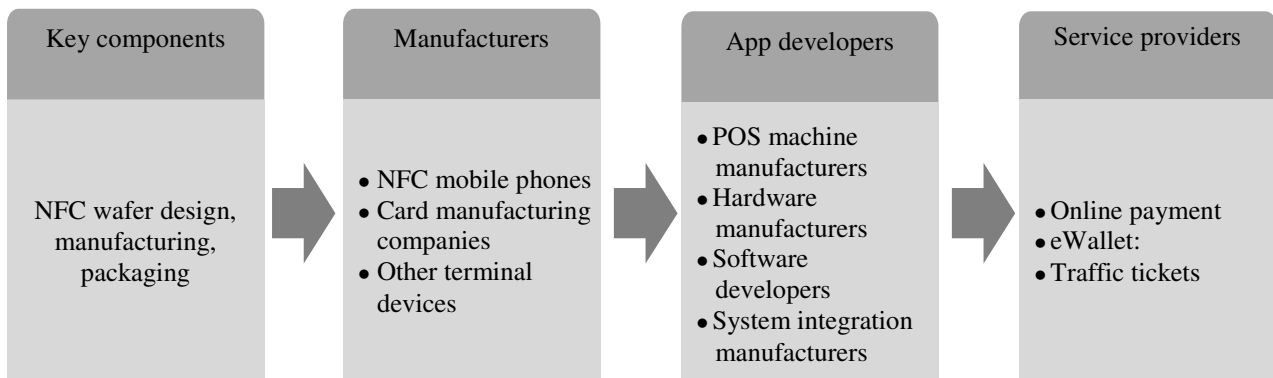
IoT is connected by intelligent computing, reliable transmission and comprehensive perception. And cloud storage, IC design and communication, and industrial computers are the groups benefiting from the abovementioned three aspects. According to the forecast by Gartner, the total number of users of mobile phones, tablets and PCs will reach 7.3 billion by 2020, while the number of Internet of Things (IoT) devices will increase significantly to 26 billion, which will create US\$328 billion in marginal revenue. With the rising of the Internet of things, the application of industrial computers has moved into vertical integration markets such as transportation, food and beverage, retail, agriculture, and urban management, using innovative UI for human machine interaction and gathering and extracting needed information to enable industries to increase added value.

B. Point of Sales (POS) manufacturers benefit from the rise of global mobile payment

According to the statistics of the research institution, the market share of the top 10 POS manufacturers reached 87% in 2015, and the market output value in 2019 is estimated to be US\$6.26 billion, and the market output value in 2024 is estimated to grow to US\$14.3 billion, with an compound annual growth rate of 14.8%. Therefore, POS still plays an important role in digital transformation.

On the other hand, with the demand of mobile payment in recent years, consumers have gradually formed the habit of paying through hand-held devices, and mobile payment is rapidly popularizing and developing. A research survey conducted by the international research and advisory company, Gartner, at the end of 2015 showed that, the transaction amount in the global mobile payment market would grow from US\$431.1billion in 2015 to approximately US\$721.5 billion in 2017, with an annual compound rate of about 29.4%. The best-known mobile payment services, Apple Pay, Samsung Pay, Google Wallet, EasyCard and store-issued stored-value cards, all use near field communication (NFC) payment technology. To use NFC payment technology, consumers need to have a smart phone with an NFC chip built into it, merchants must also replace the MPOS (Mobile Point of Sale) or other POS systems that support NFC transaction function. Only after that can consumers enjoy mobile payment services. Global mobile payment transaction accounted for about 3% of the total transaction volume in 2015 and Gartner estimated that it would reach 6% in 2018.

NFC Industrial Supply Chains

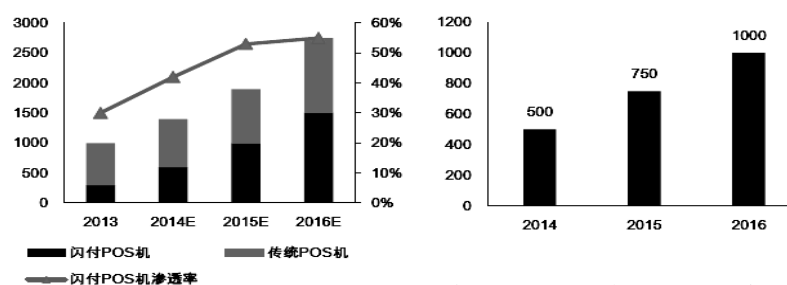


Apple Pay is raising expectations of a global upgrade to the NFC for POS machines. A latest report from market research company, Berg Insight, showed that more than 9.5 million NFC-enabled POS terminals were shipped worldwide in 2014, accounting for two-fifths of the world's total POS terminals shipments. Berg Insight forecasted that global NFC POS terminals would grow at a compound annual growth rate of 28.4%, which is expected to grow from 21.4 million in 2014 to 74.9 million in 2019. In 2014, the top NFC POS terminal shipments are in Europe and North America, which are as high as 80% and 75% respectively. In addition, Berg Insight indicated that about 9 million POS terminals accepted Visa's PayWave, MasterCard's PayPass and China UnionPay's QuickPass of contactless payment at the end of 2014.

Moreover, mobile POS machines (MPOS) have the advantage of portability, allowing store personnel to settle accounts for customers anytime and anywhere, and making it convenient for customers to spend money on special occasions such as planes or trains. This advantage is expected to bring obvious business opportunities for MPOS-related industries. Greg Buzek, President of global research consultancy IHL Group, said that the use of mobile POS devices in some areas is rapidly changing the style and features of retail and receiving customers, particularly for mall retailers, and predicted that the number of mobile POS devices in department stores, clothing stores and shoe stores would nearly triple by 2015. In response to the rapidly changing consumer service landscape, the products have developed from PC-based POS terminals to handheld POS that integrates wireless transmission, multi-function all-in-one Touch POS that integrates host and touch screen, mobile POS (mobile point-of-sale management system) and information service system (kiosk). The new generation iPhone already has NFC capability, which can be used to identify the product information stored in the RFID tags on the product packages, and can also be used to receive the credit card account information of customers in the NFC mobile phones. As a matter of fact, iPhone has the conditions to develop into mobile POS.

China is the world's most rapidly-developing country for mobile payments. The data indicates that UnionPay has completed the function transformation of 5 million QuickPass POS terminals by 2014, with the penetration rate exceeding 30%. All the newly increased POS terminals in the next three years would have NFC functions, and it was estimated that the penetration rate of QuickPass POS machines in 2015 and 2016 may reach more than 50%.

China POS Machine Shipments (10,000 Units) and China Quickpass POS Machine Penetration Rate



Data source: UnionPay. In February 2015

Quickpass POS Machine	Traditional POS machine
Penetration Rate of Quickpass POS Machine	

In addition, the penetration rate of traditional POS machines in electronic payment terminals of emerging markets still remains low. For example, more than 12 million terminals have been installed in the United States, a country of 300 million people, but only 700,000 in India and fewer than half a million in Indonesia, showing the huge potential of emerging markets.

C. The emerging market demand will drive the growth of the automatic teller machine (ATM) market

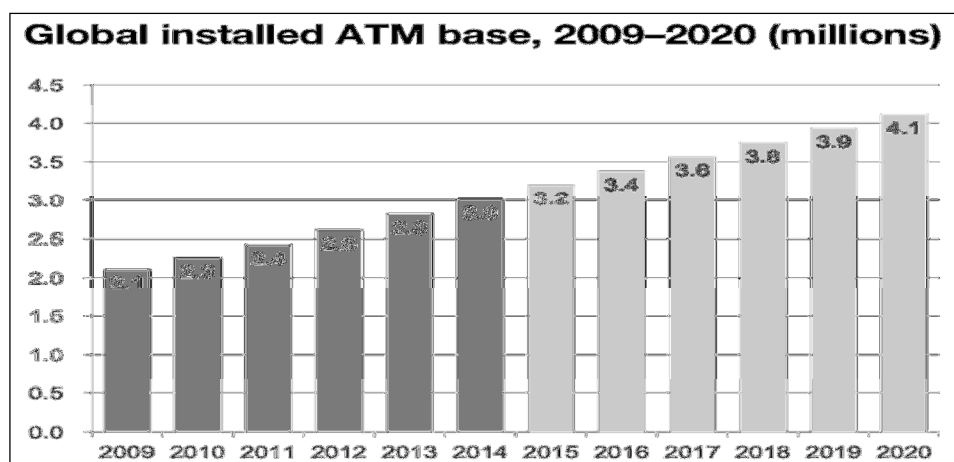
ATM is the largest application of POS system in the financial industry. However, due to the increasing popularity of new payment tools, the general public becomes less dependent on cash, and the cash withdrawn from ATM tends to decrease year by year. However, in order to reduce the operating cost of banks and improve the added value of ATM, the service contents provided by ATM also tend to be diversified. It is expected that a wave of integration between mobile smart terminals and ATM will be set off globally, and the intelligentization of mobile devices such as mobile phones will become a new driving force for the growth of the ATM market in the future. Moreover, diversified financial services and product innovation will also be one of the important reasons driving forward the global ATM market. In terms of security, information theft against cardholders has become a major threat to the ATM market, and the "cross-border integration" between mobile devices and ATM and the application of chip card (EMV) will significantly reduce the crime of bank card theft against ATM.

According to the forecast from Retail Banking Research, a british research survey institute, the global installed number of ATMs will break through 4 million by 2020, up to 28.12% from 2015. The ATM market in Europe and the United States has become saturated, while emerging regions such as China, India, etc. will see rapid growth. This is due to the rise of mobile payments in recent years and the emergence of new types of banking services such as the process of withdrawing money through App, the addition of scanning system, the addition of interactive service functions and the support of Web environment. In the future, ATM will be able to be

connected through internet, update the contents displayed on the machine by timing remotely, or directly conduct e-commerce transactions. As a result, the market size of ATM in Europe and America is still growing due to the replacement demand. Also, according to statistics from People's Bank of China on "The Overall Operation of the Payment System in the Third Quarter of 2015", the number of connected ATM reached 840,800 in the third quarter of 2015. In addition, according to the "Review of China's ATM Market in 2014" published by China Financial News in March 2015, as China's ATM market has entered the stable growth period of replacing old machines with new ones, state-owned banks, rural credit cooperatives, rural commercial banks and postal savings banks are the main purchasers of ATM. Under the strategic layout of community banks and smart banks, some joint-stock banks have seen a breakthrough growth in ATM equipment procurement, such as China CITIC Bank's equipment growth rate of over 700% in 2014 and China Minsheng Bank's over 90%. In terms of ATM equipment category, the all-in-one deposit and withdrawal machines continue to occupy the mainstream position in the market, with the proportion breaking through 70%, reaching 72.17%. The total sales of withdrawal machines fell to 27,000 units in 2014. It can be predicted the trend that all-in-one deposit and withdrawal machines replacing withdrawal machines to become the mainstream model for the bank to purchase equipment has become irreversible.

In addition, China's major state-owned banks have launched smart banks in line with their own characteristics, and completed the layout of smart banks successively in 2014. They mainly improved customer experience in the form of flagship stores, which promoted the transformation and upgrading of the ATM industry. The most representative intelligent equipment of smart banks is the virtual teller machine (VTM). In 2014, the global VTM is still in the upsurging trial phase, but some Chinese banks have taken the lead in the batch application phase. It is expected that the Chinese VTM market would develop rapidly in 2015.

Installed Number of ATM in the World from 2009 to 2020



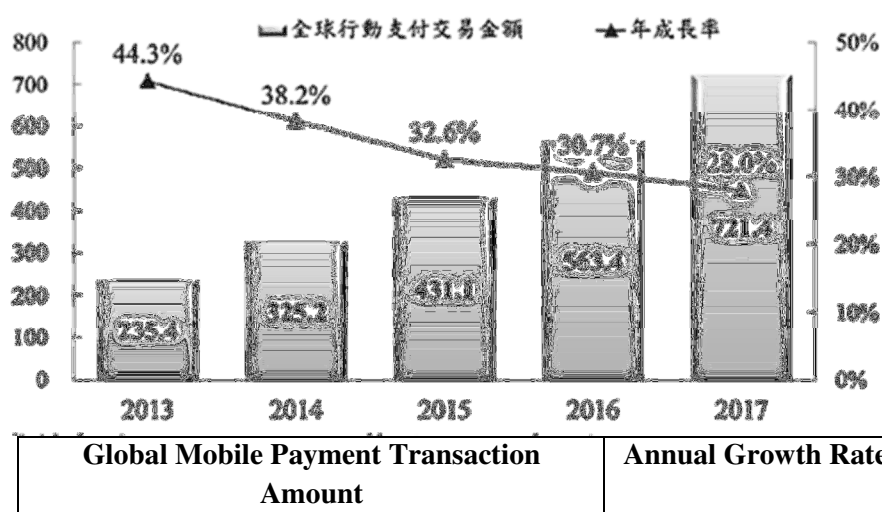
Data source: Retail Banking Research, 2015/10

- D. The application of the Internet of things (IoT) and mobile devices will drive demand for network security

Gartner, an international research and advisory company, released its latest forecast in September 2015, predicting that global information security expenditure would reach US\$75.4 billion in 2015, up 4.7% from 2014. Spending growth has been driven largely by government programs, more laws and regulations formulation and a number of major data breaches incidents.

Market Intelligence Consulting Institute (MIC) stated in the report in September 2015 that the global mobile payment market grew at an annual rate of over 30% from 2015 to 2016 and the compound growth rate reached 29.4% from 2015 to 2017, and it was expected to break through US\$720 billion in 2017. The rapid growth is attributed to the promotion of laws and regulations, the evolution of payment technology, cross-industry competition and cooperation, and the transfer of consumption habits. Display payment security issues involve various parties including smart device related operators, financial operators, payment operators and transaction payment stores, showing that with the expansion of mobile payment adoption and consumers' attention to the issue of information security, enterprises' demand for information security is expected to grow.

Global Mobile (Innovation) Payment Transaction Amount



Data source: Gartner. Compiled by MIC. In September 2015

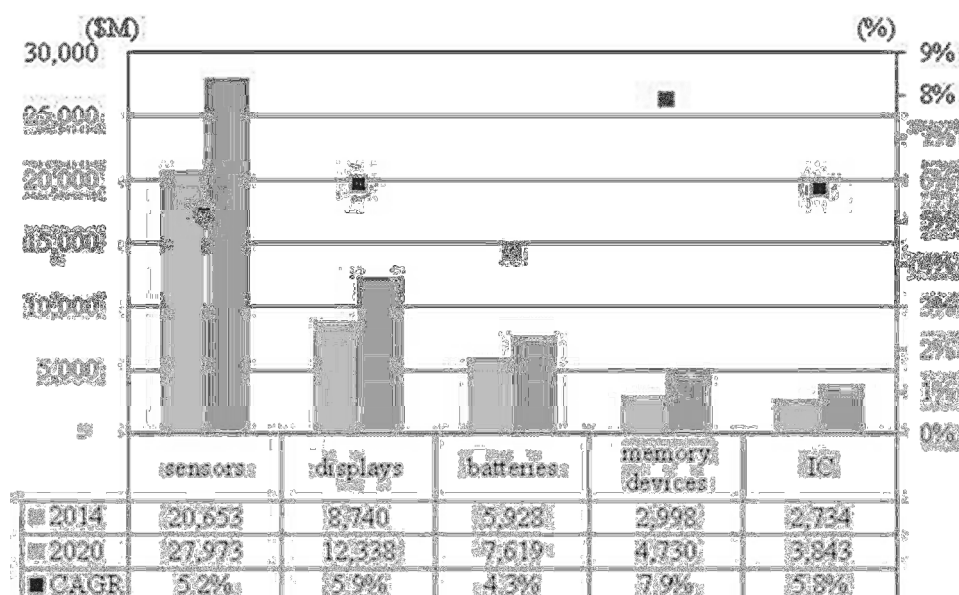
Digital enterprise elements include uses on the cloud, mobile computing and the Internet of things (IoT). The proportion is increasing continuously which indicates that more confidential corporate information will be exposed to the Internet, driving the growth of information security-related demand and investment in new products, giving a diverse development to the participants in the network security market.

- E. Medical care and personal intelligent care system

Medical electronics are the main components of medical electronic instruments used in diagnosis, treatment, medical imaging, medical research, rehabilitation and other fields, including sensors, displays, batteries, memory, MCU and other IC. According to the research and

analysis by MarketsandMarkets, the size of global medical electronics market was about US\$41 billion in 2014, and it is estimated that it will grow to US\$56.5 billion by 2020. The compound annual growth rate (CAGR) from 2014 to 2020 is 5.5%. In terms of medical electronics, sensor is the largest one in the market size. In 2014, the market size was US\$20.7 billion, accounting for nearly half of the total medical electronic market size.

Market Size of Medical Electronic Products from 2014 to 2020



Data source: MarketsandMarkets. Compiled by MIC. In June 2015

According to the assessment, in the future, the information and communications industry will be able to achieve an integrated health care service system through the integration and innovation of medical products, technology platforms and systems, the integration of health care and service systems, and the target and cost oriented integrated personalized preventive medicine to enable the IT information platform to integrate bioinformatics, hospital medical information and personal home care management into an innovative mode of remote care services suitable for Taiwan, thus driving the application demand of information and communication industry. Such integration will form a huge terminal industry of smart medical electronics, which includes instruments, terminal equipment, management systems and other backup information systems. In terms of IPC hardware, it can be further subdivided into home medical electronics, imaging medical electronics and clinical medical electronics, and other system equipments. How to integrate different industries and equipment into a large, usable and user-friendly medical management system will be the primary challenge for the above-mentioned three industries.

Individual intelligent care system part, mainly used in intelligent disorder, special disease patients or nursing homes, etc., to wear a identification tag (RFID) with global system for mobile communications (GSM) and global positioning system (GPS), combining with networking tracking, two-way communication,

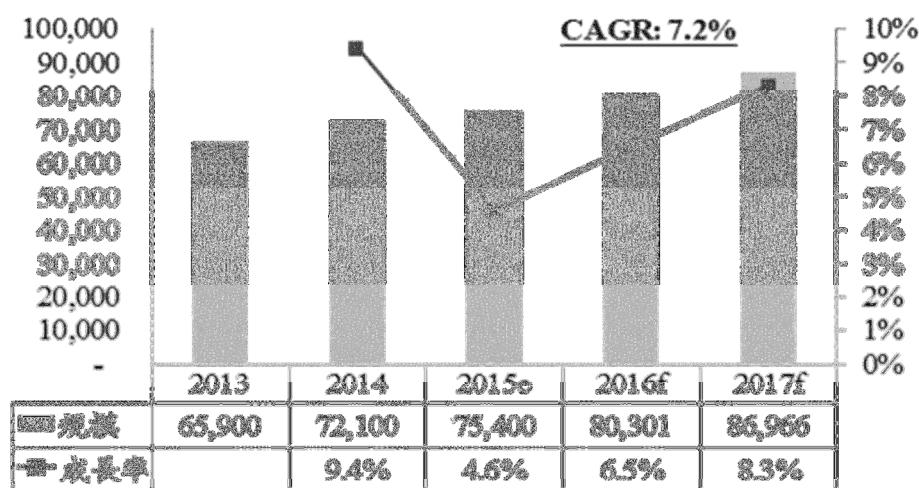
mobile phone SMS and designated emergency call button and other technical functions to include the medication situation of such persons, avoid any missing, and also record patients' medical records, which is one of the application fields of IPC industry in medical electronic intelligence.

Along with changes and expansions of the market, the IPC industry will gradually get rid of a generic type/standard platform product development model, and then towards the individual vertical application market areas in the future such as deepening industrial automation (IA), automotive market, medical market (long-distance medical treatment, mobile medical application), Internet of things (IoT) and other solutions, to seek its own exclusive advantages in the market place.

F. Demand for Internet information security is on the rise

In addition, the Company acquired 33.32% equity of Caswell Inc. (hereinafter referred to as Caswell) at the end of 2014, and included it in the consolidated financial statements preparation entity, which shows that Caswell has certain influence on Ennoconn Corporation's revenue. The main business of Caswell is the research, development, design and sales services of network communication security-related products, the applications of which include network security platform, communication office terminal platform and cloud computing platform. By acquiring the equity in Caswell, the Company has stepped into the field of network communication security. Therefore, the development of the industry will also affect the revenue and profit performance of the Company and its subsidiaries in the future.

The report from MIC indicates the size of the global information security market continues to rise. Influenced by the adoption of cloud computing and Internet of Things applications by enterprises, the market size will increase at an average annual growth rate of 7.2%. According to research by MarketResearch.com, a research institution, the overall output value of global information security market is expected to grow from US\$106.32 billion in 2015 to US\$170.21 billion in 2020, with an average compound annual growth rate of about 9.8%. Both abovementioned forecasts indicate that the information security market will gradually grow in coming



備註：單位為百萬美元

資料來源：Gartner，MIC整理，2015年10月

years.

Scale
Growth Rate
Note: unit is in millions of US dollars
Data Source: Gartner. Compiled by MIC. In October 2015

In today's fully automated, computerized world, governments, businesses and consumers all over the world are increasingly dependent on computers and internet, and information security threats are emerging. Through Trojan virus, phishing software and other virus programs, hackers can easily control every movement of the Internet users. For individuals, there will be risks of identity theft or personal information theft, and for governments or enterprises, there will be threats of theft of confidential information or leakage of customers information. In order to combat network virus and hacker threat and protect personal and enterprise information security, strengthening information security protection has become a major target of enterprise information technology department. In addition, in the era of explosive growth of internet of things related industries, more and more products will be connected to the Internet, which is bound to bring many potential threats to information security. Therefore, the development of internet of things will also drive the growth of information security industry. The more products that are connected to the internet, the greater the need for information security protection for enterprises and consumers. This trend will bring huge business opportunities for the information security industry, and thus drive the future development of the industry.

G. Gaming market demand is rising

Gaming is another engine driving the continuous growth of industrial computers. Thanks to the recovery of the European and American markets and the opening of the gaming industry in Singapore, the gaming industry has aroused great concern in the world in recent years. It is expected that the gaming and lottery industry can become a powerful tool to promote the tourist-related industries and stimulate economic growth, and the gaming industry will once again become a hot focus in the market. The compound annual growth rate 5.7 of the global gaming market will reach US\$63.5 billion by 2022. In addition to the sales of hardware machines, firmware for internal control, monitoring systems, even electronic display board set up in the tourist areas around casinos and restaurants, multimedia information stations, and needs for POS could all be the business opportunities for IPC industry.

H. Intelligent manufacturing is gaining momentum

In recent years, the global manufacturing industry has successively introduced various information technologies, such as cloud computing, IoT (including big data of the internet of things), computing cloud artificial (artificial intelligence), big data, etc., to improve manufacturing efficiency and try to improve manufacturing accuracy and reduce costs at the same time. From intelligent

manufacturing production line to the establishment of intelligent factories, automation, networking and intelligentization has become competitive business opportunities. Under the trend of intelligent manufacturing, industrial automatic robots have become an important part of the construction of intelligent manufacturing. Human-machine collaboration in unmanned factories is leading future manufacturing, and automated warehousing is still an imperative trend in the future. Ennoconn Corporation has integrated the internal and external resources of the business group to completed the layout of intelligent manufacturing. In addition to expanding the four areas of high-tech equipment material sales, automated supply systems, integrated systems and customized equipment research and development manufacturing, facility monitoring system, ServCore and other application solutions can assist on real-time monitoring of the production status of the machinery equipment through computers or mobile phones remotely and export statements automatically, solve existing problems by data analysis, and can provide the factory with energy saving and carbon reduction plans, equipment condition monitoring and other services, to improve the automation level of the factories.

(4) Competition Situation:

Since the successful independent research and development of industrial motherboards in 2004, the Company and its subsidiaries have stepped into the industrial computer industry and continuously expanded the application field of products. Vertical applications field of industrial computer is quite diversified with the cost is quite high and most of which have an oligopolistic competition structure. In a comprehensive view of the listed and OTC companies in the country, considering the company scale, operation mode, application fields and other factors of the Company, IEI Integration Corp. (hereinafter referred to as IEI), Flytech Technology Co., Ltd. (hereinafter referred to as Flytech) and Avalue Technology Inc. (hereinafter referred to as Avalue) are selected as the comparison peers. IEI is the second largest industrial computer manufacturer in Taiwan, and also the one with largest business scale in the sampling industry. In recent years, IEI takes gaming products and POS products as its main development focus, and also takes professional ODM factory as one of its business priorities. Flytech focuses on point-of-sale system (POS) application products. And Avalue mainly specializes in the product applied in medical field and POS system products, which is quite similar to the Company's products and company size.

In recent years, the Company and its subsidiaries have positioned ourselves as professional industrial computer R&D and design manufacturers, focusing on the development of POS, ATM, industrial automation, network communication security or large system integration brand manufacturers in Europe, America and Japan in various fields, and expanding together with customers to emerging markets such as China, South America, etc. Compared the growth rate of the combined turnover of the Company with that of the peers, the combined revenue of the Company in 2017 reached NT\$34,904,064 thousands, with the growth rate of 141.19%, which was far better than other sampled peers,

reflecting the positive benefits generated from the business expansion of the Company and its subsidiaries and benefits from Caswell Inc. who focuses on network communication security products in 2014. The Company and its subsidiaries integrate the existing product lines, expand the diversity of industrial computer products, actively layout the IoT platform from cloud, system to terminal devices to strengthen the competitiveness in existing fields. As a result, the growth potential is more superior than the sampling listed OTC peer companies.

3. Technology and R&D Overview:

(1) Technical Level of Business:

In the field of industrial control human-machine interface, Ennoconn Corporation provides wide temperature, high brightness and long durability industrial control host with touch screen, which is compatible with every big brand programmable logic controller (PLC), converter, servomotor, reducer and other production equipment units, uses intuitive operation interface which leads to easy operation of the production machine, and gets instant control all the production information and the status of the machines. Applying the industrial firewall technology, NAS and other industrial computer products technology developed by the Company and its subsidiaries, the research and development will go from the industrial computer system with strong specification to deeply into the field of industrial communication. Such as from industrial server to the development of industrial intelligent gateway, and various information used to collect all kinds of traditional instrument, digital instrument, sensors, servomotor and production machines of factories, by the big data analysis, and combined with the IT/ERP information system, can achieve intelligent production, equipment predictive maintenance, which is an important cornerstone for realizing industry 4.0 smart factory.

In 2018, the Company focused on medical bedside care computer, including bedside terminal, cloud platform and care device, integrating personal medical information, communication, entertainment, medical process and other targets to focus on. The ability to design based on ARM structure has won the recognition of medical equipment manufacturers. The Company has received orders of its medical oxyhydrogen machines, and has completed the design verification and started shipping.

X86 computers are mainly applied in retail counter machines (POS), interactive multimedia machines (kiosk), automatic control equipments, ATMs, lottery machines, electronic billboards, medical care equipments, network storage equipments, etc. The Company and its subsidiaries cooperate with Intel to pursue the development opportunity of new industry and new market. Using CPU of new generation Intel Coffee Lake series with standardized design, integrating motherboard and system, combining with the embedded storage memory peripherals and multimode embedded wireless transmission, to provide different general SBC development platform. Development of different products for different vertical markets, can accelerate and improve the development process of derivative products and the development efficiency of system products, so as to provide the most suitable customized module design

and make the products become the device or equipment used in various industries.

In the aspect of AI, the Company cooperates with Intel OpenVINO (Open Visual Inference & Neural network Optimization) to develop relevant POS applications, combining the big data analysis technology to enable customers to transform the image data collected by edge and internet of things devices into the information with commercial value easier, such as face recognition, customer recognition, and the promotion and broadcasting of corresponding advertisements. At the same time, the Company also carries out planning of AMD chip products to seize the gaming entertainment market of multi-screen, 4K in Japan and US.

Intelligent industry of internet is another main focus to be promoted. Develop software and hardware technology and products of core layer, connect all kinds of industrial machines, collect data with sensors and gateways, analyze data with FII, make intelligent judgment on Cloud, and finally enable edge equipment to achieve the ultimate goal of cost reduction, storage reduction, quality improvement and efficiency enhancement.

(2) R&D Personnel and their Educational Background:

The educational background distribution of the Company's R&D department is as follows:

Unit: people

Year	2016	2017	2018
Educational Background			
Doctor	2	1	4
Master	84	1,304	1,439
College	270	886	1,001
High School (Inclusive) or Below	51	698	747

(3) R&D Expenses and Technologies or Products Successfully Developed in Recent Years:

A. R&D expenses invested:

Unit: NT\$ thousand; %

Year	2017	2018
R&D Expenses (A)	3,064,338	5,876,650
Operating Income (B)	34,904,064	68,962,459
R&D Expenses as a Proportion of Operating Income (%)	8.78%	8.52%

B. Technologies or products successfully developed:

Year	Name or Project of Product and Technology
2011	<p>1. Launched the all-in-one POS system, equipped with the touch screen of 15 " surface capacitance, integrated peripherals of POS, customer display (VFD), fingerprint sensor, 2D barcode scanner and so on. The concise and neat appearance completely attracts the attention of important customers.</p> <p>2. Developed the motherboard of bedside terminals which is suitable for the medical care industry.</p> <p>3. The vehicle-mounted system of Intel Atom platform is developed, which not only suits the harsh environment with wide temperature, but also integrates wireless communication modules such as GPS, GSM and Bluetooth, and its</p>

Year	Name or Project of Product and Technology
	<p>power supply design also overcame the problem of surge and voltage drop of vehicle power supply.</p> <p>4. Launched Intel HM65 platform embedded motherboard with flexible design which enables users to choose to use Intel built-in drawing unit or independent AMD Radeon E4690 high-end graphics processing unit, to meet the needs of different game consoles.</p>
2012	<p>1. A small fanless embedded system designed by the Intel Cedar Trail platform, has won orders from european digital electronic billboard customers due to its feature of playing 1080p high resolution video and rich control interfaces for peripheral devices.</p> <p>2. 10.1 " wide screen fanless aluminum die casting data capture system with unique cable fixed structure design to solve the problem of loss of important data caused by careless cable pulling in the factory. This system also retains the Mini PCIe slot, so that WiFi or 3G module can be added and the data collected by the front end can be transmitted to the back end in a wireless way for analysis and control.</p> <p>3. The embedded motherboard designed with Intel Ivy Bridge CPU and Q77 high-speed chip set, supports digital video interface DisplayPort and native USB 3.0 port, and caters to the needs of multimedia playback and high-speed data access for kiosk devices.</p>
2013	<p>1. Applying the Intel H61 platform to develop the mid-level POS motherboard which supports Intel Core i7 & i5 processor, the special architecture and design of its MCU equipped with BIOS can not only record the abnormal actions of the system, but also save users from the trouble of resetting when upgrading the BIOS.</p> <p>2. The new onboard computer using two satellite navigation systems of GPS and Beidou, can integrate emergency buttons, instant call, instant dispatch, fuel sensing and other peripherals to meet the needs of various motorcades.</p> <p>3. Developed all-in-one and tower-type POS system, adopting strategic product of Intel Haswell, Bay Trail & Freescale iMX and other platforms (x86 & ARM).</p> <p>4. In response to the demand of multi-screen application, developed the Mini-ITX motherboard using Intel Q87 platform to provide three independent display interfaces of VGA, HDMI & DisplayPort. In addition to supporting advanced processors, 35W power consumption processors and LVDS display interface facilitate the integration of small embedded LCD systems.</p>
2014	<p>1. The strategic products of all-in-one and tower-type POS system adopting Intel Haswell, Bay Trail & Freescale i.MX and other related products have been developed, among which the strategic products led by Android POS are the most important breakthrough.</p> <p>2. Developed 3.5 " SBC for harsh industrial environment and COM express control motherboard adopting Intel Broadwell.</p> <p>3. Developed industrial workstations for the communications industry.</p> <p>4. A small fanless embedded system designed with the Intel Bay Trail platform, has won orders from european digital electronic billboard customers due to its feature of playing 1080p high resolution videos and rich control interfaces for peripheral devices.</p> <p>5. ARM Base low power netcom system: ARM Base Marvell SoC platform, 5 GbE RJ45, support Wifi module and SATA HDD solution at the same time, provide enterprise branch offices with the best VPN specification solutions.</p> <p>6. 320G Throughput solution: advanced X86 system and 72-core Tilera netcom acceleration module integration platforms, which provide high-end enterprise users a complete solution platform for network bandwidth in the</p>

Year	Name or Project of Product and Technology
	<p>coming big data era, and 320G line speed efficiency.</p> <ol style="list-style-type: none"> 7. The Rangeley SoC micro server system was developed to provide entry network security appliances with high network encapsulation efficiency requirements: adopting Intel Rangeley integrated network acceleration chip with the advantages of high network encapsulation acceleration efficiency and low cost, which is very suitable for micro network security management platform. 8. 1U high-competitive server with basic network port specifications: Intel Bay trail SoC integrated chip is adopted to provide threshold products with basic specifications of basic netcom security equipment, which is highly competitive in terms of cost. 9. Researched and developed 2S CPU high-end server system to provide data center, cloud computing and high-end network security appliances with high efficiency requirements: adopting Intel Haswell-EP platform with high power and high efficiency which can support maximum to 240G Throughput, multi-functional integrated front-end network card replacement module design High-performance x86 Network Security Appliance Powered by Dual Intel "Haswell-EP" E5-2600 v3 CPU. 10. Researched and developed 1S CPU high-end Xeon Server System 1U High Performance x86 Network Appliance for Enterprise Firewall, UTM and IPS: single core Intel®Haswell-EP E5-2600 v3 CPU 4IC module slots up to 32 LAN ports Supports Intel® 1G/10G/40G Network Controllers. 11. Researched and developed 80GbE with modular Ethernet card for data center and network security appliances: adopting Intel's latest Fortville controller to develop the exclusive and efficient network card for Caswell Inc., improve the highest bandwidth of the external network of the single network port of Caswell Inc.'s products and support 2x QSFP 40G Transceiver 、QSFP. 12. Researched and developed the IoT integrated desktop system applicable for intelligent gateway: adopting IoT integrated network chip GX210UA of AMD's latest generation to develop the network control and management equipment applicable for the end point of wireless network. 13. Researched and developed integrated smart thermal solutions: for high-order multi-module PCIe connection network port equipment, 1U/2U system requires solutions of high frequency and wide width, resulting that the overall thermal solution needed to be monitored comprehensively. 14. Researched and developed intelligent LED display solutions: for higher-order systems, operators need more convenient display information to effectively monitor the overall hardware health status of higher-order systems. 15. All-flash array computing platform (COS-I900): All-flash array computing platform with 36-core network multi-core chips can store the maximum storage capacity (48TB) in 1U limited space. 16. Deep programmable network virtualization software definition platform (COS-J500): deep programmable network virtualization software definition platform with 72-core network multi-core chips 17. Researched and developed network encryption and decryption acceleration card (for TCP offload, IP forwarding, etc.): adopting the CPU of Tiler 72-core structure, developed network encryption and decryption acceleration card with 80G network bandwidth and double-slot PCIe slot volume to improve the performance of traditional CPU processing TCP and IP forwarding.. 18. Developed electronic watches and personal physiological monitoring system applied for electronic watches

Year	Name or Project of Product and Technology
2015	<ol style="list-style-type: none"> 1. Launched ADE-6091: ADE-6091 adopts new generation Intel ATOM Braswell CPU with USB3.0 Type C connector to greatly improve the information transmission speed of Cloud and perception system. 2. ADE-6082/NSB-3011: developed Intel's sixth generation Skylake high-end processor motherboard applied to industrial control, electronic display board and a large number of high-speed computing needs in the information industry. 3. Launched the CAF-1010 model: fanless network processing system Rangeley, focusing on network security application system of industrial specifications. 4. Launched a series of Atom™ processor C2000 network security system: on the basis of low-power Silvermont microarchitecture, extend the expansion capacity of the Intel® architecture to small high-density communications and intelligent system. This product line offers a range of multi-core processing capabilities (from dual-core to eight-core) and has advanced I/O and accelerated integration capabilities to provide extensible and single-chip systems (SoC). On the basis of 22nm process technology, equipped with 3D tri-gate transistors to provide optimal per-watt performance and solutions for applications with thermal limitations such as entry-level to mid-level branch routers, security devices, network access, communication servers, small base stations, control layer processing, and storage applications, etc. 5. Launched Ivy Bridge-EP 2U network server grade platform Intel® Xeon® processor E5-2600 v2 series products: based on Intel® microarchitecture (formerly known as Ivy Bridge), adopting 22nm process technology, and the processor performance and power consumption have made significant progress compared with the previous generation of Intel® Xeon® processor E5-2600 series of products. This is the first Intel® Xeon® processors series product which can extend the life cycle support, providing 10 core/core/single slot and 20 core/double slot configuration. The platform meets a wide range of large-scale communication application requirements in terms of performance, I/O, memory, and acceleration capabilities, such as advanced security devices and blades, enterprise routers, and wireless infrastructure solutions. Equipped with Intel® Data Plane development kits, encapsulation processing speed of the platform can be improved to handle the increasing rate of network traffic data and related control and signal transmission requirements. 6. CAR-3050 fourth generation Intel® Core™ processor formerly known as Glen Forest (Haswell Mobile + Cave Creek): adopting the fourth generation of Intel® Core™ processors by Intel® microarchitecture (code Haswell) as the foundation, with industry-leading 22nm process technology and 3D three gate transistors, make with meticulous care and achieve perfection. With introduction of Intel® advanced vector extension instruction set processor 2.0, the mathematical treatment, encoding, decoding and highly efficient computing and other performances can be effectively improved. This platform is designed to provide solutions for applications with heat dissipation limitations, such as mid-level security equipment, branch routers, network access, media and communication server, error correction coding (ECC), Intel® ultra multi-threaded technology Intel® QuickAssist technology. 7. NIP-83xx network card series: adopting new generation Intel Fortville high-speed network controller, developed high density 2x10, 4x10 and 2x40 GbE module Ethernet card, PCIe x8 Gen3 I/F and compatible CASwell all organic frame network security product line. 8. Launched all-new AMI IPMI server solution: for network security-related applications, obtained the complete source code of AMI, and set up

Year	Name or Project of Product and Technology
	<p>complete IPMI functions related to network applications.</p> <p>9. Dual BIOS: for whole series system, conducted complete Dual BIOS functional design, including independent design for special network security system requirements through remote BMC updates, damage recovery, etc.</p> <p>10. Cad-0245 first IoT gateway solution: for IoT network security-related applications, developed the Company's first product line applied to IoT gateway field.</p> <p>11. In-one POS system, equipped with the touch screen of 15 " surface capacitance, integrated peripherals of POS, customer display (VFD), fingerprint sensor, 2D barcode scanner and so on. The concise and neat appearance completely attracts the attention of important customers.</p> <p>12. Developed the motherboard of Bedside Terminals which is suitable for the medical care industry.</p> <p>13. The vehicle-mounted system of Intel Atom platform is developed, which not only suits the harsh environment with wide temperature, but also integrates wireless communication modules such as GPS, GSM and Bluetooth, and its power supply design also overcame the problem of surge and voltage drop of vehicle power supply.</p> <p>14. Launched Intel HM65 platform embedded motherboard with flexible design which enables user to choose to use Intel built-in drawing unit or independent AMD Radeon E4690 high order drawing chip, to meet the needs of different game consoles.</p>
2016	<p>1. Launched the AMD APU Merin Falcon platform embedded motherboard which can flexibly meet the medium and low order demand of different game softwares, and provide the most cost-effective console controller choice for the first and second largest game manufacturers in Japan.</p> <p>2. Provide Japanese customers with high, medium and low order All-In-One POS system, equipped with the touch screen of 15 " surface capacitance, integrated peripherals of POS, customer display (VFD), fingerprint sensor, 2D barcode scanner and so on. The concise and neat appearance received great attention from the market in 2017.</p> <p>3. Cooperated with slot machine vendors on system projects for gaming machines to provide its slot machines whole series display modules and computing core modules.</p> <p>4. Cooperated with strategic partners to develop new forms of mobile payment terminals for the demands of the largest acquiring bank in South America.</p> <p>5. Completed the development of MQTT/Restful IoT intelligent gateway controller and data collector and provided intelligent management of system assembly production line and timely processing industrialization 4.0 program selection.</p>
2017	<p>1. Launched Intel Apollo Lake platform embedded motherboard, which can meet the application requirements of medium and low-order POS, Kiosk and Gateway.</p> <p>2. Provide european customers with high and medium order all-in-one wide-screen POS system, equipped with the touch screen of 18.5 " surface capacitance, integrated peripherals of POS, the second customer display (2nd Display) and Fiscal Module, etc. The atmosphere appearance received great attention from the market.</p> <p>3. Cooperated with gaming machine manufacturers on system projects for gaming machines to meet the demand of different machine bidding.</p> <p>4. Continuously cooperated with slot machine vendors on system projects for gaming machines to provide its slot machines with more computing core modules in different forms and architectures.</p>

Year	Name or Project of Product and Technology
	5. Completed the development of the control board adopting Intel® Kaby Lake processors COM express, applied to various industrial environment.
2018	<ol style="list-style-type: none"> 1. Launched the Intel CoffeeLake - S platform standard motherboard, which can meet the application requirements of medium and low order POS, Kiosk and entertainment darts machines. 2. Provided european and American customers with high, medium and low order all-in-one wide-screen POS system, combining with USB Type-C and equipped with the touch screen of 15.6 " surface capacitance, integrated peripherals of POS and the second customer display (2nd Display) etc. to lead the trend of product technology in the market. 3. Launched Intel Braswell platform embedded HMI products, providing hardware demand for equipment management and product testing for factory production line of intelligent manufacturing. 4. Cooperated with medical equipment customers for special projects and completed the development of the medical oxyhydrogen machine with ARM Cortex A53/Linux architecture. 5. Continuously cooperated with gaming machine equipment manufacturers on system projects for gaming machines to meet the needs of innovative Player Track System visual computing Machine and provide its slot machines with more computing core modules and wireless charging module in different forms and architectures. 6. Developed handheld mobile payment devices and improved the certification of the whole financial security transaction technology. 7. Launched products of Intel OpenVINO in Kiosk and POS products, participated in Intel solution exhibition, and promoted application opportunities of the industry.

4. Long Term and Short Term Business Development Plan :
 - (1) Short Term Development Plan:
 - A. Marketing strategy
 - (A) Enhance the regional market development and depth, and actively expand the cooperation and exchange with professional system integration manufacturers in the targeting market.
 - (B) Expand the cooperation of new product lines with existing customers, actively promote the integration of high value-added system products and product ecological chain, so as to improve the overall turnover and profit, deepen the cooperation with customers and increase loyalty.
 - (C) Target customers in niche markets will be aimed at for in-depth business development, and exclusive application seminars will be arranged according to their respective vertical application markets to enhance our professional competence and visibility.
 - (D) Layout IIoT solutions and complete ecosystem in China and emerging markets, integrate brand, product and technology portfolio and combining with the real economy of relevant target industries in the region to establish successful demonstration sites.
 - B. Production, R&D and product development direction
 - (A) Actively introduce and cultivate R&D and project management talents to extend the technical field and accelerate the product development speed.
 - (B) Purchase R&D equipment, especially of system analysis and institutional integration related R&D and validation equipments, to meet the increased project requirements of IoT, big data, smart city and industry 4.0.
 - (C) Reserve software development talents for RISC & MCU product development. And add industrial communication related agreements include professionals of IoT and big data to accumulate research and development strength.
 - (D) In combination with marketing objectives, expand and accelerate key product R&D, key technology development and collection, combination and integration of intelligent production of self-owned technology and core technology products of strategic partners in the related field of industrial internet of things.
 - C. Operation management policy
 - (A) Enhance quality control system, continuously improve product quality, strengthen customer service.
 - (B) Make good use of information management system to improve the Company's operating performance.
 - (C) Enhance internal work quality and innovation ability.
 - (2) Long Term Development Plan:
 - A. Marketing strategy
 - (A) Actively seek cooperation opportunities with large-scale industrial computer customers in Europe, America and Japan.
 - (B) Dedicatedly target the vertical application market, cultivate

- professional and technical ability and be familiar with industrial application and demand, integrate the expertise and advantages of each subsidiary, and strive for new business opportunities.
- (C) Strengthen the integration of application ecological chain to provide customers with diversified application development.
 - (D) Integrate the global production bases to provide customers with the global production planning services.
 - (E) Build on Taiwan, layout in China and looking at the world; Provide strong, effective and complete integration of software and hardware applications and ecosystem IIoT solutions.
- B. Production, R&D and product development direction
- (A) Deepen into the vertical market application environment, research, collect and utilize user experience to develop differentiated products and services.
 - (B) Based on the architecture of cloud computing and internet of things, ally with manufacturers with key technologies and components to create novel products and services and create diversified applications for different vertical markets.
 - (C) Establish multiple cooperation platforms for key strategic partners; introduce flexible hardware production and rapid field application solution modular of target industry .
- C. Operation management policy
- (A) Vertically integrate technology and manufacturing capabilities to provide customers with all-round services. And actively integrate the global production bases, improve global production and remote backup capacity for customers.
 - (B) Adjust organizational structure and establish management system for profit center
 - (C) Through the domestic and foreign capital market financing, further create globalization territory for the enterprise .
 - (D) Cultivate the Company's corporate culture and international outlook, and cultivate excellent professionals through job rotation to improve the competitive advantages.
 - (E) Integrate the group's technology in various fields, develop ecological chain applications.
 - (F) Establish communication and organizational structure for rapid strategies and executions across multiple time zones and nationalities.

II. Production and Sales Status:

1. Market Analysis:

(1) Sales Region of Major Commodities:

Unit: NT\$ thousands

Region \ Year		2017		2018	
		Amount	%	Amount	%
Domestic Sales		658,761	1.89	7,374,241	10.69
Export Sales	Asia	3,034,397	8.69	14,414,684	20.90
	America	13,131,764	37.62	14,296,991	20.73
	Europe	17,019,796	48.76	31,832,534	46.16
	Others	1,059,346	3.04	1,044,009	1.52
Total		34,904,064	100.00	68,962,459	100.00

(2) Market Share:

Since successful self-development of industrial motherboards in 2004, the Company and its subsidiaries have continuously expanded the product application fields and have successfully expanded its business with the positioning of "professional industrial computer R&D and design manufacturer" in recent years, occupying a place in the industrial computer industry. Over the years, the Company and its subsidiaries have cooperated with large-scale companies in Europe and the United States to conduct research and development. The products have not only penetrated into mature markets in Europe, the United States, Japan and other countries, but also made remarkable achievements in important emerging markets, such as China and South America. Due to the wide range of industrial computer applications, there are no statistics to show the market share of the Company and its subsidiaries in the industrial computer market in Taiwan. However, the Company and its subsidiaries mainly transact with leading manufacturers in POS, ATM, industrial control, network communication, game console, gaming and other industrial computer applications. For example, the Company has become the world's largest ATM brand factory and the top three POS brand factory A group's most important board cards and controllers supplier. It is speculated that the Company and its subsidiaries should have a certain market share in related application fields. With the continuous business expansion of the Company and its subsidiaries, the overall operation and market share should be able to grow steadily.

(3) Future Supply and Demand Situation and Growth of the Market:

Demand for POS industry will continue to grow steadily. According to the forecast from Transparency market research, a research institution, global POS demand will continue to grow at a compound annual growth rate of 11.5% from 2017 to 2025. Considering the convenience trait of POS, the growth of mobile POS will be more remarkable in the future.

In terms of ATM market, although the north American market has become saturated at present and due to the low base period in emerging countries, the penetration rate of smart mobile devices is low and the growth rate is relatively good, among which ATM is the one with largest demand potential. The latest report from Allied Market Research (AMR) in December 2014 showed that, the global ATM market will grow at a compound annual rate of 7.6% from 2014 and 2020, and the size of the global ATM market will climb to nearly US\$22 billion in 2020. The ATM market has become saturated in Europe and the United States, and it is expected that in the next few years, the growth of

the Asia-Pacific regions, the middle east and Africa will be significantly faster than other regions.

At present, it has become a trend for international brand manufacturers to focus on terminal sales and outsource design and production. Taking group A as an example, most of its POS products are complete machines outsourced, while ATM sets its own complete machine assembly bases in neighboring regions of important markets due to transportation cost considerations. However, the manufacturing of most of its motherboards, controllers and other important components have been outsourced, which shows that relevant business opportunities are still booming.

Due to the market's recognition of self-service technology, the demand for kiosks continues to grow steadily. According to the forecast from the survey institution, Persistence market research, the global demand for interactive and self-service kiosks will continuously grow at a compound annual growth rate of 9.7% from 2017 to 2025.

(4) Competition Niche:

A. Actively innovate to find different growth models

It has taken average industrial computer supplier more than a decade to reach its current size in Taiwan, and if it follows its model, there is little chance of catching up or exceeding its achievements in a few years. Therefore, the Company and its subsidiaries constantly try to establish core competitiveness with different products, services and business models, and at the same time accelerate the expansion of the scale. This belief enables the members of each functional unit to not stick to the existing workflow, and thus can be adjusted and improved according to the strategic directions of the Company and its subsidiaries.

B. Mastery of R&D technology and efficiency of project management

New product development and service construction have always been the core competitiveness of the Company and its subsidiaries. Compared with other industrial computer companies on the product design with various standard specifications, the Company and its subsidiaries emphasize more importance to the needs of the industry. Because of focusing, the application environment can be better understood, and besides attracting opportunities for advanced industrial cooperation, it also builds a higher competitive threshold. Apart from technology, the time and quality of development are also important. Project management personnel not only have a good knowledge of products and design, but also are familiar with a wide range of fields such as material preparation, production, industrial knowledge and customer communication, etc. The experience accumulated in the past few years in ODM/JDM and the cultivation of talents will be an important opportunity for future development.

C. Build better products with heavyweight customers, and the cooperation partnership became an edge tool of word-of-mouth marketing

The main customers of the Company and its subsidiaries are world-renowned leading brands, and their requirements for products and services are much higher than those of ordinary companies. Since the Company and its subsidiaries are able to meet customers' expectations in terms of R&D technology, quality control and project management efficiency, the cooperation relationship between companies becomes closer. Given the stability of industrial computers, it is hard for

competitors to beat the competition .

- D. Invest resources in digitalization, automation, and knowledge management

MIS and software personnel are also important supports for the development of the Company and its subsidiaries. In addition to purchasing packages of software to directly use its functions, the interface between the systems or the inadequacies are improved by MIS and software personnel to achieve a seamless flow of information. The expertise of the software personnel also extends to the automation of factory production, and the reduction in judgment and use of personnel, which reduce both the probability of error and the cost of production.

- E. A management team with rich background

The management team of the Company comes from industrial computers and world-class EMS companies with relevant management experience in products of HMLV (High Mix, Low Volume) or LMHV (Low Mix, High Volume). In the face of industries with different growth strength, this cross-industry combination helps to meet customers' needs beyond product development.

- F. Flexible service mode and nearly a complete solution deepen the level of cooperation with customers

From the core board cards, embedded systems to the complete machines including many imaging devices, from simple product designs, manufacturing to supply chain and service system created for customers without subsequent worries, Ennoconn Corporation increases the customer's adhesion to us with multi-level product capabilities and a wide range of ecological chain partners.

- (5) Advantages, Disadvantages and Countermeasures of the Development Prospect:

Advantages:

- (A) Industry model transfer allows that the laggards to have the opportunity to grow rapidly

The rise of the Apple brand has led to new thinking about products and services. In the past, the industrial computer industry in Taiwan, just like the PC industry, focused only on the research and development of hardware. Companies that are able to build new business models and products also have the opportunity to emerge. In order to bring the concept of "ODM" into the first-level brand manufacturers, the Company and its subsidiaries focus on establishing a good cooperative relationship with large-scale industrial computer brand system integration manufacturers through the innovative business model, and strive for cooperation opportunities of other brand manufacturers in the future through the successful experience.

- (B) Outstanding R&D, production management and business team

The management team of the Company and its subsidiaries have strong capabilities in industrial computer R&D, business development and project management, and possess years of experience in consumer electronics. Therefore, the Company and its subsidiaries have a solid production management ability compared with other peers, and we can take the product as the main axis, continuously invest resources in the research and development technology, management and market

development, and assist the factories to adjust the production process and product quality to meet customers' demand, so as to find a different path from other industrial computer manufacturers.

(C) Customer of high quality and stability

The main sales customers of the Company and its subsidiaries are international famous brands in various application fields. With stable and well-established operations and a global sales presence, customers are less vulnerable to major fluctuations in individual markets or business cycles. In addition, the Company also maintains a good communication bridge with customers, so as to grasp their demand for products, earn their recognition, and contribute to the steady growth of the Company and its subsidiaries' revenue.

(D) Integrated R&D function

The research and development center of the Company and its subsidiaries have complete division of labor. Besides complete software, hardware and firmware research and development, the Company also has system integration, verification, power supply design, circuit layout and safety inspection, etc. In addition, the research and development team will have regular meetings to communicate with each other about the work progress, so as to effectively meet the needs of customers for products and follow-up maintenance and update, and set up a dedicated team for key customers, so as to provide customers with complete services.

(E) A booming communication industry and the internet of things are driving the industrial computer revolution

With the emphasis on the internet of everything (IoE) in industry 4.0, various terminal devices, controllers and sensor elements are becoming increasingly intelligent and capable of autonomous computing. The design concepts of industrial computer have also been repositioned in line with the industry 4.0 trend. With the advent of the era of the Internet of things, all terminal devices will have the ability of sensing, data collection and computing in the future. In view of this, the demand of industrial computers will be transformed from the original core computing demand to energy-saving, lightweight and convenient functions, and more monitoring and preventive maintenance capabilities will be integrated to reduce the loss caused by abnormal conditions. Therefore, the integration of application capabilities of the Company's technologies in energy saving, automatic control, cloud computing and IoT related sensing are bound to provide our customers with more comprehensive and complete services and help them increase their profits.

(F) Demand is growing rapidly in emerging markets

China's transformation from a place of production with cheap labor into a hotly contested emerging market for the rest of the world, coupled with its government's continued push for infrastructure, has given Taiwanese manufacturers the geographical and linguistic advantages to compete for orders for their products and services. In addition, with the success of the large-scale brand manufacturers located in South America, Eastern Europe and other emerging markets, which are expected to continue to drive the demand for industrial computer-related products and the increase of people's consumption capacity, also increase the demand for POS and ATM shipments.

- (G) The demand for kiosks in developed countries continues to grow
Due to the rising labor costs, the demand for interactive and self-service kiosks will continue to increase. Through the efforts of R&D and business teams, the Company has developed rather competitive products and reached several world-class customers, which will greatly contribute to the future performance.

Disadvantages:

- (A) The sales quotation is mainly in US dollar, and there are potential risks in exchange rate fluctuation.

Countermeasures:

- Keep an eye on currency movements to adjust product costs and prices.
- For the transactions of purchases and sales, which are mainly denominated in US dollars, the overall impact on exchange rate fluctuations can achieve the effect of balance between receivables and payables.

- (B) Uncertainty about the future of the global economy has led to conservative investment.

Countermeasures:

- Work with suppliers and customers to manage production and sales and reduce idle inventory.
- Invest in industries that are less affected by economy recession

- (C) Customers are international famous large-scale companies, the negotiation ability is low and sales of goods are concentrated

Countermeasures:

- Maintain good relationship with customers
- Actively develop new customers, and has gradually diversified customers.

- (D) The market is crowded with competitors.

Countermeasures:

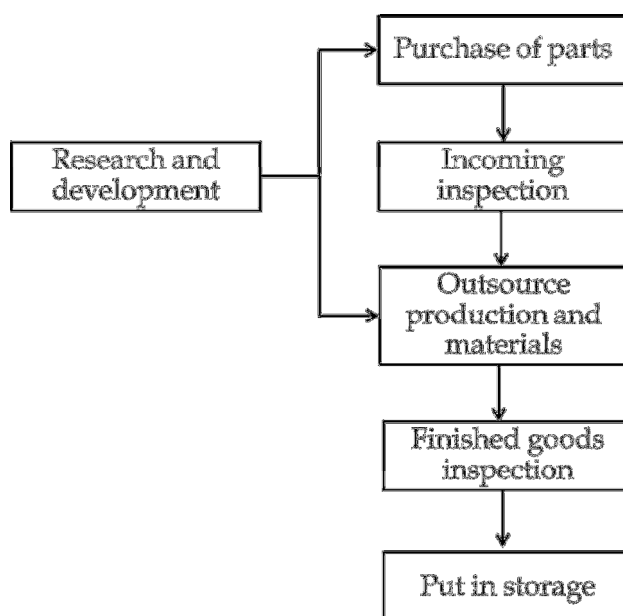
- The Company and its subsidiaries have innovated business models, are ahead of potential competitors, and have established a solid relationship with large-scale industrial computer brand customers. The industrial computer brand companies value the stability of suppliers, and is not easy to change manufacturers. The Company and its subsidiaries not only strengthen the existing achievements, but also continue to expand the leading edge of progress.

2. Main Uses and Production Processes of Major Products:

(1) Main Uses of Major Products:

Major Products	Main Uses
Embedded board cards for industrial computers	Integrate computing, memory, storage, and multiple transmission or expansion interfaces according to system requirements or industry specifications. Through the integration of the system and the addition of extended modules, become the device or equipment applied in various industries. Its applications are - retail counter machine (POS), large game consoles, automatic control equipments, ATMs, lottery machines, electronic display boards, medical care equipments, network storage equipment, high order workstations, set-top boxes, and so on.
System/Registration system	In order to meet the application requirements, the industrial computer board cards and other related components such as LCD screens, touch screens, card readers, printers, motion control cards, GPS modules and GSM modules are integrated into one system. Because of the higher degree of integration, the system focuses more on a single application and is closer to the market and users.
Network information security	Ensure smooth network connectivity, control access to and from all network encapsulation, and integrate communications and computer equipments. Its applications include network security servers, firewalls, virtual private networks, antivirus application servers, integrated threat application servers, intrusion detection and prevention servers, enterprise network voice servers, etc.

(2) Manufacturing Process of Major Products:



3. Supply Status of Main Raw Materials:

Name of raw material	Supply status
Power supply	Good
Graphics processor	Good
Basic output/input system	Good
Liquid crystal display	Good
Integrated circuit	Good

4. Names of the Customers who are Accounted for more than 10% of the Total Amount of Goods Purchased (Sold) in any of the Most Recent Two Years and the Amount and Proportion of such Goods Purchased (Sold), and the Reasons for the Increase or Decrease shall be Stated:

(1) Information of major suppliers in the most recent two years:

Unit: NT\$ thousands

Item	2017				2018			
	Name	Amount	Percentage of annual net purchases (%)	Relationship with the issuer	Name	Amount	Percentage of annual net purchases (%)	Relationship with the issuer
1	Hon Hai Precision Industry Co., Ltd.	7,706,668	78.96%	Ultimate parent company	Hon Hai Precision Industry Co., Ltd.	7,038,364	11.79%	Ultimate parent company
2	Others	2,053,089	21.04%	-	Others	52,682,633	88.21%	-
	Net purchases	9,759,757	100.00%	-	Net purchases	59,720,997	100.00%	-

Reasons for increase or decrease:

Due to the continuous growth of the Company and its subsidiaries' revenue in the year of 2018, the amount of purchase increased relatively, and the purchase concentration could get more favorable prices. Meanwhile, the Company also added new corresponding suppliers and increased the proportion of other suppliers.

(2) Information of major sales customers in the most recent two years:

Unit: NT\$ thousands

Item	2017				2018			
	Name	Amount	Percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage of annual net sales (%)	Relationship with the issuer
1	D Company	5,372,308	15.39%	None	D Company	6,904,385	10.01%	None
2	C Company	1,129,453	3.24%	None	F Company	3,053,247	4.43%	None
3	Others	28,402,303	81.37%	-	Others	59,004,827	85.56%	-
	Net sales	34,904,064	100.00%	-	Net sales	68,962,459	100.00%	-

Note: Since the Company and the customer have signed a confidentiality agreement, the names of the parties shall be denoted by code names.

Reasons for increase or decrease:

Due to the change of new customers' new product introduction and existing customers' demand for products, the change of the proportion during the period is normal and is caused by the increase of the merger of subsidiaries.

5. Table of Production Quantity and Changes of the Most Recent Two Years

Unit: Pcs; NT\$ thousands

Production quantity Major commodities (or department)	Year	2017			2018		
		Capacity	Yield	Output value	Capacity	Yield	Output value
Industrial computer software and hardware sales		111,730	80,646	2,018,128	400,121	1,989,781	4,171,273
Total		111,730	80,646	2,018,128	400,121	1,989,781	4,171,273

Reasons for increase or decrease:

The overall increase in production capacity, yield and output value in the year of 2018 was due to market trends and changes in customer demand, as well as the increase of the merger of subsidiaries.

6. Sales Volume of the Most Recent Two Years:

Unit: Pcs; NT\$ thousands

Sales volume Major commodities	Year	2017				2018			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Industrial computer software and hardware sales		378,881	658,355	5,989,844	34,184,790	14,551,349	7,374,028	21,629,386	61,571,723
After-sales services		0	406	0	60,513	0	213	0	16,495
Total		378,881	658,761	5,989,844	34,245,303	14,551,349	7,374,241	21,629,386	61,588,218

Reasons for increase or decrease:

The change differences of sales volume and sales value in the year of 2018 was due to market trends and changes in customer demand, as well as the increase of the merger of subsidiaries.

III. Information of Employees in the Most Recent Two Fiscal Years and up to the Date of this Annual Report Printed

Unit: people; %

Year		2017	2018	April 30, 2019
Numbers of Employees	Administrative	729	1,104	1,123
	Sales & Marketing	822	1,166	1,176
	Technical Support	3,574	5,071	5,016
	Total	5,125	7,341	7,315
Average Age		34.9	36.34	36.55
Average Length of Service		3.24	5.50	5.60
Educational Attainment Distribution Ratio	Doctor	0.17%	0.82%	0.87%
	Master	14.57%	22.90%	22.94%
	College	56.54%	42.56%	42.53%
	High School	15.15%	21.83%	21.89%
	Below High School	13.57%	11.89%	11.77%

Note: It is compiled with the latest information of the consolidated subsidiaries except S&T AG.

IV. Information on Environmental Protection Costs

All the assembly and testing of the Company itself are entrusted to processing plants, and the Company's subsidiary Caswell Inc. is engaged in the research and development and sales of industrial computers and peripheral products, which will not produce pollution, nor damage the ecological environment, thus is a pollution-free company without relevant environmental protection expenditure.

- Where, according to the law, a permit for the establishment of a pollution facility or a permit for the discharge of pollution is required, or a pollution control fee is required to be paid, or a dedicated environmental protection unit is required to be set up, the circumstances of the application, payment or establishment: Not applicable.
- List the investment, use and potential benefits of the Company's main investment in equipment for the prevention and control of environmental pollution: Not applicable.
- During the Company's improvement of environmental pollution in the most recent fiscal year and up to the date of this Annual Report printed, if there is any pollution dispute, the Company shall explain its handling process: Not applicable.
- In the most recent fiscal year and up to the date of this Annual Report printed, the Company's loss (including compensation) for environmental pollution, total of punishment, and the future countermeasures (including improvements) and possible expenditures (including the estimated amount of possible loss, punishment and compensation without taking countermeasures. If it is impossible to reasonably estimate, the fact shall be stated) shall be disclosed: Not applicable.
- The impact of current pollution situation and its improvement on the Company's earnings, competitive position and capital expenditure and the expected major environmental capital expenditure in the next two years: Not applicable.

V. Labor Relations

(I) The Company's various employee welfare measures, advanced study, training, pension system and its implementation status, as well as agreements between labor and management and various employee rights and interests management measures.

(1) Employee welfare measures, advanced study, training, pension system and its implementation status:

A. Labor insurance and national health insurance: as of the date of registration, employees of the Company shall be legally covered by the Company with labor insurance and national health insurance.

B. Group insurance: from the date of registration, the group insurance shall be fully paid by the Company. The Company also provides "family expenses". The spouses and children of employees are entitled to part of the group insurance that is fully paid by the Company.

C. Employee retirement system and its implementation state:

(A) Old system: according to the provisions of the labor standards law, the Company has formulated the "Organizational Rules of the Labor Retirement Reserve Supervision Committee", among which, the employees who arrived before June 30, 2005 can choose to adopt the old system or the new system. The Company shall pay 2% of the monthly salary to the special bank account in Taiwan for the old system pension, which shall be supervised and managed by the labor retirement reserve supervision committee of the Company.

(B) New system: The Company shall, in accordance with the provisions of the "Labor Pension Ordinance", allocate 6% of the total salary to the retirement reserve on a monthly basis for employees who have arrived from July 1, 2005 and those who choose to join the new system under the old system.

D. Further education and training

The Company is committed to personnel training and actively encourage employees to participate in various training courses, internal training courses for the exchange and inheritance of professional knowledge to enhance employee work efficiency, external training courses according to The Company's business and work needs to apply for external education and training.

E. Employee welfare committee

The Company has set up a staff welfare committee, and the staff enjoys the maternity allowance, wedding gift, funeral consolation payment, birthday gift, staff hospitalization consolation purchase allowance, health check allowance, and irregular staff dinner party.

F. Club activities

The Company is a happy working environment and care for the physical and mental health of colleagues, provide badminton club, yoga club, basketball club for employees to choose.

(2) Agreements between labor and management and various employee rights and interests protection measures

The Company and its subsidiaries adhere to the concept of "integration of labor and capital", focusing on rationalized and humanized management, establishing smooth communication channels, maintaining good relations between labor and capital, jointly creating productivity, sharing profits, and establishing stable and harmonious labor and capital relations.

- (II) List the losses suffered by the Company as a result of labor disputes in the most recent year and up to the date of the printing of the annual report, and of the estimated amount and countermeasures that may occur at present and in the future, if it is impossible to reasonably estimate, the facts that cannot be reasonably estimated shall be stated: None.

VI. Important Contracts:

Contract Nature	Party	Date of Commencement and Termination of the Contract	Main Content	Restrictive Covenants
Contract for work	Hon Hai Precision Industry Co., Ltd.	From April 1, 2007 to the date when either party terminates the contract in accordance with the terms of the contract.	Outsourcing processing	None
Sales contract	A Company	From November 24, 2009 to the date when either party terminates the contract in accordance with the terms of the contract.	Sales of products	None
Sales contract	B Company	From August 22, 2012 to the date when either party terminates the contract in accordance with the terms of the contract.	Sales of products	None
Contract for work	Xiangzhun Technology Co., Ltd	From January 1, 2013 to the date when either party terminates the contract in accordance with the terms of the contract.	Outsourcing processing	None
Sales contract	E Company	1 year (initial period) from January 1, 2013, and will be automatically renewed for another year upon expiration	Sales of products	None
Sales contract	C Company	2014.10.31~2019.10.30	Sales of products	None
Distribution service contract	American Portwell Technology, Inc	From February 17, 2014 to the date when either party terminates the contract in accordance with the terms of the contract.	Rights and obligations related to distribution services	None

Contract Nature	Party	Date of Commencement and Termination of the Contract	Main Content	Restrictive Covenants
Distribution service contract	F Company	From February 26, 2014 to the date when either party terminates the contract in accordance with the terms of the contract.	Rights and obligations related to distribution services	None
Distribution service contract	G Company	From March 20, 2014 to the date when either party terminates the contract in accordance with the terms of the contract.	Rights and obligations related to distribution services	None
Distribution service contract	H Company	From September 1, 2017 to the date when either party terminates the contract in accordance with the terms of the contract.	Rights and obligations related to distribution services	None
Business contract	I Company	From November 30, 2014 to the date when either party terminates the contract in accordance with the terms of the contract.	Sales, service and other related rights and obligations	None
Contract for work	ASMedia Technology Inc.	From December 29, 2015 to the date when either party terminates the contract in accordance with the terms of the contract.	Commissioned design and development	None
Sales contract	N Company	From March 17, 2016 to the date when either party terminates the contract in accordance with the terms of the contract.	Sales of products	None
Sales contract	T Company	From March 24, 2016 to the date when either party terminates the contract in accordance with the terms of the contract.	Sales of products	None
Sales contract	B Company	From October 8, 2015 to the date when either party terminates the contract in accordance with the terms of the contract.	Sales of products	None

Contract Nature	Party	Date of Commencement and Termination of the Contract	Main Content	Restrictive Covenants
Sales contract	P Company	From September 12, 2016 to the date when either party terminates the contract in accordance with the terms of the contract.	Sales of products	None
Purchase contract	A Company	2018.04.09~2023.04.10	Sales of Materials	None
sales contract	E Company	From April 1, 2018 to the date when either party terminates the contract in accordance with the terms of the contract.	Sales of products	None
Purchase contract	L Company	2018.07.18~2023.07.19	Sales of Materials	None
sales contract	L Company	From June 28, 2018 to the date when either party terminates the contract in accordance with the terms of the contract.	Sales of products	None
Purchase contract	U Company	2018.09.13~2023.09.14	Sales of Materials	None
Purchase contract	D Company	2018.09.13~2023.09.14	Sales of Materials	None
Purchase contract	S Company	2018.09.14~2023.09.15	Sales of Materials	None
Purchase contract	J Company	2018.09.13~2023.09.14	Sales of Materials	None
Purchase contract	H Company	2018.04.28~2023.04.29	Sales of Materials	None
Purchase contract	C Company	2018.09.13~2023.09.14	Sales of Materials	None
Purchase contract	T Company	2018.09.14~2023.09.15	Sales of Materials	None
Purchase contract	A Company	2018.09.13~2023.09.14	Sales of Materials	None
Purchase contract	L Company	2018.09.13~2023.09.14	Sales of Materials	None
Purchase contract	T Company	2018.09.13~2023.09.14	Sales of Materials	None
Purchase contract	P Company	2018.09.13~2023.09.14	Sales of Materials	None

Contract Nature	Party	Date of Commencement and Termination of the Contract	Main Content	Restrictive Covenants
manufacture assignment Contract	A Company	2018.09.27~2020.09.28	manufacture assignment	None
manufacture assignment Contract	S Company	2018.09.05~2020.09.06	manufacture assignment	None
Agency agreement	KMG, USA	From 1992.03.27; automatically extended annually if not terminated in writing by either party forty-five days in advance	Distribution rights to chemicals such as semiconductor photoresist liquid	For use in Taiwan
Agency agreement	Kokusai Electric, Japan	From 2003.10.01; automatically extended annually unless wishes to terminate the agreement and proposes termination thirty days in advance	Distribution rights to furnace and Monolithic Wafer Tool	For use in Taiwan, China
Agency agreement	Lasertec Corporation, Japan	From 2004.06.30; automatically extended annually if not terminated in writing by either party three months in advance	Maintenance and distributions rights to color filter tester and laser microscope	For use in Taiwan, China, Hong Kong, Malaysia
Agency agreement	TEX E. G . Co., Ltd. , Japan	From 2003.12.01; automatically extended for two years every two years if not terminated by either party in writing two months in advance	Distribution rights to robotic arm	For use in Taiwan (AIPC)
Agency agreement	Riphey Corporation, USA	From 1998.02.16; automatically extended annually if not terminated in writing by either party in advance	Distribution rights to polishing brush for semiconductor production process	For use in Taiwan, China
Agency agreement	Symco Corp. (Ryoka), Japan	From 2004.03.17; effective for two years; automatically extended annually if no termination notification is proposed one month in advance	Distribution rights to photo tester	For use in Taiwan, China

Contract Nature	Party	Date of Commencement and Termination of the Contract	Main Content	Restrictive Covenants
Agency agreement	SFA Engineering Corp	From 2004.06.03; effective for one years; automatically extended annually if not terminated in writing by either party in writing 90 days in advance	Adhesive machine, de-gluing machine, recycling machine, washing machine, FA system	For use in Taiwan(AUO , CMO , Innolux), China
Agency agreement	Top Engineering Co., Ltd., Korea	From Feb. 28 of 2006, the validity is one year and if no written notification for terminating the contract is sent to the Party 60 days before the expiry date, the contract will be renewed automatically.	The proxy right for ODF one-time crystal injector	For use in Taiwan (AUO, CMO, Innolux), China
Agency agreement	Integrated Process Systems, Ltd. , Korea	From 2008.10.15 to 2009.10.15; effective for one year; automatically extended annually if no termination notification is proposed by either party sixty days in advance	Distribution rights to dry etching equipment	For use in Taiwan (CMO, Toppoly, CPT&Hannstar), China (SVA, Tianma, IVO, BOE&IRICO)
Agency agreement	QlikTech International Markets AB, Sweden	From 2014.09.01; effective for one year; automatically extended annually if no termination notification is proposed by either party 90 days in advance	Distribution rights to Software Called Qlikview	For use in Taiwan
Agency agreement	Cabot Miroelectronics Corporation	From 2017.03.31 to 2019.04.30	Sale Cabot's products	For use in China
Agency agreement	Coring Tropel, USA	From 2006.06.12; automatically extended upon expiration if there are no objections	Distribution rights to inspection equipment	For use in Taiwan, China
Agency agreement	Bruker-JV, USA	From 2016.02.01; automatically extended upon expiration if there are no objections	Sales, installation and service of inspection equipment	For use in Taiwan, China

Contract Nature	Party	Date of Commencement and Termination of the Contract	Main Content	Restrictive Covenants
Agency agreement	Revasum	From 2015.03.01; automatically extended annually if not terminated in writing by either party ninety days in advance	CMP 、Grinder	For use in Taiwan, China
Agency agreement	Athlete FA Corporation, Japan	From 2015.05.30; automatically extended annually unless wishes to terminate the agreement and proposes termination thirty days in advance	Ball Mounter , Ball Repair	For use in Taiwan, China
Agency agreement	Holon Corporation, Japan	From 2016.03.20; automatically extended annually unless wishes to terminate the agreement and proposes termination ninety days in advance	SEM CD Z7 & Z7-DX	For use in China
Agency agreement	ADEKA CORPORATION	From Jan. 18 of 2012, the validity is 5 years and if no written notification for terminating the contract is sent to the Party 90 days before the expiry date, the contract will be renewed automatically.	Semiconductor process precursor gas material	For use in Taiwan
Agency agreement	Mycropore	From Nov. 19 of 2018, the validity is 2 years and the contract will be renewed automatically for 2 years.	Semiconductor process filter material	For use in Taiwan
Agency agreement	KBTEMOMO	From Oct. 5 of 2016, the validity is 1 year and and if no written notification for terminating the contract is sent to the Party 92 days before the expiry date, the contract will be renewed automatically.	Mask writing, defect repair, defect inspection	For use in Taiwan, China

Contract Nature	Party	Date of Commencement and Termination of the Contract	Main Content	Restrictive Covenants
Agency agreement	Gem Vax&KAEI.co.Ltd	From Jun. 1 of 2013, the validity is 2 years and if no written notification for terminating the contract will be renewed automatically.	Filter	For use in China
Agency agreement	MITSUI BUSSAN ELECTRONICS LTD.	From Apr. 1 of 2017 to Mar 3 of 2019	Sic process equipment	For use in Taiwan, China and Hong Kong
Agency agreement	Optima Incorporated	From Jun. 1 of 2016, if no written notification for terminating the contract is sent to the Party 30 days before the expiry date, the contract will be renewed automatically.	Wafer testing equipment	For use in Taiwan, China and Hong Kong
Agency agreement	Kokusai Electric Semiconductor Service Inc	From Nov. 1 of 2017 to Dec, 31 of 2020, the contract will be renewed automatically without any requirement.	Resistivity Test System (VR Series) 4points probe	For use in China
Agency agreement	ATS Japan Corp	From Dec. 15 of 2017 to Dec, 31 of 2019	Authorized distributor of detachable/twisted plate heat exchanger products in the electronics industry	For use in China
Agency agreement	KOEI International Corp	From Jun. 1 of 2018 to May, 31 of 2019	Pressure sensor	For use in China
Dealer	Avantor Performance Materials	From May. 31 of 2018 to May, 31 of 2019	Photoresist remover	For use in China
Agency agreement	AQUSEN Technology CO.Ltd	From Jan. 1 of 2018 to Dec, 31 of 2018	Leak detector	For use in China
Authorization	HORIBA (China) TRADING CO., LTD	From Sep. 1 of 2018 to Aug, 31 of 2019	Gas quality flow controller	For use in China

Contract Nature	Party	Date of Commencement and Termination of the Contract	Main Content	Restrictive Covenants
Agency agreement	Dong A Eltek Co.Ltd	From Feb. 22 of 2018 to Feb. 2 of 2019, the validity is one year and if no written notification for terminating the contract is sent to the Party 60 days before the expiry date, the contract will be renewed automatically.	Light leakage inspection machine in mainland China	限大陸地區使用
Agency agreement	MCK Co.Ltd	From Jan. 1 of 2017 to Dec. 12 of 2018, the validity is two year	Primarily sales parts	For use in China
Agency agreement	J-TEK INCORPORATION	From Aug. 1 of 2018 to Aug, 1 of 2019	Primarily sales AGV products	For use in Taiwan, China
Agency agreement	KE Semiconductor Equipment (Shanghai) Co Ltd	From Aug. 1 of 2018 to Jul. 31 of 2019, then contract will be renewed automatically after expiry date.	Vertical diffusion furnace	For use in China
Agency agreement	Adcanced Modular Systems,INC.	From Dec. 22 of 2015, the validity is one year and if no written notification for terminating the contract is sent to the Party 90 days before the expiry date, the contract will be renewed automatically.	Film deposition equipment, film finishing equipment	For use in China
Agency agreement	Active Layer Parametrics,INC.	From Aug. 1 of 2016, the validity is one year and if no written notification for terminating the contract is sent to the Party 90 days before the expiry date, the contract will be renewed automatically.	Measure Wafer electrical instruments	For use in Taiwan, China and Singapore

Contract Nature	Party	Date of Commencement and Termination of the Contract	Main Content	Restrictive Covenants
Agency agreement	FINE SEMITECH CORP.	From Jan. 10 of 2017, the validity is one year and if no written notification for terminating the contract is sent to the Party 90 days before the expiry date, the contract will be renewed automatically.	Film	For use in Taiwan, China
Agency agreement	Vasstek International Corporation.	From Mar. 1 of 2016, the validity is two years and if no written notification for terminating the contract is sent to the Party 90 days before the expiry date, the contract will be renewed for a year automatically.	Satellite camera module equipment	For use in China
Agency agreement	DONG A ELTEK Co., LTD	From Feb. 1 of 2017, the validity is one year.	MP7 series products, Dong A Eltek automatic inspection machine, module semi-automatic point inspection machine, automatic external compensation equipment	For use in China
Agency agreement	DOW CHEMICAL Company	From Dec. 15 of 2013, the contract will be renewed for a year automatically after the expiry date.	Polishing pad / polishing solution	For use in Taiwan, China

Note: since the Company and the customers have signed a confidentiality agreement, the names of the parties shall be denoted by code names.

Chapter 6 Financial Standing

I. Most Recent 5-Year Concise Financial Information with Name of the CPAs and Auditors' Opinions 112

(I) Concise Balance Sheet - IFRS

1. Consolidated Financial Statement

Unit: NT\$ thousands

Year Item		Financial data for the most recent five years (Note 2)				
		2014	2015	2016	2017 (after restatement)	2018
Current assets		3,979,146	6,175,108	8,738,727	30,314,456	48,142,885
Property, plant and equipment		50,056	592,430	989,277	2,200,551	4,686,418
Intangible assets		917,465	862,639	1,016,372	15,658,560	18,351,493
Other assets		290,787	165,525	4,802,390	2,358,064	3,744,080
Total assets		5,237,454	7,795,702	15,546,766	50,531,631	74,924,876
Current liabilities	Before distribution	1,643,794	2,853,139	6,126,440	17,539,365	45,172,659
	After distribution	2,055,876	3,480,697	6,889,448	18,222,229	Note 3
Non-current liabilities		8,334	480,367	1,519,110	12,480,732	3,976,514
Total liabilities	Before distribution	1,652,128	3,333,506	7,645,550	30,020,097	49,149,173
	After distribution	2,064,210	3,961,064	8,408,558	30,702,961	Note 3
Equity attributable to owners of parent company		2,414,909	3,167,201	5,965,057	6,752,193	6,623,300
Share capital		686,803	697,287	763,008	765,288	775,745
Capital surplus		1,174,917	1,483,731	3,899,883	5,050,172	4,728,440
Retained earnings	Before distribution	365,972	992,494	1,343,202	1,666,006	1,739,615
	After distribution	126,964	364,936	580,194	983,142	Note 3
Other equity		14,143	(6,311)	(41,036)	(495,665)	(384,452)
Treasury shares		-	-	-	(233,608)	(236,048)
Non-controlling interests		1,170,417	1,294,995	1,936,159	13,759,341	19,152,403
Total equity	Before distribution	3,585,326	4,462,196	7,901,216	20,511,534	25,775,703
	After distribution	3,173,244	3,834,638	7,138,208	19,828,670	Note 3

Note 1: The Company has adopted the International Financial Reporting Standards since 2013.

Note 2: Financial information from 2014 to 2018 has been audited and certified by CPAs.

Note 3: Proposal has not yet been submitted to the Shareholders' Meeting

2. Individual Financial Statement

Unit: NT\$ thousands

Year Item		Financial data for the most recent five years (Note 1)				
		2014	2015	2016	2017 (after restatement)	2018
Current assets		2,251,966	2,741,645	2,698,000	3,568,984	1,836,654
Property, plant and equipment		18,044	558,241	555,470	544,645	531,697
Intangible assets		1,522	850	2,891	2,715	1,724
Other assets		1,257,446	1,615,027	7,352,839	11,817,204	17,830,439
Total assets		3,528,978	4,915,763	10,609,200	15,933,548	20,200,514
Current liabilities	Before distribution	1,107,829	1,268,631	3,128,683	1,591,930	13,576,384
	After distribution	1,519,911	1,896,189	3,891,691	2,274,794	Note 3
Non-current liabilities		6,240	479,931	1,515,460	7,589,425	830
Total liabilities	Before distribution	1,114,069	1,748,562	4,644,143	9,181,355	13,577,214
	After distribution	1,526,151	2,376,120	5,407,151	9,864,219	Note 3
Equity attributable to owners of parent company		2,414,909	3,167,201	5,965,057	6,752,193	6,623,300
Share capital		686,803	697,287	763,008	765,288	775,745
Capital surplus		1,174,917	1,483,731	3,899,883	5,050,172	4,728,440
Retained earnings	Before distribution	365,972	992,494	1,343,202	1,666,006	1,739,615
	After distribution	126,964	364,936	580,194	983,142	Note 3
Other equity		14,143	(6,311)	(41,036)	(495,665)	(384,452)
Treasury shares		-	-	-	(233,608)	(236,048)
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	2,414,909	3,167,201	5,965,057	6,752,193	6,623,300
	After distribution	2,002,827	2,539,643	5,202,049	6,069,329	Note 3

Note 1: The Company has adopted the International Financial Reporting Standards since 2013.

Note 2: Financial information from 2014 to 2018 has been audited and certified by CPAs.

Note 3: Proposal has not yet been submitted to the Shareholders' Meeting

(II) Concise Statement of Comprehensive Income - IFRS

1. Consolidated Financial Statement

Unit: NT\$ thousands (except earnings per share)

Item \ Year	Financial data for the most recent five years (Note)				
	2014	2015	2016	2017 (after restatement)	2018
Operating revenue	5,052,080	11,056,658	14,471,649	34,904,064	68,962,459
Gross profit	941,722	2,016,550	2,866,575	7,728,581	15,263,910
Net operating income (loss)	622,143	1,187,064	1,558,541	1,743,252	2,940,151
Non-operating income and expenses	81,711	122,870	137,520	486,943	707,548
Pretax profit	703,854	1,309,934	1,696,061	2,230,195	3,647,699
Net Income for continuing operations	582,345	1,075,660	1,388,727	1,820,943	2,868,877
Loss from discontinuing operations	-	-	-	-	-
Net income (loss)	582,345	1,075,660	1,388,727	1,820,943	2,868,877
Other comprehensive (loss) income, net after tax	68,689	(46,082)	(57,173)	(285,883)	191,385
Total comprehensive income (loss)	651,034	1,029,578	1,331,554	1,535,060	3,060,262
Profit attributable to owners of parent company	562,161	865,701	1,022,743	1,083,247	1,108,117
Profit attributable to non-controlling interests	20,184	209,959	365,984	737,696	1,760,760
Comprehensive income (loss) attributable to owners of the parent company	574,877	845,076	987,936	631,183	1,196,274
Comprehensive income (loss) attributable to non-controlling interests	76,157	184,502	343,618	903,877	1,863,988
Earnings per share	8.63	12.57	14.01	14.28	14.45

Note 1: The Company has adopted the International Financial Reporting Standards since 2013.

Note 2: Financial information from 2014 to 2018 has been audited and certified by CPAs.

2. Individual Financial Statement

Unit: NT\$ thousands (except earnings per share)

Item \ Year	Financial data for the most 5 recent fiscal years				
	2014	2015	2016	2017 (After restatement)	2018
Operating revenue	4,546,540	6,018,321	5,872,486	6,914,022	4,256,456
Gross profit	809,255	1,017,367	1,059,349	867,615	543,435
Net operating income (loss)	584,921	764,649	733,207	504,198	205,335
Non-operating income and expenses	89,539	237,663	422,289	622,125	904,837
Pretax profit	674,460	1,002,312	1,155,496	1,126,323	1,110,172
Net Income for continuing operations	562,161	865,701	1,022,743	1,083,247	1,108,117
Loss from discontinuing operations	-	-	-	-	-
Net income (loss)	562,161	865,701	1,022,743	1,083,247	1,108,117
Other comprehensive (loss) income, net after tax	12,716	(20,625)	(34,807)	(452,064)	88,157
Total comprehensive income (loss)	574,877	845,076	987,936	631,183	1,196,274
Profit attributable to owners of parent company	562,161	865,701	1,022,743	1,083,247	1,108,117
Profit attributable to non-controlling interests	-	-	-	-	-
Comprehensive income (loss) attributable to owners of the parent company	574,877	845,076	987,936	631,183	1,196,274
Comprehensive income (loss) attributable to non-controlling interests	-	-	-	-	-
Earnings per share	8.63	12.57	14.01	14.28	14.45

Note 1: The Company has adopted the International Financial Reporting Standards since 2013.

Note 2: Financial information from 2014 to 2018 has been audited and certified by CPAs.

(III) Names of CPAs and Their Opinions for Most Recent 5-Years

Year	Accounting Firm	Name of CPA	Auditor's Opinion
2014	Deloitte & Touche	Yang, Ching-Ting, Yang, Ching-Chen	Modified unqualified opinion
2015	Deloitte & Touche	Yang, Ching-Ting, Yang, Ching-Chen	Modified unqualified opinion
2016	Deloitte & Touche	Liu Shui-En, Yang, Ching-Chen	Unqualified opinion (emphasis on items or other matters)
2017	Deloitte & Touche	Liu Shui-En, Yang, Ching-Chen	Unqualified opinion (emphasis on items or other matters)
2018	Deloitte & Touche	Liu Shui-En, Yang, Ching-Chen	Unqualified opinion (emphasis on items or other matters)

II. Most Recent 5-Year Financial Analysis

(I) Financial Analysis for the Last Five Years and Reasons for Various Financial Ratios Changes in the Last Two Years

1. Consolidated Financial Statement_ IFRS

Analysis Item (Note 2)		Year	Most Recent 5-Year Financial Analysis				
			2014 (Note 1)	2015 (Note 1)	2016 (Note 1)	2017 (Note 1) (After restatement)	2018 (Note 1)
Capital structure %	Debt ratio		31.54	42.76	49.18	59.41	65.60
	Long-term fund to property, plant, and equipment ratio		7,162.57	834.29	956.33	1,499.27	634.86
Liquidity (%)	Current ratio		242.07	216.43	143.59	172.84	106.58
	Quick ratio		179.53	167.86	108.31	134.38	77.81
	Times interest earned (times)		23,847.51	127.75	44.18	8.23	8.52
Operation performance	Average collection turnover (times)		4.07	4.95	4.55	4.58	4.77
	Days sales outstanding		90	74	80	80	76
	Average inventory turnover (times)		6.17	7.41	6.72	6.74	6.09
	Average payment turnover (times)		4.99	5.50	4.81	4.48	5.04
	Average inventory turnover days		60	49	54	54	60
	Property, plant and equipment turnover (times)		133.12	34.42	18.3	21.88	20.03
	Total assets turnover (times)		1.43	1.70	1.24	1.06	1.10
Profitability	Return on total assets (%)		16.53	16.64	12.18	6.29	5.19
	Return on equity (%)		24.41	26.73	22.47	12.82	12.40
	Pre-tax income to paid-in capital ratio (%) (Note 7)		102.48	187.86	222.29	291.42	470.22
	Net margin (%)		11.53	9.73	9.6	5.22	4.16
	Earnings per share (NT\$)		8.63	12.57	14.01	14.28	14.45
Cash flow	Cash flow ratio (%)		0.30	46.89	11.00	17.97	7.81
	Cash flow adequacy ratio (%)		68.83	68.00	28.68	49.68	42.63
	Cash flow reinvestment ratio (%)		(12.52)	19.66	-2.07	12.41	18.23
Degree of leverage	Operating leverage		1.43	1.55	1.72	4.05	5.43
	Financial leverage		1.00	1.01	1.03	1.21	1.20

Reasons for changes in financial ratios for the past two years. (analysis is not required when the changes are less than 20%).

1. Long-term fund to property, plant and equipment ratio decreased because the long-term liabilities that would be due in 2018 were reclassified into current liabilities and the consolidated subsidiaries.
2. The decrease in current ratio and quick ratio was because the long-term liabilities that was about to expire in 2018 were reclassified as current liabilities.
3. Decrease in return on assets was caused by the consolidated subsidiaries in 2018.
4. The increase in the pre-tax income to paid-in capital ratio was due to the consolidated subsidiaries in 2018.
5. The decrease in net margin was caused by the impact of the consolidated subsidiaries.
6. The decrease in cash flow ratio was because the long-term liabilities that would expire in 2018 was reclassified as current liabilities.
7. The increase in cash flow reinvestment ratio was caused by the increase in net cash inflow from operating activities due to consolidation.
8. Increase in operating leverage was caused by the increase in net sales due to the consolidated subsidiaries.

Note 1: Financial information from 2014 to 2018 have been audited and certified by CPAs.

Note 2: Please refer to Note 2 below for the calculation formulas for financial analysis.

2. Individual Financial Statement_IFRS

Year Item (Note 2)		Most Recent 5-Year Financial Analysis				
		2014 (Note 1)	2015 (Note 1)	2016 (Note 1)	2017 (Note 1) (after restatement)	2018 (Note 1)
Capital structure %	Debt ratio	31.57	35.57	43.77	57.62	67.21
	Long-term fund to property, plant, and equipment ratio	13,383.63	653.33	1,353.98	2,633.20	1,245.85
Liquidity (%)	Current ratio	203.28	216.11	87.36	224.19	13.53
	Quick ratio	168.08	186.28	72.75	192.82	9.05
	Times interest earned (times)	Note 3	98.41	38.77	7.36	6.11
Operation performance	Average collection turnover (times)	4.90	4.64	5.25	4.84	3.88
	Days sales outstanding	74	79	69	75	94
	Average inventory turnover (times)	11.03	12.41	11.27	10.81	5.50
	Average payment turnover (times)	5.92	5.69	5.72	4.43	4.38
	Average inventory turnover days	33	29	32	34	66
	Property, plant and equipment turnover (times)	220.82	20.89	10.55	12.57	7.91
	Total assets turnover (times)	1.71	1.43	0.76	0.52	0.24
Profitability	Return on total assets (%)	21.18	20.70	13.5	9.27	7.10
	Return on equity (%)	31.22	31.02	22.4	17.04	16.57
	Pre-tax income to paid-in capital ratio (%) (Note 7)	98.2	143.74	151.44	147.18	143.11
	Net margin (%)	12.36	14.38	17.42	15.67	26.03
	Earnings per share (NT\$)	8.63	12.57	14.01	14.28	14.45
Cash flow	Cash flow ratio (%)	0.19	64.97	7.73	57.71	10.89
	Cash flow adequacy ratio (%)	68.63	60.09	60.39	70.09	17.97
	Cash flow reinvestment ratio (%)	(13.58)	11.23	-5.16	1.08	12.02
Degree of leverage	Operating leverage	1.35	1.30	1.35	1.70	2.21
	Financial leverage	1.00	1.00	1.04	1.54	(17.11)

Reasons for changes in financial ratios for the past two years. (analysis is not required when the changes are less than 20%).

1. The increase in days sales outstanding was due to the peak season in the second half of the year, which cause the accumulation of accounts receivables at the end of the year.
2. The increase in average inventory turnover days was due to the peak season in the second half of the year and the concentration of inventory at the end of the year.
3. The increase in net margin was generated by increased profit.
4. The increase in cash flow reinvestment ratio was caused by the increase in net cash inflow from operating activities due to consolidation.
5. The increase in cash flow reinvestment ratio was caused by increased cash flow from operating activities.
6. The increased operating leverage was due to the slight decrease in operating profit.

Note 1: Financial information from 2014 to 2018 have been audited and certified by CPAs.

Note 2: The calculation formulas for financial analysis are as follow:

1. Capital structure
 - (1) Debt Ratio = Total Liabilities / Total Assets.
 - (2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment
2. Liquidity analysis
 - (1) Current Ratio = Current Assets / Current Liabilities.
 - (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.
 - (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses.
3. Operation performance
 - (1) Average Collection Turnover (Including Bills Receivable Resulting from Accounts Receivable and Business Operations) = Net Sales / Average Accounts Receivable in Various Periods (Including Bills Receivable Resulting from Accounts Receivable and Business Operations).
 - (2) Days Sales Outstanding = 365 / Average Collection Turnover.
 - (3) Inventory Turnover Rate = Cost of Sales / Average Inventory.
 - (4) Average Payment Turnover (Including Accounts Payable and Notes Payable for Operation) = Cost of Sales / Average Accounts Payable (Including Accounts Payable and Notes Payable for Operation).
 - (5) Average Inventory Turnover Days = 365 / Average Inventory Turnover.
 - (6) Property, Plant, and Equipment Turnover Rate = Net Sales / Average Net Property, Plant, and Equipment.
 - (7) Total Asset Turnover = Net Sales / Average Total Assets.
4. Profitability
 - (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets.
 - (2) Return on Equity = Net Income / Average Shareholders' Equity.
 - (3) Net Margin = Net Income / Net Sales
 - (4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent Company - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding. (Note 5)
5. Cash flow
 - (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities.
 - (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
 - (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets +

Working Capital). (Note 6)

6. Leverage:

(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations. (Note7)

(2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses).

Note 3: Special attention shall be paid to the following matters when using the abovementioned calculation formula of earning per share:

1. Based on the weighted average number of issued ordinary shares, instead of the number of issued shares by the end of the year.
2. For cash capital increase or treasure shares transactions, should consider the circulation period to calculate the weighted average number of shares.
3. Regarding retained earnings transferred to capital increase or capital reserve transferred to capital, when calculating earnings per share for the past year or interim, it shall make retrospective adjustments according to the capital increase ratio, without taking into account the issuance period of capital increase.
4. If the preference shares are non-convertible cumulative preference shares, its dividend of the year (whether it is being distributed or not) shall add or subtract the net loss from the net income. If the preference shares are not non-cumulative, where there is net income after tax, the dividends of the preference shares shall be deducted from the net income after tax; however, such adjustments are not applicable in case of losses.

Note 4: Special attention should be paid to the following matters when measuring cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
2. Capital expense refers to the cash outflow for capital investment per year.
3. The increase in inventories will be recognized when the closing balance is higher than the opening balance. When a decrease in inventories incurred, it shall be recorded as zero.
4. Cash dividends include cash dividends for ordinary shares and preference shares.
5. Gross value for PP&E refers to the total amount of property, plant and equipment before deducting accumulated depreciation.

Note 5: Issuers shall divide operating costs and operating expenses into fixed and variables based on their nature; shall there be estimation or subjectivity involved, issuers shall be aware of the rationality and consistency.

III. Audit Committee's Review Report

Ennoconn Corporation
Audit Committee's Review Report

The Board of Directors has prepared the Company's 2018 Business Report, Financial Statements, and proposal for allocation of earnings. The accounting firm of Deloitte & Touche was retained to audit Ennoconn Corporation's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to article 14-4 of the Securities and Exchange Act and article 219 of the Company Act, we hereby submit this report.

Sincerely,

2019 Annual Shareholders' Meeting of Ennoconn Corporation

Ennoconn Corporation
Convener of the Audit Committee: Huang, Jun-Lang

March 29, 2019

IV. Consolidated Financial Statements with Subsidiaries Audited by CPAs
Please refer to page 205 to 326.

V. Financial Statements for the Most Recent Year:
Please refer to page 327 to 412.

VI. Financial Difficulties of the Company and its Affiliated Companies in the Most Recent Year up to the Date of this Annual Report Printed: None.

Chapter 7 Review and Analysis of the Company's Financial Position and Financial Performance and Risk

I. Financial Position

(I) International Financial Reporting Standards - Consolidated Financial Statements:

Unit: NT\$ thousands

Item \ Year	End of 2017 (after restatement)	End of 2018	Difference	
			Amount	%
Current assets	30,314,456	48,142,885	17,828,429	58.81%
Property, plant and equipment	2,200,551	4,686,418	2,485,867	112.97%
Intangible assets	15,658,560	18,351,493	2,692,933	17.20%
Other assets	2,358,064	3,744,080	1,386,016	58.78%
Total assets	50,531,631	74,924,876	24,393,245	48.27%
Current liabilities	17,539,365	45,172,659	27,633,294	157.55%
Non-current liabilities	12,480,732	3,976,514	(8,504,218)	(68.14%)
Total liabilities	30,020,097	49,149,173	19,129,076	63.72%
Common stock	765,288	775,745	10,457	1.37%
Capital surplus	5,050,172	4,728,440	(321,732)	(6.37%)
Retained earnings	1,666,006	1,739,615	73,609	4.42%
Other equity	(495,665)	(384,452)	111,213	22.44%
Non-controlling equity	13,759,341	19,152,403	5,393,062	39.20%
Total shareholders' equity	20,511,534	25,775,703	5,264,169	25.66%
<p>Analysis of changes in percentage and the impact and the future response measures (description will be given only if the increase/decrease in ratio reaches 20% or exceeds NT\$ 10 million):</p> <ol style="list-style-type: none"> 1. Increase in current assets: Due to the addition of subsidiaries into the 2018 consolidated entities. 2. Increase in property, plant and equipment: Mainly due to the impact of the newly added subsidiaries in 2018. 3. Increase in intangible assets: Mainly due to the impact of the newly added subsidiaries in 2018. 4. Increase in other assets: Mainly due to the impact of the newly added subsidiaries in 2018. 5. Increase in total assets: Mainly due to the impact of the newly added subsidiaries. 6. Decrease in non-current liabilities: Due to the reclassification of corporate bonds payable. 7. Increase in current liabilities and total liabilities: Mainly due to the impact of the newly added subsidiaries. 8. Increase in other equity: Due to the impact of the newly added overseas subsidiaries and exchange rate, leading to the changes in other equity. 9. Increase in non-controlling equity: The main reason is the profit of non-controlling equity and the impact of new consolidated subsidiaries in 2018. 10. Increase in total shareholders' equity: mainly due to the increase in the amount of non-controlling equity due to the addition of consolidated subsidiaries in 2018 that still have shares of non-controlling equity. 				

(II) International Financial Reporting Standards - Individual Financial Statements:

Unit: NT\$ thousands

Item \ Year	End of 2017 (after restatement)	End of 2018	Difference	
			Amount	%
Current assets	3,568,984	1,836,654	(1,732,330)	(48.54%)
Investment using equity method	11,779,227	17,759,932	5,980,705	50.77%
Property, plant and equipment	544,645	531,697	(12,948)	(2.38%)
Intangible assets	2,715	1,724	(991)	(36.50%)
Other assets	37,977	70,507	32,530	85.66%
Total assets	15,933,548	20,200,514	4,266,966	26.78%
Current liabilities	1,591,930	13,576,384	11,984,454	752.83%
Non-current liabilities	7,589,425	830	(7,588,595)	(99.99%)
Total liabilities	9,181,355	13,577,214	4,395,859	47.88%
Common stock	765,288	775,745	10,457	1.37%
Capital surplus	5,050,172	4,728,440	(321,732)	(6.37%)
Retained earnings	1,666,006	1,739,615	73,609	4.42%
Other equity	(495,665)	(384,452)	111,213	22.44%
Total shareholders' equity	6,752,193	6,623,300	(128,893)	(1.91%)
<p>Analysis of changes in percentage and the impact and the future response measures (description will be given only if the increase/decrease in ratio reaches 20% or exceeds NT\$ 10 million):</p> <ol style="list-style-type: none"> 1. Decrease in current assets: Due to the financial assets available for sale as of 2017 being disposed in 2018. 2. Increase in investment under equity method and total assets: Due to the impact of the additional investments in the subsidiaries in 2018. 3. Increase in other assets: Due to the impact of change in tax rate on deferred income tax assets. 4. Decrease in non-current liabilities: Due to the reclassification of corporate bonds payable. 5. Increase in current liabilities and total liabilities: Due to the increase in short-term loans, caused by operational demand in 2018. 6. Increase in other equity: Due to the impact of the new overseas subsidiaries and exchange rate, leading to the changes in other equity. 				

II. Financial Performance:

(I) Comparative Analysis of Financial Performance

1. International Financial Reporting Standards - Consolidated Financial Statements

Unit: NT\$ thousands

Item \ Year	End of 2017 (after restatement)	End of 2018	Increases (decreases)	Change percentage (%)
Net operating revenue	34,904,064	68,962,459	34,058,395	97.58%
Operating Costs	27,175,483	53,698,549	26,523,066	97.60%
Gross profit	7,728,581	15,263,910	7,535,329	97.50%
Operating expenses	5,985,329	12,323,759	6,338,430	105.90%
Operating profit	1,743,252	2,940,151	1,196,899	68.66%
Non-operating income and expenses	486,943	707,548	220,605	45.30%
Pretax profit	2,230,195	3,647,699	1,417,504	63.56%
Income tax expenses	409,252	778,822	369,570	90.30%
Net income	1,820,943	2,868,877	1,047,934	57.55%
Other comprehensive income (loss)	(285,883)	191,385	477,268	166.95%
Total comprehensive income (loss)	1,535,060	3,060,262	1,525,202	99.36%

Analysis of changes in percentage (for the change of more than 20% between the previous and current periods, and the amount of change amounted to NT\$ 10 million):

1. Increase in net operating revenue, operating costs and gross profit: Due to the addition of subsidiaries in 2018, and the continuous growth of customers and sales of models.
2. Increase in operating expenses: Due to addition of the consolidated subsidiary companies in 2018 and the Company's revenue growth, the operating expenses increased .
3. Increase in non-operating income and expenses: Due to the addition of the consolidated subsidiaries in 2018, the non-operating revenue increased.
4. Increase in operating profit, net profit before tax, net profit for the current period and total comprehensive income for the current period: Due to the increase of operating revenue in 2018, the proper control of operating expenses and the impact of increased consolidated subsidiaries.
5. Increase in income tax expenses: Due to the increase in profit before tax in 2018.
6. Increase in other comprehensive income (loss): Mainly due to the impact of addition of overseas subsidiaries and impact of exchange rate in 2018, resulting in the change in other comprehensive income (loss).

2. International Financial Reporting Standards - Individual Financial Statements

Unit: NT\$ thousands

Item \ Year	End of 2017 (After restatement)	End of 2018	Increases (decreases)	Change percentage (%)
Net operating revenue	6,914,022	4,256,456	(2,657,566)	(38.44%)
Operating Costs	6,046,407	3,713,021	(2,333,386)	(38.59%)
Gross profit	867,615	543,435	(324,180)	(37.36%)
Operating expenses	363,417	338,100	(25,317)	(6.97%)
Operating profit	504,198	205,335	(298,863)	(59.27%)
Non-operating income and expenses	622,125	904,837	282,712	45.44%
Pretax profit	1,126,323	1,110,172	(16,151)	(1.43%)
Income tax expenses	43,076	2,055	(41,021)	(95.23%)
Net income	1,083,247	1,108,117	24,870	2.30%
Other comprehensive income (loss)	(452,064)	88,157	540,221	119.50%
Total comprehensive income (loss)	631,183	1,196,274	565,091	89.53%

Analysis of changes in percentage (for the change of more than 20% between the previous and current periods, and the amount of change amounted to NT\$ 10 million):

1. Decrease in operating revenue, operating costs and gross profit: Due mainly to decrease in customer demand in 2018, resulting in the decrease in operating revenue and operating costs.
2. Decrease in operating profit: Due to the decrease in gross profit margin.
3. Increase in non-operating income and expenses: Due to the increase in the recognized share of profit and loss under the equity method, resulting from the increase in net income after tax from the consolidated subsidiaries for the year 2018.
4. Decrease in income tax expenses: Due to the decrease in current income tax and adjustment of deferred income tax.
5. Increase in other comprehensive income (loss): Mainly due to the impact of exchange rate fluctuations on the subsidiaries under equity method, resulting in changes of other comprehensive income and loss.

(II) The Expected Sales and its Basis, and Possible Impacts on the Company's Future Financial Operations and Response Plans for the Upcoming Year:

The Company did not make any forecast in 2018. Therefore, it does not intend to disclose the possible impact of the expected sales volume on the Company's future financial business and its response plan.

III. Cash Flow

(I) Analysis of Changes in Annual Cash Flow for the Most Recent Year:

Item \ Year	2017	2018	Increase (decrease) in ratio (%)
Cash flow ratio (%)	17.97	7.81	(56.54%)
Cash flow adequacy ratio (%)	49.68	42.63	(14.19%)
Cash flow reinvestment ratio (%)	12.41	18.23	46.90%
Analysis of changes in cash flow:			
1. The decrease in cash flow ratio was due to the long-term liabilities that would be expired in 2018 and reclassified as current liabilities.			
2. The increase in cash reinvestment ratio was caused by the increase in net cash inflow from operating activities due to consolidation.			

(II) Improvement Plans for Liquidity Shortage: No cash shortage.

(III) Cash Liquidity Analysis for the Following Year.

Unit: NT\$ thousands

Cash flow statement for the year ended 31/12/2023

Cash beginning balance (Note)	Cash flow from operating activities	Cash flow in/(out)	Cash ending balance/(shortage)	Plan for cash ending balance shortage	
				Investment plans	Financial plan
371,611	511,475	(157,616)	725,470	None	

Analysis of the cash liquidity of the coming year:

- Operating activities: The Company and its subsidiaries expect business scale to continue to grow, and thus contribute net cash inflow from operating activities.
- Investment activities: Continue to increase capital in subsidiaries under long-term equity investment thus the net cash outflow in investment activities.
- Financing activities: Financing activities for net cash inflow from fund raising.

Note: Cash at the beginning of the period include cash and cash equivalents, bond investments with no active market - current bank time deposits

IV. Impact of Major Capital Expenditures on Financial Operations During The Most Recent Year

No major capital expenditure was incurred for the year 2018.

V. The Main Reasons, Improvement Plan and Investment Plan for the Upcoming Fiscal Year of the Most Recent Annual Reinvestment Policy and its Profit or Loss 124

(I) Investment Policy for the Most Recent Year:

In accordance with the "Guidelines for the Processing of Acquisition or Disposal of Assets by Public Issuing Companies" stipulated by the competent authorities, the Company has formulated the "Procedures for Acquisition or Disposal of Assets", which serves as the basis for the Company's reinvestment undertakings to grasp the relevant business and financial conditions. In order to enhance the supervision and management of the reinvestment companies, the Company has also formulated "Measures for Subsidiary Monitoring and Management" in its internal control system

to stipulate relevant norms for information disclosure, finance, business, inventory and financial management. The Company also regularly carries out audit operations and establishes relevant operational risk mechanisms to maximize the effectiveness of the Company's reinvestment undertakings.

(II) Main Causes for Profits or Losses and Improvement Plans for Investments for the Most Recent Year

The Company's investment income accounted for using equity method in 2018 was NT\$1,070,781,000. This was mainly due to the good operating conditions of companies invested by the Company and the strategic cooperation.

(III) Investment Plans for the Coming Year:

The Company will carefully evaluate the investment plans in a long-term strategic way to respond to future market demand and strengthen its competitiveness.

VI. Risk

(I) Risk Factors

1. Impact of interest rates and exchange rate fluctuations, as well as inflation on the Company's profit and loss, as well as future response measures:

- (1) Interest rate: If the interest rate increases/decreases by 1%, the net pre-tax profit of the Company and its subsidiaries in 2018 will decrease/increase by NT\$ 6,193,000 under all other variables unchanged, mainly because of the net position of bank deposits and loans with variable interest rates of the Company and its subsidiaries.

If interest rates had been 1% higher/lower, all other variables were held constant, the Company and its subsidiaries' net profit before tax for 2017 would increase/decrease by NT\$ 61,190,000, mainly due to the increase in bank deposits due to the change in interest rates of the Company and its subsidiaries. .

In recent years, the change of domestic interest rate is still stable, which has no significant impact on the gains/losses of the Company and its subsidiaries. Therefore, the impact on the gains/loss of the Company and its subsidiaries is limited. However, the Company and its subsidiaries still take relevant measures to cope with market fluctuations, such as keeping up-to-date information on interest rate changes by financial units and keeping close contact with banks to obtain more favorable loan interest rates to minimize the impact of interest rate changes on the Company and its subsidiaries.

- (2) Exchange rate: The Company and its subsidiaries mainly pay for imports and sales in US dollars, which causes exchange rate risk. The principle of the Company is to avoid risks naturally, that is to say, the effect of exchange rate fluctuation is balanced between account receivables and payables, so as to reduce exchange rate risk; and the Company and subsidiaries have special personnel to pay close attention to exchange rate information and changes in the international economic situation at any time, and carefully judge the trend of exchange rate fluctuation; and we will make appropriate use of foreign currency short-term borrowing, FX / interest rate swap and forward contracts to engage in foreign exchange hedging. However, such instruments can not completely exclude the impact of exchange rate changes.
- (3) Inflation: The Company and its subsidiaries are always aware of the global political and economic changes and market price fluctuations,

maintain good interaction with suppliers and customers, and adjust purchasing and sales strategies in a timely manner. Therefore, the Company and its subsidiaries should be able to cope with the impact of economic changes such as inflation and avoid major threats to their operations.

2. Policies on high risk, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives trading, main reasons for the profits or losses generated thereby, and future response measures to be undertaken.

- (1) The Company and its subsidiaries did not engage in high-risk and highly leveraged investments.

- (2) The Company and its subsidiaries engage in fund lending, endorsement guarantees and derivative product trading in accordance with the procedures adopted by the board of directors and the shareholders' meeting.

3. Future R&D plans and estimated expenses

R&D is an important foundation for the development of the Company and subsidiaries. Besides continuing to cultivate the existing POS market and ATM market equipment, the Company and subsidiaries also continue to invest part of the resources in other markets, such as industrial control, fleet management, network communication security, medical care, etc. Technologically related directions include wireless transmission (including GSM, GPS, WiFi, Bluetooth, etc.), chargeable and dischargeable mobile devices, RISC or MCU-based dedicated machines, etc. Hardware development in the past has achieved the advantage of sharing benefits in a highly divided market, but it has resulted in a lack of product differentiation. In order to win in the competitive environment, R&D will be incorporated into software, in order to build a higher competitive threshold under the vigorous development of cloud and industrial Internet of Things. The amount of R&D expenditure is expected to be approximately 9.00% of the total revenue in 2019.

4. Changes to local and overseas policies and laws that impact the Company's financial operations and response measures

The management and operation of the Company and its subsidiaries abide by the relevant laws and regulations at home and abroad. The relevant units can always pay attention to the important policy and legal changes, and coordinate with the adjustment of the Company's internal system and business activities to ensure smooth operation of the Company. Therefore, the Company and its subsidiaries can immediately grasp and effectively respond to the important policy and legal changes at home and abroad.

5. Impact of changes in technology and industry on the Company's finance and business, and response measures

The Company and its subsidiaries have been working in the industry for many years, and continue to invest a lot of resources in the development of new technologies, so we have a place in the industry's design capabilities. In addition, the management team of the Company and its subsidiaries always observe the future technological trend, adjust the Company's business strategy appropriately and expand new business to effectively control the impact of the overall economic environment and industrial changes on the financial business of the Company and its subsidiaries.

6. Changes to corporate image that impact the Company's risk management and response measures

The Company and its subsidiaries attach great importance to the social responsibilities of the enterprise and actively participate in various public welfare activities to establish good corporate image. In addition, the implementation of the spokesperson mechanism and the suggestions made by people from all walks of life and shareholders are handled by dedicated personnel in order to maintain the credibility and image of the Company and its subsidiaries.

7. Expected benefits and possible risks of mergers and response measures

As of the publication date of this annual report, as KCI held by Ennoconn Investment Holdings Co., Ltd. (EIH), the Company's 100% held investment company, owns Embedded Systems whose future revenue growth exhibits stable and small growth trend, while S&T belongs to IoT Solutions products that can drive revenue growth and profitability, therefore, the Company considers the integration of Embedded Systems and IoT Solutions to integrate the product development in the fields of industrial automation, network security, cloud communication, big data, handheld terminals and so on. As such, on September 21, 2018, the Company transferred the held KCI shares through EIH to EIH subsidiary S&T. After the equity exchange, the Company's equity in S&T AG has increased to about 25.74%. It aims to expand the market share of industrial computers, develop the global diversification business layout steadily and increase the source of profits by combining the core advantages of R&D, hardware manufacturing, system integration, brand and channel of the three parties.

In addition, the Company is optimistic about complementary production resources and broad future development direction. On January 22, 2018, the board of directors decided to cooperate with DIVA Laboratories. Ltd. in a strategic way. Ennoconn International Investment Co., Ltd., a 100% shareholding company of the Company, acquired about 19.5% of DIVA Laboratories. Ltd. through private placement, hoping to combine the advantages of DIVA Laboratories. Ltd. in research and development, manufacturing, brand and channel of medical aspects, and jointly expand the field of industrial computer industry.

In response to world-class development opportunities such as "Smart Manufacturing", "Industrial Internet Policy" and "High Efficiency, Energy Conservation and Environmental Protection Strategy", the board of directors of the Company adopted a resolution on March 30, 2018. Ennoconn International Investment Co., Ltd., a 100%-held company, acquired 44.97% of Marketch International Corp.'s shares through tender offer. Ennoconn Corporation, with industrial interconnection, health interconnection, safety interconnection and family interconnection as the development focus, will promote the deep integration of Internet, big data, artificial intelligence and real economy, which will be widely used in eight life-related intelligent manufacturing. Combining with the related technology management specialty of Marketch International Corp.'s intelligent factory management system, we will build the deep management technology and products of the global future factory, and jointly construct the intelligent manufacturing, environmental protection energy management system and safety protection system. Ennoconn Corporation and Marketch International Corp. will enhance the vertical and horizontal all-round development advantages of manufacturing Internet in many aspects, such as plant equipment management, manufacturing execution management system and factory output, accelerate the expansion of both sides' operation scale and give full play to integrated benefits, enhance competitive advantages,

and interweave the most intensive market blueprint with a view to creating the smart application of Taiwan's industrial Internet and holding the world's leadership in a new era of the century.

In view of the rapid growth of the mainland China's IPC market and in order to cater to the local wisdom manufacturing strategy in China, the Company has set up a subsidiary company as the mainland China's R&D, manufacturing, sales and talent reserve center to integrate the existing resources in the mainland China of the Company and begin to further cultivate IPC market, and further develop industrial Internet of Things, big data, entertainment, medical and other application products in mainland China. Therefore, on March 30, 2018, the board of directors resolved to invest in Ennoconn (Suzhou) Technology Co., Ltd. through INNOVATIVE SYSTEMS INTEGRATION LIMITED., a 100%-held investee of the Company.

The aforementioned equity transaction has been in compliance with relevant laws and the relevant regulations stipulated in the Company's "Procedures for Acquisition and Disposal of Assets". The Company and its subsidiaries shall comply with relevant regulations in the internal control system to reduce the possible negative effects of such equity transaction.

8. Expected benefits and risks relating to plant expansion and response measures:
The Company purchased the factory building in 2014 by the resolution of the board of directors and completed the transfer and relocation in January 2015. It is expected that the overall management efficiency will be improved, the communication among departments will be strengthened, and the vertical and horizontal integration benefits will be achieved without any significant risks. The expected benefits can be obtained by referring to the Company's Prospectus of 2016 cash capital increase with issuance of new shares and the second domestic unsecured convertible corporate bonds in the statement of III, I, (3), 2, (2). As of the printing date of this annual report, there are no other plans for expansion of the factory.
9. Risks caused by concentration of purchases and sales, and response measures
 - (1) Purchases: The production of the Company and its subsidiaries is mainly carried out in the mode of OEM. The source of raw materials is not only partly self-purchased, but also provided by OEM. Therefore, the purchase of raw materials from the processing plant is concentrated. However, industrial products are required to be very stable and durable, so their processing technology is more rigorous than general consumer electronic products. Cooperative manufacturers must possess certain professional level conditions before they can be approved by the Company and customers. Therefore, the selection of processing plants should be carefully considered. However, in addition to continuing cooperation with existing processing plants, the Company has actively sought and evaluated the possibility of cooperation with other substitutes in order to diversify the risk of centralization of purchases. In addition, the Company and its subsidiaries usually establish good cooperative relations with domestic and foreign suppliers, and the Company has appointed dedicated personnel to regularly evaluate suppliers and make regular inquiries for important materials to ensure the stability of supply quality and ensure that there is no doubt of supply shortage.
 - (2) Sales: The operating mode of the Company and subsidiaries is ODM oriented. With excellent R&D and design capabilities, we can quickly provide customized products to meet customer needs. Therefore, the

Company and its subsidiaries mainly sell to large international factories and distribute in Europe, America, Asia and other places around the world. The two sides have close trade and cooperation and have good relations. In addition to continuous strong customer base, the Company and its subsidiaries also actively expand new customer sources to diversify the risks of sales concentration.

10. Impact and risks resulted from major equity transfer or replacement of Directors, Supervisors, or shareholders holding more than 10% of the Company's shares, and response measures

As of the date of publication of this annual report, the Company's Directors, Supervisors, or shareholders holding more than 10% of shares have no significant share transfer or replacement.

11. Impact and risks related to any changes in management control in the Company, and response measures

As of the date of this annual report, the Company has not changed its operating rights.

12. Litigation or non-litigation events

(1) Where the Company has decided or is still in the affiliated litigation, non-litigation or administrative litigation in the last two years and up to the date of publication of the annual report, and the result may have a significant impact on shareholders' rights and interests or securities prices, it shall disclose the facts of the dispute, the amount of the subject matter, the date of commencement of the litigation, the main litigants involved and the current handling situation: None.

(2) Where the Directors, Supervisors, vice presidents, substantive responsible persons, major shareholders and affiliated companies with a shareholding ratio of more than 10% have decided major litigation, non-litigation or administrative litigation events that have been confirmed or are still affiliated in the last two years and up to the date of publication of annual report, and the results may have a significant impact on shareholders' rights and interests or securities prices: None.

(3) Involvement of the Company's Director, Supervisor, managerial officer, or shareholders holding more than 10% of the Company's shares in affairs specified in Article 157 of the Securities Exchange Act and the Company's current handling status in the most recent two years up to the publication date of this Annual Report: None.

13. Other important risks and response measures: None.

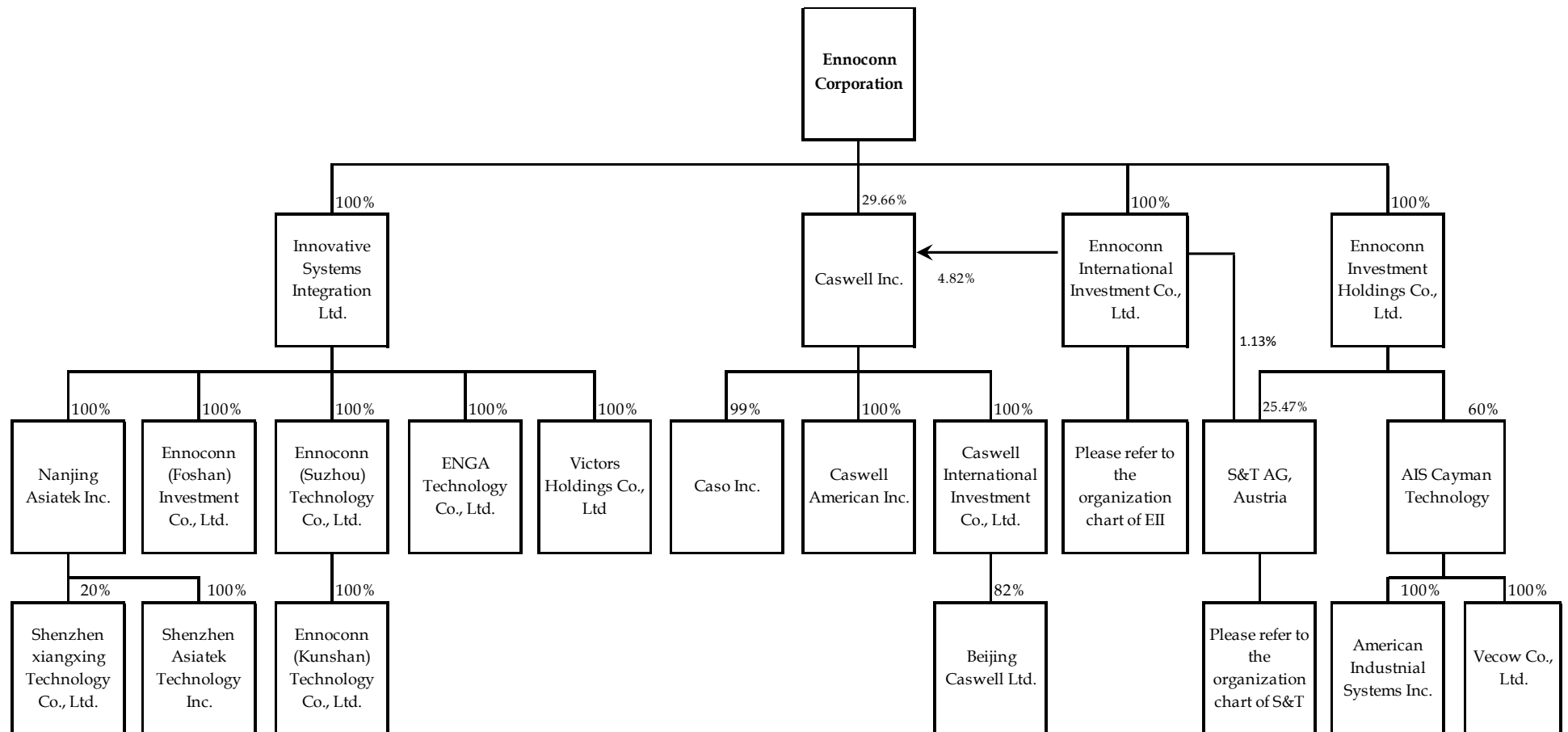
VII. Other Important Matters

Chapter 8 Special Notes

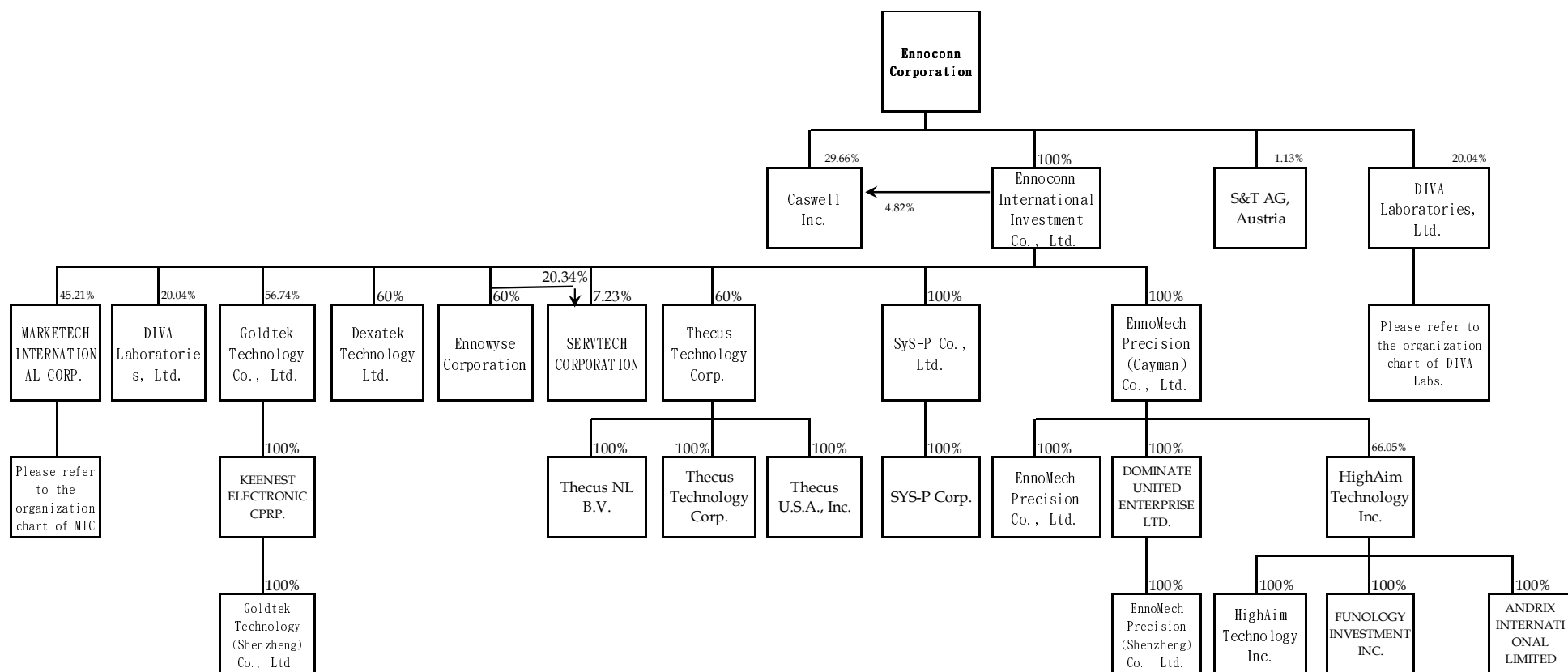
I. Subsidiary Information

(I) Consolidated business report of subsidiaries

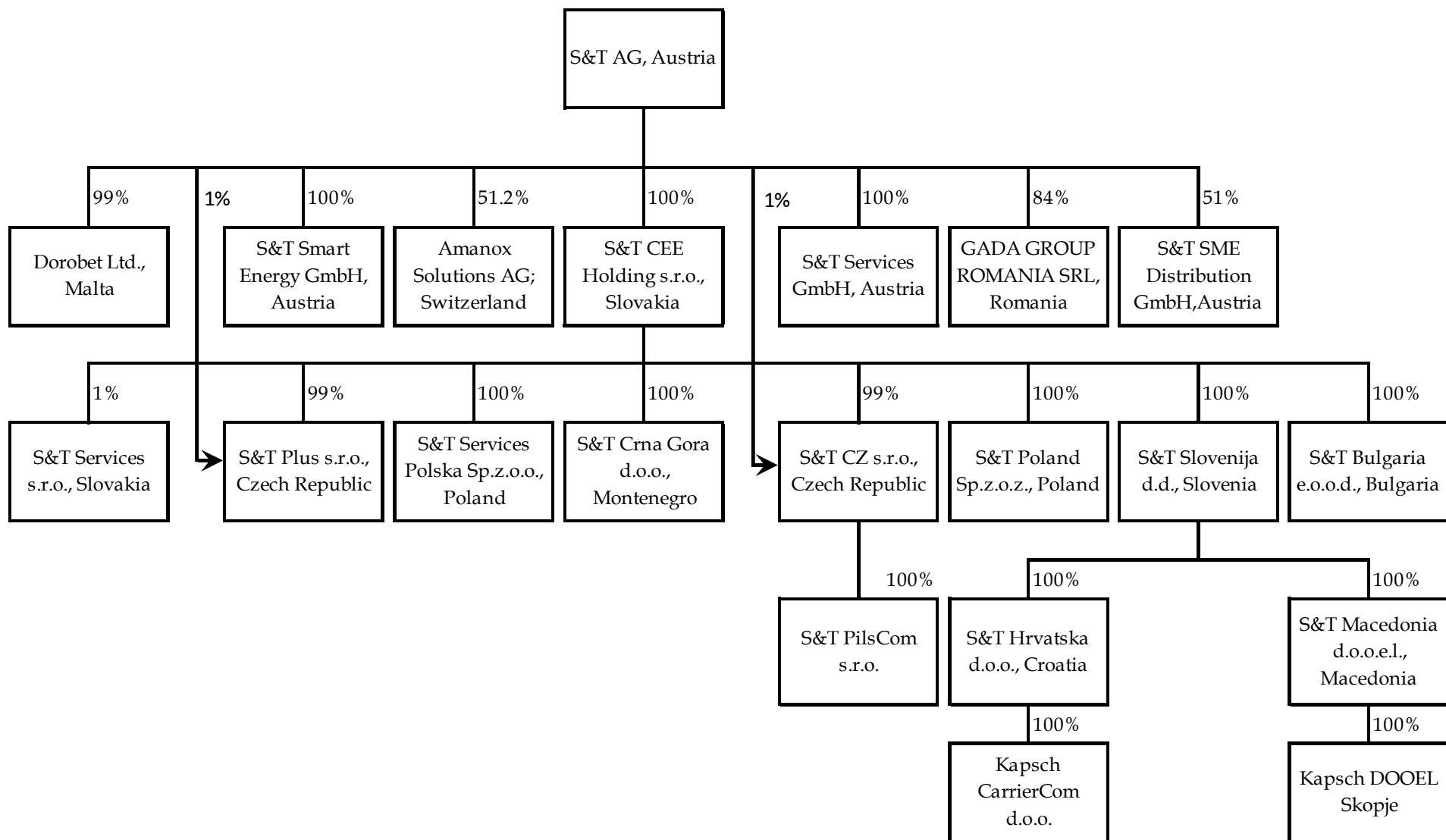
1. Organization Chart of Subsidiaries



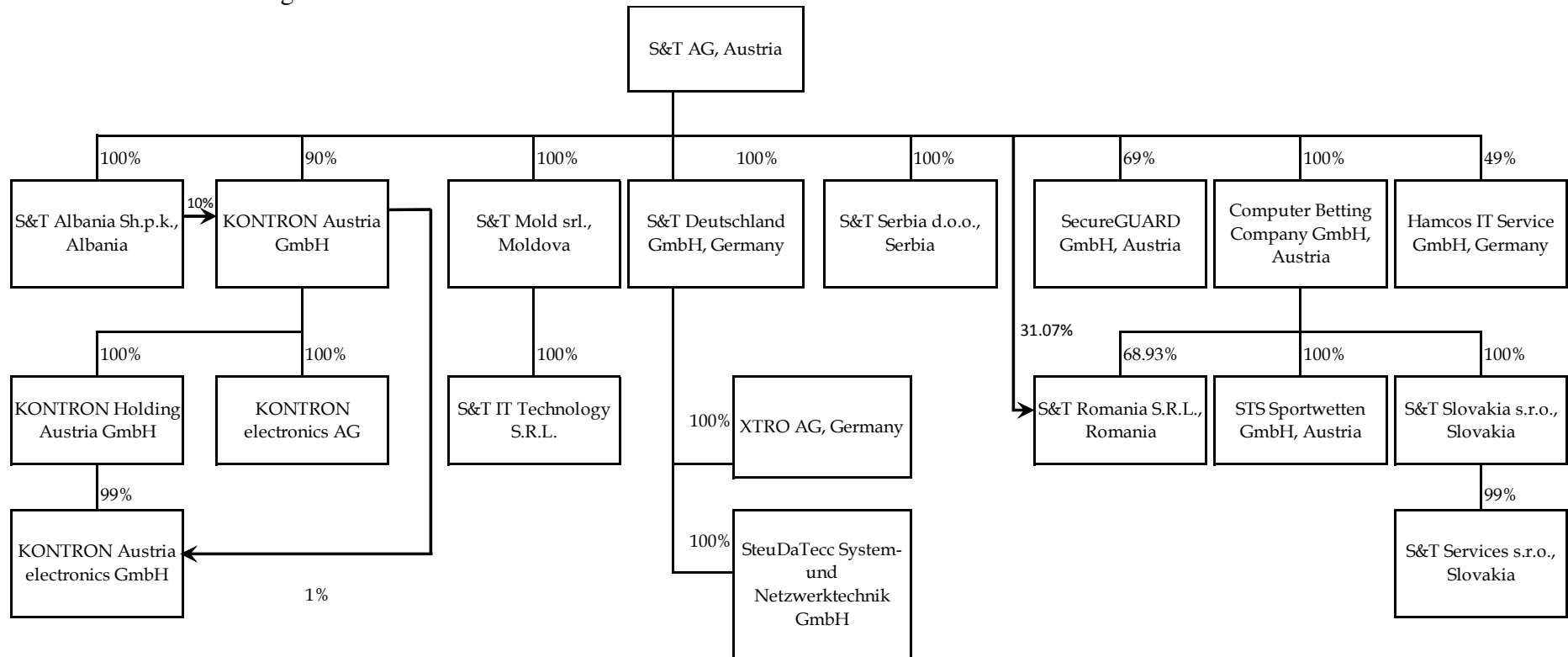
Organization chart of Ennoconn



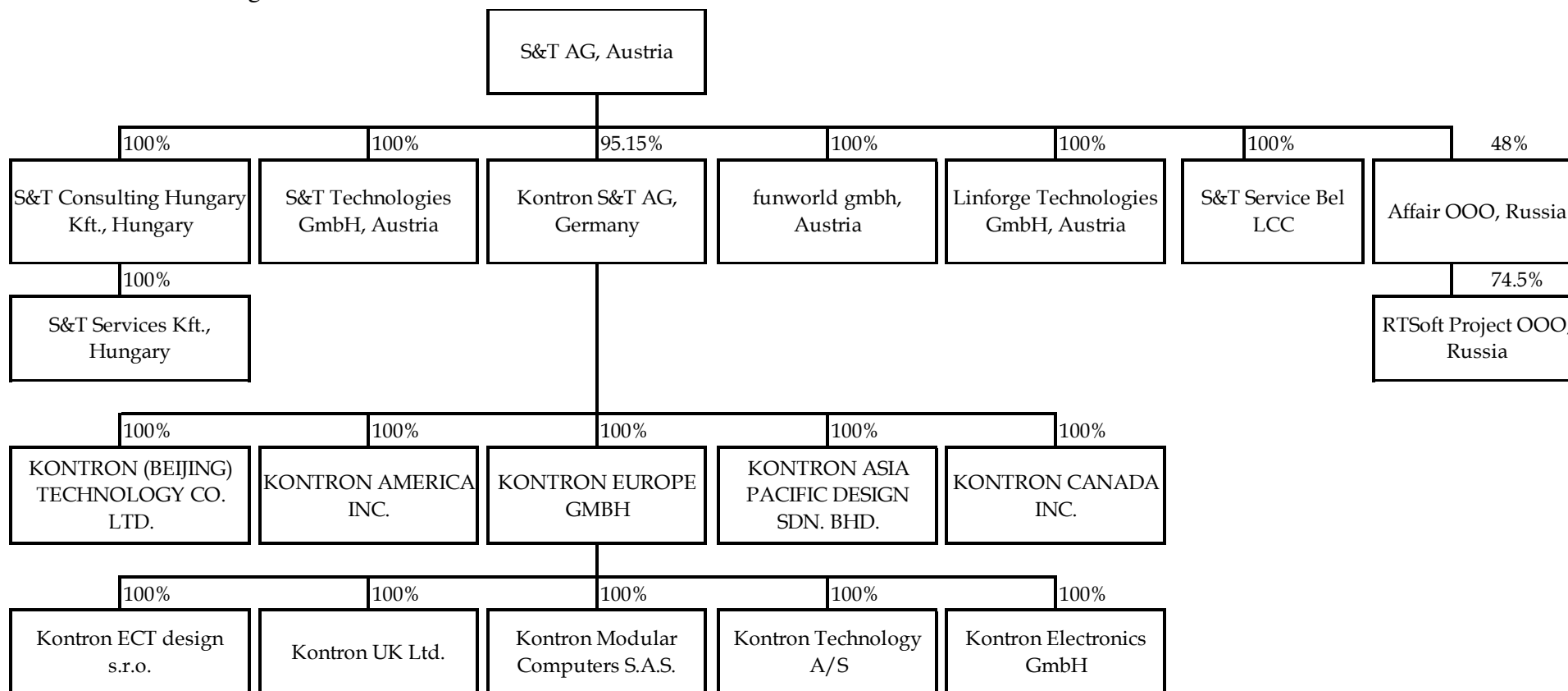
S&T organization chart-1



S&T organization chart-2



S&T organization chart-3



2. Basic Information of Affiliated Enterprises

December 31, 2018

Unit: NT\$ thousands

Company Name	Founding Date	Address	Paid-in Capital	Main Business or Production Items
INNOVATIVE SYSTEMS INTEGRATION LIMITED	2001.08.31	Suite 1222, 12F, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong	HKD\$361,609	Professional Investment
Ennoconn International Investment Co., Ltd.	2014.05.13	6F, No.10, Jiankang Road, Zhonghe District, New Taipei City	NTD\$7,026,350	Professional Investment
Caswell Inc.	2007.04.19	8F, No. 242, Bo'ai Street, Shulin District, New Taipei City, 238	NTD\$680,356	Electronic components, computer and peripheral equipment manufacturing, electronic materials wholesale and information software services
Ennoconn Investment Holdings Co.,Ltd	2015.11.16	2nd Floor, Building B, SNPF PLAZA, Savalalo, Apia, Samoa	USD\$239,360	Professional Investment
ENGA Technology Co., Ltd.	2017.07.25	Suite 1222, 12F, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong	HKD\$27,394	Wholesale, manufacturing, service and import and export of hardware and software for industrial computers and industrial control systems
Tengljia Holdings Limited	2018.04.25	Suite 1, Commercial House One, Eden Island, Republic of Seychelles.	-	Import and export trading
AIS Cayman Technology	2016.05.06	Fourth Floor, One Capital Place, P. O. Box 847, Grand Cayman KY1-1103, Cayman Islands	USD\$6,563	Professional Investment
S&T AG	1999.12.28	Industriezeile 35, A-4021 Linz, Austria	EUR\$66,089	Information system software and hardware integration services
AIS	2005.10.31	1768 McGaw Avenue, Irvine, CA 92614, USA	USD\$1,500	Operator interface terminal and industrial automation visualization system
Vecow Co., Ltd.	2006.02.20	12F, No.111, Zhongcheng Rd., Tucheng Dist., New Taipei City 236, Taiwan	NTD\$50,000	Computer vision systems and machine vision systems for industrial automation
Goldtek Technology Co., Ltd.	2003.08.06	16F, No.166, Jianyi Road, Zhonghe District, New Taipei City	NTD\$300,000	Telecommunications control of radio frequency equipment input and information software wholesale and retail

Company Name	Founding Date	Address	Paid-in Capital	Main Business or Production Items
EnnoMech Precision (Cayman) Co., Ltd.	2015.07.21	Floor 4, Willow House, Cricket Square, PO Box 2804, Grand Cayman KYI-1112, Cayman Island	USD\$13,800	Professional Investment
SyS-P Co., Ltd.	2015.11.05	6F, No.10, Jiankang Road, Zhonghe District, New Taipei City	NTD\$30,000	International trade, information software wholesale and service
Ennowyse Corporation	2011.11.17	3F, No.10, Jiankang Road, Zhonghe District, New Taipei City	NTD\$84,000	Product research, design and sales of mobile payment, electronic signature and information security
Thecus Technology Corp.	2004.10.26	16F.-6, No.81, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City, Taiwan	NTD\$170,000	Electronic components, computer and peripheral equipment manufacturing, electronic materials wholesale and information software services
Dexatek Technology Ltd.	2003.07.31	16F.-1, No.81, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City, Taiwan	NTD\$210,000	Multimedia product development and design manufacturing business
Marketch International Corp.	1988.12.27	6F., No.3-2, Yuanqu St., Nangang Dist., Taipei City, Taiwan	NTD\$1,855,913	High-tech industry facility and process system planning and integration services
HighAim Technology INC.	2006.09.28	Portcullis Chambers, P.O. Box 1225, Apia, Samoa.	USD\$5,000	Professional Investment
DOMINATE UNITED ENTERPRISE LTD.	2015.01.05	2nd Floor, Building B, SNPF Plaza, Savalalo, Apia, Samoa	USD\$2,100	Professional Investment
EnnoMech Precision Co., Ltd.	2015.04.23	6F, No.10, Jiankang Road, Zhonghe District, New Taipei City	NTD\$10,000	Electronic components, computer and peripheral equipment manufacturing, electronic materials wholesale and information software services
FUNOLOGY INVESTMENT INC.	2009.06.23	TMF Chambers, P.O. Box 3269, Apia, Samoa	USD\$1	Import and export trading
ANDRIX INTERNATIONAL LIMITED	2012.10.17	201 Rogers Office Building, Edwin Wallace Rey Drive, George Hill, Anguilla, B.W.I	USD\$1	Import and export trading
Caso Inc.	2014.08.01	6th Floor, Kokuda National Building, Kanda, 2-10, Kanda, Chiyoda-ku, Tokyo, Japan	JPY\$95,000	Network machines and computer peripherals and other imports and sales
Caswell International Investment Co., Ltd.	2015.06.11	TMF Chambers, P.O. Box 3269, Apia, Samoa	USD\$3,206	Overseas investment

Company Name	Founding Date	Address	Paid-in Capital	Main Business or Production Items
Caswell Americas, Inc	2017.01.10	4011 Clipper Ct, Fremont, CA 94538	USD\$3,000	Sale netcom products
Thecus NL B.V.	2009.10.15	Marinus Dammeweg 7, 5928 PW VENLO, Netherlands	EUR\$260	Network storage device
Tecas USA., Inc.	2007.09.17	1768 McGaw Avenue, Irvine, CA 92614	USD\$750	Network storage device
Keenest Electronic Corp.	2016.01.04	2F, Buliding B, SNPF Plaza, Savalalo	USD\$12,000	Professional Investment
SYS-P Corp	2016.02.23	Room 415, 4th Floor, Building A, Tianhui Building, Yousong Road, Longhua Street, Longhua New District, Shenzhen, China	USD\$15	International trade, information software wholesale and service
S&T CZ s.r.o., Czech Republic	1991.12.18	Na Strži 1702/65, 140 00, Praha, Czech Republic	EUR\$1,593	IT server
S&T Plus s.r.o., Czech Republic	1998.10.14	Novodvorská 994/138, 142 21, Praha, Czech Republic	EUR\$280	Manufacturing and marketing of industrial computers
S&T Services Polska Sp.z.o.o., Poland	2001.07.25	Postępu 21 D, 02-676, Warsaw, Polska	EUR\$313	IT server
S&T Crna Gora d.o.o., Montenegro	2002.08.08	Bulevar revolucije 5, 81000, Podgorica, Montenegro	EUR\$25	IT server
S&T Bulgaria e.o.o.d., Bulgaria	2007.12.17	7 Iskarsko shosse bul. Trade center Europe, build. 6, fl. 3, 1528, Sofia, Bulgaria	EUR\$579	Manufacturing and marketing of industrial computers
S&T Poland Sp.z.o.z., Poland	2002.03.19	Postępu 21 D, 02-676, Warsaw, Polska	EUR\$3,108	IT server
S&T Services s.r.o., Slovakia	1994.05.05	Mlynské nivy 71, 821 09, Bratislava, Slovakia	EUR\$982	IT server
S&T Slovenija d.d., Slovenia	1991.01.30	Leskoškova cesta 6, 1000, Ljubljana, Slovenia	EUR\$1,311	IT server
S&T Hrvatska d.o.o., Croatia	1995.11.04	Borongajska cesta 81a, 10000, Zagreb, Croatia	EUR\$29	IT server
S&T Macedonia d.o.o.e.l., Macedonia	2007.05.09	Ankarska 31, 1000, Skopje, Macedonia	EUR\$9	IT server

Company Name	Founding Date	Address	Paid-in Capital	Main Business or Production Items
S&T Romania S.R.L., Romania	1994.01.31	10 Montreal Square, WTCB SA, Main Building, 3rd floor, 11469, Bucharest, Romania	EUR\$2,451	IT server
S&T Serbia d.o.o., Serbia	1996.01.31	Djordja Stanojevica 14/III, 11070, Belgrade, Serbia	EUR\$49	IT server
S&T Albania Sh.p.k., Albania	2005.01.11	Ibrahim Rugova, No. 5, Sky Tower 11/1, 1000, Tirana, Albania	EUR\$282	IT server
S&T Mold srl., Moldova	1995.11.23	Serghei Lazo 40, 2004, Chisinau, Moldova	EUR\$206	IT server
S&T Consulting Hungary Kft., Hungary	1999.01.06	14, Puskás Tivadar street, 1119, Budapest, Hungary	EUR\$398	IT server
S&T Deutschland GmbH, Germany	2005.03.07	Am Flugplatz 35, D-56743, Mendig, Germany	EUR\$25	IT server
Computer Betting Company GmbH, Austria	1999.02.03	Füchselbachstraße 7, A-4060, Leonding, Austria	EUR\$36	Manufacturing and marketing of industrial computers
SecureGUARD GmbH, Austria	2000.02.02	Industriezeile 35, A-4021 Linz, Austria	EUR\$134	Manufacturing and marketing of industrial computers
S&T embedded GmbH, Germany	2004.08.21	Gutenbergstraße 2, D-85737, Ismaning, Germany	EUR\$102	Manufacturing and marketing of industrial computers
S&T CEE Holding s.r.o., Slovakia	2004.08.21	Mlynské nivy 71, 821 09, Bratislava, Slovakia	EUR\$1,882	IT server
Dorobet Ltd., Malta	2005.08.02	Atrium, Paxton Court, Mensija Road, STJ1965, St. Julians, Malta	EUR\$200	Manufacturing and marketing of industrial computers
S&T Smart Energy GmbH, Austria	2004.10.13	Industriezeile 35/4 , A-4020 Linz, Austria	EUR\$36	Manufacturing and marketing of industrial computers
Amanox Solutions AG, Switzerland	2011.03.14	Falkenplatz 11, CH-3012, Bern, Switzerland	EUR\$96	IT server
Hamcos IT Service GmbH, Germany	1998.09.23	Dornierstr. 4, D-88367, Hohentengen, Germany	EUR\$200	IT server
Kontron Austria	1990.11.15	Freistädterstr. 38, A-4029	EUR\$36	Manufacturing and marketing of industrial

Company Name	Founding Date	Address	Paid-in Capital	Main Business or Production Items
GmbH, Austria(original S&T Electronics and Payment Systems GmbH, Austria)		Engerwitzdorf, Austria		computers
S&T SME Distribution GmbH, Austria	2015.12.18	Industriezeile 35, A-4020 Linz, Austria	EUR\$35	Manufacturing and marketing of industrial computers
S&T Services GmbH, Austria	2016.11.28	Brehmstraße 10, A-1110 Vienna, Austria	EUR\$35	IT server
S&T Technologies GmbH, Austria	2010.12.10	ndustriezeile 35, A-4021 Linz, Austria	EUR\$35	IT server
Linforge Technologies GmbH, Austria	2001.11.19	Brehmstraße 10, A-1110 Vienna, Austria	EUR\$35	IT server
GADA GROUP ROMANIA SRL, Romania	1996.11.07	241A, Barbu Vacarescu, 20285, Bucharest, Romania	EUR\$282	Manufacturing and marketing of industrial computers
Affair OOO, Russia	2002.06.25	Nikitinskaya str. 3, 105037, Moscow, Russia	EUR\$208	Manufacturing and marketing of industrial computers
S&T Services Bel LCC, BLR	2008.07.18	Fabritsius str. 9a, office 15, 220007, Minsk, Belarus	EUR\$113	IT server
S&T Asia Inc., Taiwan	2013.08.16	5F., No. 415, Ti-Ding Blvd., Sec. 2 Neihu District, 144, Taipei City Government, Taiwan	EUR\$365	Manufacturing and marketing of industrial computers
SteuDaTecc System-und Netzwerktechnik GmbH	2000.05.16	Ludwig Erhardt Straße 1b, 56746 Kempenich, Germany	EUR\$25	IT server
XTRO AG, Germany	2005.03.07	Gutenbergstrasse 2, D-85737 Ismaning, Germany	EUR\$50	IT server
STS Sportwetten GmbH, Austria	1993.07.27	Füchselbachstraße 7, A-4060 Leonding, Austria	EUR\$36	Manufacturing and marketing of industrial computers
S&T Slovakia s.r.o., Slovakia	1993.05.13	Mlynské nivy 71, 821 09, Bratislava, Slovakia	EUR\$1,660	IT server

Company Name	Founding Date	Address	Paid-in Capital	Main Business or Production Items
S&T Services Kft., Hungary	2011.10.27	Puskás Tivadar street 14, H-2040, Buda?rs, Hungary	EUR\$880	IT server
KONTRON AMERICA INC.	1999.12.06	9477 Waples Street, Suite 150, San Diego, California, 92121, Delaware , USA	EUR\$2,048	Communication products
KONTRON CANADA INC.	2002.01.01	4555, Ambroise-Lafortune, J7H 0A4, Boisbriand, Canada	EUR\$21,516	Communication products
KONTRON ASIA PACIFIC DESIGN SDN. BHD.	2008.06.09	Plot 554, Lorong Perusahaan 4, Prai Free Trade Zone, 13600, Penang, Malaysia	EUR\$9,354	Manufacturing and marketing of industrial computers
KONTRON (BEIJING) TECHNOLOGY CO. LTD.	2000.01.25	1~2F, 10 Building , No.8 Liangshuihe 2nd Street, Economical & Technological Development Zone, 100176, Beijing, China	EUR\$1,988	Manufacturing and marketing of industrial computers
KONTRON EUROPE GMBH	1962.09.03	Lise-Meitner-Straße 3-5, D-86156 Augsburg, Germany	EUR\$23,600	Manufacturing and marketing of industrial computers
Kontron S&T AG, Germany	2016.08.26	Lise-Meitner-Straße 3-5, D-86156 Augsburg, Germany	EUR\$61,251	Manufacturing and marketing of industrial computers
Kontron ECT design s.r.o.	2000.01.20	Teslova 1120/1, 301 00 Pilsen 1, Czech Republic	EUR\$20	Manufacturing and marketing of industrial computers
Kontron UK Ltd.	1996.05.28	Appledram Barns, P20 7EQ, Chichester, United Kindom	EUR\$197	Manufacturing and marketing of industrial computers
Kontron Modular Computers S.A.S.	1986.12.31	150, rue M.Berthelot - ZI Toulon-Est - BP244, 83078, Toulon, France	EUR\$5,140	Manufacturing and marketing of industrial computers
Kontron Technology A/S	1995.02.16	Neergaardsvej 5 D, 2970, H?rsholm, Denmark	EUR\$919	Manufacturing and marketing of industrial computers
Kontron Electronics GmbH, Germany	2017.04.11	Kantstraße 10, 72663 Großbettlingen, Germany	EUR\$102	Manufacturing and marketing of industrial computers
Kontron Austria electronics GmbH, Austria	1986.10.03	Wildbichlerstraße 2e, 6341 Ebbs, Austria	EUR\$54	Manufacturing and marketing of industrial computers

Company Name	Founding Date	Address	Paid-in Capital	Main Business or Production Items
Kontron Electronics AG, Switzerland	1978.03.30	Riedstrasse 1, 6343 Rotkreuz, Switzerland	EUR\$863	Manufacturing and marketing of industrial computers
Kontron Austria Holding Austria GmbH, Austria	2011.01.10	Wildbichlerstraße 2e, 6341 Ebbs, Austria	EUR\$35	Manufacturing and marketing of industrial computers
S&T PilsCom s.r.o., Czech Republic	1998.02.26	Slovanská alej 2182/30, 32600, Plzen, Czech Republic	EUR\$4	IT server
RTSoft Project OOO, Russia	2002.09.03	Nikitinskaya str., 3, 105037, Moscow, Russia	EUR\$7	Manufacturing and marketing of industrial computers
S&T IT Technologie srl., Moldova	2017.12.19	Serghei Lazo 40, 2004, Chisinau, Moldova	EUR\$2	IT server
Kapsch CarrierCom d.o.o.	2012.05.30	Borongajska cesta 81a, 10000, Zagreb, Croatia	EUR\$1,467	IT server
Kapsch DOOEL Skopje	2007.12.04	Filip 2 Makeonski Str. No 3./Floor 3, 1000, Skopje, Macedonia	EUR\$5	IT server
Marketch Integrated Pte. Ltd.	1997.07.10	86 KaKi Bukit Industrial Terrace, Singapore 416166	SGD\$9,236	Contracting of automation supply system for semiconductor industry
Market Go Profits Ltd.	2000.12.20	P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD\$39,569	Engage in holding and reinvestment affairs
MIC-Tech Global Corp.	2004.10.18	RM918 Hyundai Office Bldg, 9-4 Sunae 1-dong, Bundang-gu, Seongnam-si, Gyeonggi-do, Korea	KRW\$ 657,800	General international trade
Headquarter International Ltd.	2002.12.10	P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD\$1,289	Engage in holding and reinvestment affairs
Tiger United Finance Ltd.	2002.10.09	P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD\$1,410	Engage in holding and reinvestment affairs
Marketch Engineering Pte. Ltd.	2013.11.28	86 KaKi Bukit Industrial Terrace, Singapore 416166	SGD\$421	Undertaking of mechanical and electrical installation and other engineering business

Company Name	Founding Date	Address	Paid-in Capital	Main Business or Production Items
Marketech Integrated Manufacturing Company Limited	2015.03.09	Lot No.B12 Tailawa Special Economic Zone A, Yangon Region, Myanmar	USD\$14,000	Design, manufacture and assembly of automated production machines and components
MIC-Tech Viet Nam Co., Ltd.	2010.01.22	7F, No 36, Hoang Cau street, O Cho Dua Ward, Dong Da District, Ha Noi City, Vietnam	USD\$1,300	Trade, installation and maintenance of all kinds of facility equipment and consumables
Marketech Co., Ltd.	2011.06.13	(R1-08-09) The EverRich, 968 3-2 St., 15 Ward, Dist 11, Ho Chi Minh City, Vietnam	USD\$1,500	Professional engineering contracting and related maintenance services
eZoom Information, Inc.	1996.11.20	6F.-3, No.3-2, Yuanqu St., Nangang Dist., Taipei City, Taiwan	NTD\$200,000	Research and development, trading and consulting services of information system software and hardware application
PT Marketech International Indonesia	2014.09.25	VIP Chamber #2, Wisma GKBI Lantai 39 Suite 3901, Jl Jend, Sudirman No 28, Kel Bendungan Hilir, Kee. Tanah Abang Jakarta Pusat	USD\$1,200	Machinery, equipment and spare parts trading business
ADAT Technology Co., Ltd.	2017.10.19	6F., No.3-2, Yuanqu St., Nangang Dist., Taipei City, Taiwan	NTD\$66,000	Research and development, application and service of information software; supply of electronic information and sale of equipment
Marketech Netherlands B.V.	2017.06.30	Luchthavenweg 81,8657 EA Eindhoven	EUR\$300	International trade businesses and technical services for machinery, equipment and components
Marketech International Sdn. Bhd.	2009.02.10	A-02-02, Capital 1 (Block A), Oasis Square, Oasis Damansara, 47301 Petaling Jaya, Selangor.	MYR\$12,243	Professional engineering contracting and related maintenance services
MIC-Tech Ventures Asia Pacific Inc.	2001.02.01	Huntlaw Building, P.O. BOX 2804, George Town, Grand Cayman, Cayman Islands	USD\$39,467	Engage in holding and reinvestment affairs
Marketech Integrated Construction Co., Ltd.	2014.04.03	67/A, Htan Tapin Street, Kamayut Township, Yangon	USD\$300	Undertaking of mechanical and electrical installation and other engineering business
Rusky H.K. Limited	1996.11.20	6F.-3, No.3-2, Yuanqu St., Nangang Dist., Taipei City, Taiwan	NTD\$200,000	Research and development, trading and consulting services of information system software and hardware application

Company Name	Founding Date	Address	Paid-in Capital	Main Business or Production Items
Frontken MIC Co. Limited	2014.09.25	VIP Chamber #2, Wisma GKBI Lantai 39 Suite 3901, Jl Jend, Sudirman No 28, Kel Bendungan Hilir, Kee. Tanah Abang Jakarta Pusat	USD\$1,200	Machinery, equipment and spare parts trading business
Ruixuan International Co., Ltd.	2007.12.14	AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong	USD\$9,000	Engage in holding and reinvestment affairs
Nanjing Asiatek Inc.	2005.04.13	Room 505, Block B, Building 2, Runhe Software Park, No.168, Software Avenue, Yuhuatai District, Nanjing, China	USD\$3,000	Engage in the research, development and sales of software and hardware products, and provide installation, commissioning and technical advice.
Ennoconn (Foshan) Investment Co., Ltd.	2016.12.23	Room 112, 1st Floor, Building D, Central European Center, 2 South Lingnan Road, Lecong Town, Shunde District, Foshan City	RMB\$66,207	Professional Investment
Beijing Caswell Ltd.	2003.09.23	East to the 4th Floor, Building 5, Qunying Science and Technology Park, No. 8 Shangdi Road, Haidian District, Beijing	USD\$3,800	Produce and sell network communication products
HighAim Technology Inc.	2007.07.16	No. 278, Chensong Road, Yushan Town, Kunshan City, Jiangsu Province, China	USD\$10,000	Design, research and development and production of molds, servers and communication equipment.
EnnoMech Precision (Shenzhen) Co., Ltd.	2016.02.23	Room 415, 4th Floor, Building A, Tianhui Building, Yousong Road, Longhua Street, Longhua New District, Shenzhen, China	RMB\$10,000	Mechanical components
Goldtek Technology (Shenzhen) Co., Ltd.	2016.07.21	Room 1926, Longhu Junhui Fashion Apartment, Longgang District, Shenzhen	USD\$1,000	Research, design and sales of electronic products, communication equipment and spare parts, as well as after-sales service.
Ennoconn (Suzhou) Technology Co., Ltd.	2017.06.29	Room 1, No. 299, Nansong Road, Yushan Town, Kunshan City, Jiangsu Province	USD\$30,000	Research and development, production and sales of industrial computers
Kunshan Ennoconn	2018.04.26	Room 3, No. 299, Nansong Road,	-	Intelligent technology development and hardware

Company Name	Founding Date	Address	Paid-in Capital	Main Business or Production Items
Intelligent Technology Co., Ltd.		Yushan Town, Kunshan City, Jiangsu Province		sales
MIC-Tech (Wuxi) Co., Ltd.	2001.05.16	No. 11, Xinxu Road, Wuxi National High-tech Industrial Development Zone, Jiangsu Province	USD\$25,500	Design, manufacture, installation and maintenance services of semiconductor components and crystal equipment dedicated devices, electronic components dedicated devices and environmental pollution prevention equipment; Assembly of special packaging equipment and refrigeration equipment; Grill assembly; Engage in the wholesale, commission agency and import and export business of the abovementioned products and their components and parts, textiles, daily necessities, chemical products and cosmetics; Leasing of its own plant; Design, manufacture, sales and installation of automatic storage equipment and accessories, automatic conveying logistics equipment and accessories, development, sales and installation of logistics deployment computer aided engineering system development.
MIC-TECH (SHANGHAI) CORP., LTD.	2001.05.24	2F, Building A, No. 1281, Jinhu Road, Pudong New District, Shanghai	USD\$8,241	Semiconductor production, semiconductor equipment maintenance, testing equipment and consumables, power generation boiler wholesale, commission agent, import and export and other related supporting business;Chemical, boiler products based warehousing, distribution business;International trade and entrepot trade;Trade between enterprises in the bonded area and trade agents;Regional business consulting service.
Fuzhou Jiwei System Technology Co., Ltd.	2003.02.27	No.B06, 3rd Floor, Longfu Electromechanical Wholesale Market, Fujian Province, No.15 Lianjiang South	USD\$300	Clean room and power system equipment, piping system equipment installation and related supporting services.

Company Name	Founding Date	Address	Paid-in Capital	Main Business or Production Items
		Road, Cangshan District, Fuzhou, Fujian, China		
Shanghai Puritic Co., Ltd.	1998.04.21	1st Floor, Building A, No. 1281 Jinhu Road, (Shanghai) Pilot Free Trade Zone, China	USD\$600	Design, installation, debugging and technical services of regeneration of eliminated barrel, pipeline system and relevant facilities for semiconductor manufacturing industry; equipment maintenance industry, electronics, medical equipment technical consulting, electronic products, machinery and equipment, chemical products (excluding dangerous goods), communication products, metal products, material products wholesale, commission agency (excluding auction), import and export and related supporting services for semiconductor manufacturing industry.
MIC-Tech Electronic Engineering Corp.	2006.06.30	Ground Floor, Building A, No. 1281 Jinhu Road, (Shanghai) Pilot Free Trade Zone, China	USD\$17,619	General contracting for construction of mechanical and electrical installation engineering, professional contracting for mechanical and electrical installation engineering, professional contracting for electronic engineering, professional contracting for chemical and petroleum equipment pipeline installation engineering, professional contracting for pipelines and providing relevant post-project warranty services and related engineering technical consulting services.
SKMIC(Wuxi) Co.,Ltd.	2006.07.04	Room 2F-208, Lot 87-A, Wuxi National High-tech Industrial Development Zone, Jiangsu Province	USD\$305	Equipment installation and maintenance of semiconductor components and crystal special equipment, electronic components special equipment, environmental pollution prevention equipment;Engage in the wholesale, commission agent, import and export business of

Company Name	Founding Date	Address	Paid-in Capital	Main Business or Production Items
				above-mentioned products; Industrial equipment cleaning, maintenance, maintenance.
Chen Gao M&E Engineering (Shanghai) Co., Ltd.	2008.02.02	Room 411, No. 198, Siping Road, Hongkou District, Shanghai	USD\$200	Microelectronics project engineering design and display device project engineering design, related technology, management consulting services
Frotken MIC (Wuxi) Co., Ltd.	2008.10.31	No. 11, Xinxi Road, Wuxi National High-tech Industrial Development Zone, Jiangsu Province	USD\$2,308	Cleaning of special equipment for semiconductor components and integrated circuits; Parts for semiconductor devices, parts for integrated circuits and microcomponents, and wafer cleaning; Research and development of semiconductor cleaning technology; Refrigeration equipment assembly, installation and maintenance services; Design, manufacture, sales and installation of automatic warehousing equipment and accessories, automatic conveying logistics equipment and accessories; Logistics deployment computer aided engineering system development, sales and installation; Wholesale, commission agency, import and export business of the above-mentioned products and parts.
Intergrated manufacturing & Services Co., Ltd.	2008.10.22	(No. 60, Group 4, Union Village) Huolong Industrial Park, Sijia Town, Haimen City, Nantong City, Jiangsu Province	USD\$5,000	Development and special equipment for solar cell production, manufacturing of key components such as optical engine, light source, projection screen, high definition projection tube and micro-display projection equipment module for large-screen color projection display, manufacturing of new electronic components, as well as services such as cleaning and regeneration.
MIC-TECH CHINA TRADING (SHANGHAI) CO., LTD.	2013.03.21	Room 517, 5th Floor, No. 8, Huajing Road, Waigaoqiao Free Trade Zone, Shanghai	USD\$1,500	The wholesale, commission agents, import and export and other related business of chemical products (except hazardous chemicals and precursor chemicals, special chemicals),

Company Name	Founding Date	Address	Paid-in Capital	Main Business or Production Items
				semiconductor, test equipment and consumables, solar equipment supplies, power boilers, mechanical equipment and accessories; international trade, entrepot trade, bonded area between enterprises of trade and trade agency, trade consulting services; installation and maintenance of semiconductor equipment, automation equipment, electronic equipment and accessories.

3. Industry covered by the overall business of the affiliated enterprises:
Industry covered by the overall business of the Company and its affiliated enterprises includes the electronic industry, computer industry, manufacturing industry, trading industry, investment industry, etc.
4. The same shareholder information presumed a relationship of control or subordination: None.

5. Information of directors, supervisors and vice presidents of affiliated enterprises

December 31, 2018

Unit: Share; Thousands

Company Name	Title	Name or Representative	Share Held	
			Shares (or Capital Contribution)	Shareholding Ratio (%)
INNOVATIVE SYSTEMS INTEGRATION LIMITED	Director	Ennoconn Corporation - Lou,Chao-Tsung	166,221,030	100%
Ennoconn International Investment Co., Ltd.	Chairman	Ennoconn Corporation - Lou,Chao-Tsung	702,635,000	100%
	Director	Ennoconn Corporation - Chu, Fu-Chuan	702,635,000	100%
	Director	Ennoconn Corporation - Huang,Chao-Mao (Huang,Chao-Mou)	702,635,000	100%
	Supervisor	Ennoconn Corporation - Wu, Yu-Mei	702,635,000	100%
Caswell Inc.	Chairman	Ennoconn Corporation - Chu, Fu-Chuan	20,000,000	29.66%
	Vice Chairman	Hsu,Fu-Sung	449,840	0.66%
	Director	Ennoconn Corporation - Lou,Chao-Tsung	20,000,000	29.66%
	Director and President	Hung,Te-Fu	238,446	0.35%
	Independent Director	Shao,Chien-Hua	-	0%
	Independent Director	Huang,Wen-Chin	-	0%
	Independent Director	Fang,Wen-Chang	-	0%
Ennoconn Investment Holdings Co.,Ltd	Chairman	Ennoconn Corporation - Lou,Chao-Tsung	229,360,000	100%
ENGA Technology Co., Ltd.	Chairman	INNOVATIVE SYSTEMS INTEGRATION LIMITED - Huang,Chao-Mao (Huang,Chao-Mou)	3,500,000	100%
	Director	INNOVATIVE SYSTEMS INTEGRATION LIMITED - Chu, Fu-Chuan	3,500,000	100%
	Director	INNOVATIVE SYSTEMS INTEGRATION LIMITED - Lou,Chao-Tsung	3,500,000	100%
Tenglijia Holdings Limited	Director	INNOVATIVE SYSTEMS INTEGRATION LIMITED	-	100%

Company Name	Title	Name or Representative	Share Held	
			Shares (or Capital Contribution)	Shareholding Ratio (%)
AIS Cayman Technology	Chairman	FU-CHUAN CHU	-	0%
	Director	CHUN HAO SHIH	-	0%
	Director	NEN CHI NELSON TSAY	231,000	6%
S&T AG	Directors	Hannes Niederhauser	1,347,538	2.04%
	Directors	Richard Neuwirth	191,039	0.29%
	Directors	Michael Jeske	30,000	0.05%
	Directors	Peter Sturz	8,833	0.01%
	Directors	Carlos Queiroz	-	0%
	Supervisors	Erhard F. Grossnigg	672,299	1.02%
	Supervisors	Bernhard Chwatal	-	0%
	Supervisors	Wu Hui-Feng	-	0%
	Supervisors	Chu Fu-Chuan	-	0%
	Supervisors	Tsao Hsi-Chung	-	0%
AIS	Chairman	NEN CHI NELSON TSAY	0	0%
	Director	YUAN-LIN LEE	0	0%
	Director	JOSEPH JOHN FIJAK	0	0%
Vecow Co., Ltd.	Director	AIS-Tsai, Neng Chi	20,000,000	100%
	Director	AIS-Chu, Fu-Chuan	20,000,000	100%
	Director	AIS-Yu,Ling-Hsiao	20,000,000	100%
	Supervisor	AIS- Shih, Chun-Hao	20,000,000	100%
Goldtek Technology Co., Ltd.	Chairman	Ennoconn International Investment Co., Ltd.- Chu, Fu-Chuan	17,002,831	56.74%

Company Name	Title	Name or Representative	Share Held	
			Shares (or Capital Contribution)	Shareholding Ratio (%)
	Director	Ennoconn International Investment Co., Ltd. - Lou,Chao-Tsung	17,002,831	56.74%
	Director	Liang,Hui-Pin	783,831	2.61%
	Director	Ennoconn International Investment Co., Ltd. - Tu,Tung-Sheng	17,002,831	56.74%
	Independent Director	Cheng,Wu-Shui	0	0%
	Independent Director	Lai,Chun-Nien	0	0%
	Independent Director	Fan,Shih-Kang	0	0%
	President	Tu,Tung-Sheng	0	0%
EnnoMech Precision (Cayman) Co., Ltd.	Chairman	Ennoconn International Investment Co., Ltd. - Lou,Chao-Tsung	13,800,000	100%
SyS-P Co., Ltd.	Director	Ennoconn International Investment Co., Ltd. - Shih, Chun-Hao	NTD\$30,000	100%
Ennowyse Corporation	Chairman	Ennoconn International Investment Co., Ltd.- Huang,Chao-Mao (Huang,Chao-Mou)	5,040,000	60%
	Director	Ennoconn International Investment Co., Ltd. - Wu,Pin-Hsien	5,040,000	60%
	Director	Tsai,Ming-Hsueh	50,000	0.59%
	Supervisor	Cheng,Chien-Pang	-	0%
	President	Tsai,Ming-Hsueh	50,000	0.59%
Thecus Technology Corp.	Chairman	Ennoconn International Investment Co., Ltd.- Huang,Chao-Mao (Huang,Chao-Mou)	10,200,000	60%
	Director	Ennoconn International Investment Co., Ltd. - Hsu, Chia-Jung	10,200,000	60%
	Director	Ennoconn International Investment Co., Ltd. - Shih, Chun-Hao	10,200,000	60%

Company Name	Title	Name or Representative	Share Held	
			Shares (or Capital Contribution)	Shareholding Ratio (%)
	Director	Huang,Cheng-He	-	0%
	Supervisor	Chou,Hung-Chih	10,000	0.06%
	Supervisor	Lin,Ya-Hui	10,000	0.06%
	Supervisor	Lei,Chen-Yu	7,123	0.04%
Dexatek Technology Ltd.	Chairman	Ennoconn International Investment Co., Ltd.- Chu, Fu-Chuan	12,600,000	60%
	Director	Ennoconn International Investment Co., Ltd. - Tsai,Ming-Hsueh	12,600,000	60%
	Director	Ennoconn International Investment Co., Ltd. - Chou,Hung-Chih	12,600,000	60%
	Director and President	Chen,Hsin-Yu	976,710	4.66%
	Director	Fuyang Investment Co., Ltd. - Chang, Pei-Yu	3,708,676	17.66%
	Supervisor	Wu,Pin-Hsien	10,000	0.05%
	Supervisor	Lin,Ya-Hui	10,000	0.05%
	Supervisor	Hung, Lung-Peng	88,743	0.42%
Marketch International Corp.	Director	Jixuan Investment Co., Ltd. - Kao,Hsin-Ming	11,005,795	5.93%
	Director	Jixuan Investment Co., Ltd. - Lou,Chao-Tsung	11,005,795	5.93%
	Director	Yiwei Investment Co., Ltd. - Lin,Yu-Yeh	6,647,112	3.58%
	Director	Ma,Kuo-Peng	839,422	0.45%
	Director	Hsiao, Min-Chih	-	0.00%
	Independent Director	Wu,Tsung-Pao	-	0.00%
	Independent Director	Lu,Jung-Chen	347,286	0.19%
	Independent Director	Lin, Hsiao-Min	-	0.00%
HighAim Technology INC.	Legal Representative and Executive Managing	Chung, Huan-Hsiang	101,212	0.02%

Company Name	Title	Name or Representative	Share Held	
			Shares (or Capital Contribution)	Shareholding Ratio (%)
	Director			
DOMINATE UNITED ENTERPRISE LTD.	Chairman	EnnoMech Precision (Cayman) Co., Ltd. - CHIH KUN JACKSON SHIH	2,100,000	100%
EnnoMech Precision Co., Ltd.	Chairman	EnnoMech Precision (Cayman) Co., Ltd. - Lou,Chao-Tsung	1,000,000	100%
	Director	EnnoMech Precision (Cayman) Co., Ltd. - Chu, Fu-Chuan	1,000,000	100%
	Director	EnnoMech Precision (Cayman) Co., Ltd.- Huang,Chao-Mao (Huang,Chao-Mou)	1,000,000	100%
	Supervisor	EnnoMech Precision (Cayman) Co., Ltd. - Huang, Ping-Hsun	1,000,000	100%
FUNOLOGY INVESTMENT INC.	Legal Representative	HighAim Technology Inc. - Chung, Ju-Hsiang	1,000	100%
ANDRIX INTERNATIONAL LIMITED	Legal Representative	HighAim Technology Inc. - Chung, Huan-Hsiang	900	100%
Caso Inc.	Director	Caswell Inc. - Hung,Te-Fu	1,881	99%
	Director	Caswell Inc. - Yen, Chih-Chiang	1,881	99%
	Chairman and President	Takeda Kazuhiro	19	1%
Caswell International Investment Co., Ltd.	Director	Caswell Inc. - Hsu,Fu-Sung	3,205,760	100%
Caswell Americas,Inc	Chairman and President	Caswell Inc. - Chen,Yu-Wei	3,000,000	100%
Thecus NL B.V.	Chairman	Thecus Technology Corp. - Sun,Pei-Chih	2,600	100%
Tecas USA.,Inc.	Chairman	Thecus Technology Corp. - Li, Shih-Po	750,000	100%
Keenest Electronic Corp.	Chairman	Tu,Tung-Sheng	12,000,000	100%
SYS-P Corp	Director	SHIH, CHUN-HAO	50,000	100%
S&T CZ s.r.o., Czech Republic	Directors	Becka Miroslav	0	0%
	Directors	Kraus Vaclav	0	0%
	Directors	Dvorak Vojtech	0	0%

Company Name	Title	Name or Representative	Share Held	
			Shares (or Capital Contribution)	Shareholding Ratio (%)
S&T Plus s.r.o., Czech Republic	Directors	Strand Ivo	0	0%
	Directors	Kraus Václav	0	0%
S&T Services Polska Sp.z.o.o., Poland	Directors	Piotr Staszczak	0	0%
	Directors	Golebiewski Grzegorz	0	0%
S&T Crna Gora d.o.o., Montenegro	Directors	Maric Milan	0	0%
S&T Bulgaria e.o.o.d., Bulgaria	Directors	Zlati Stoychev Petrov	0	0%
	Directors	Vassil Mladenov Minev	0	0%
S&T Poland Sp.z.o.z., Poland	Directors	Piotr Staszczak	0	0%
	Directors	Grzegorz Golebiewski	0	0%
	Directors	Maurycy Palkiewicz	0	0%
S&T Services s.r.o., Slovakia	Directors	Horovčáková Helena	0	0%
S&T Slovenija d.d., Slovenia	Directors	Berger Saso	0	0%
S&T Hrvatska d.o.o., Croatia	Directors	Vidic Bozidar	0	0%
S&T Macedonia d.o.o.e.l., Macedonia	Directors	Antovski Boro	0	0%
S&T Romania S.R.L., Romania	Directors	Macovei Nicoleta	0	0%
S&T Serbia d.o.o., Serbia	Directors	Jovanovic Rajko	0	0%
S&T Albania Sh.p.k., Albania	Directors	Prifti Kleanthi	0	0%
S&T Mold srl., Moldova	Directors	Kopanskii Alexander	0	0%
S&T Consulting Hungary Kft., Hungary	Directors	Szabo Peter	0	0%
	Directors	Kulczar Sandor	0	0%
S&T Deutschland GmbH, Germany	Directors	Schmitz Uwe	0	0%
	Directors	Plies Michael	0	0%
Computer Betting Company GmbH, Austria	Directors	Jeske Michael	0	0%
SecureGUARD GmbH, Austria	Directors	Otto Helmut	0	0%
S&T embedded GmbH, Germany	Directors	Kroupa Walter	0	0%

Company Name	Title	Name or Representative	Share Held	
			Shares (or Capital Contribution)	Shareholding Ratio (%)
S&T CEE Holding s.r.o., Slovakia	Directors	Hannes Niederhauser	0	0%
	Directors	Richard Neuwirth	0	0%
	Directors	Peter Sturz	0	0%
Dorobet Ltd., Malta	Directors	Bowerman Luke	0	0%
S&T Smart Energy GmbH, Austria	Directors	Zeindl Johannes	0	0%
	Directors	Detter Engelbert	0	0%
Amanox Solutions AG; Switzerland	Directors	Lack Thomas	0	0%
	Directors	Jossen Daniel	0	0%
	Directors	Jeske Michael	0	0%
	Directors	Neuwirth Richard	0	0%
Hamcos IT Service GmbH, Germany	Directors	Hampel Frank	0	0%
	Directors	Michael Jeske	0	0%
Kontron Austria GmbH, Austria(original S&T Electronics and Payment Systems GmbH, Austria)	Directors	Stephan Niederhauser	0	0%
	Directors	Walter Kroupa	0	0%
S&T SME Distribution GmbH, Austria	Directors	Hannes Niederhauser	0	0%
	Directors	Michael Anderson	0	0%
S&T Services GmbH, Austria	Directors	Christian Mitsch	0	0%
	Directors	Michael Jeske	0	0%
S&T Technologies GmbH, Austria	Directors	Egerth Harald	0	0%
	Directors	Günthner Bernhard	0	0%
	Directors	Richard Neuwirth	0	0%
Linforge Technologies GmbH, Austria	Directors	Clemens Niederreiter	0	0%
	Directors	Michael Jeske	0	0%
GADA GROUP ROMANIA SRL, Romania	Directors	Netcu Octavian	0	0%

Company Name	Title	Name or Representative	Share Held	
			Shares (or Capital Contribution)	Shareholding Ratio (%)
Affair OOO, Russia	Directors	Olga Sinenko	0	0%
Kontron S&T AG, Germany(original Kontron AG)	Directors	Hannes Niederhauser	0	0%
	Directors	Stefan Franke	0	0%
	Supervisors	Peter Sturz	0	0%
	Supervisors	Ulrich Gehrman	0	0%
	Supervisors	Valentin Trummer	0	0%
S&T Services Bel LCC, BLR	Directors	Kunts Oksana Mikhailovna	0	0%
S&T Asia Inc., Taiwan	Directors	Steve Chen	0	0%
	Directors	Kevin Tseng	0	0%
	Directors	Hannes Niederhauser	0	0%
SteuDaTecc System-und Netzwerktechnik GmbH	Directors	Schmitz Uwe	0	0%
XTRO AG, Germany	Directors	Stephan Nechwatal	0	0%
	Directors	Boris Roos	0	0%
STS Sportwetten GmbH, Austria	Directors	Michael Jeske	0	0%
S&T Slovakia s.r.o., Slovakia	Directors	Horovčáková Helena	0	0%
S&T Services Kft., Hungary	Directors	Peter Dezs? Szabó	0	0%
KONTRON AMERICA INC.	Directors	Kevin Rhoads	0	0%
	Directors	Helmut Fischer	0	0%
KONTRON CANADA INC.	Directors	Robert Courteau	0	0%
	Directors	Josyane Desbois	0	0%
	Directors	Kevin Rhoads	0	0%
	Directors	Michael Rieg	0	0%
KONTRON ASIA PACIFIC DESIGN SDN. BHD.	Directors	Michael Riegert	0	0%
	Directors	Julius Von Jagow	0	0%

Company Name	Title	Name or Representative	Share Held	
			Shares (or Capital Contribution)	Shareholding Ratio (%)
	Directors	Shanmuganathan A/L Palamisa	0	0%
KONTRON (BEIJING) TECHNOLOGY CO. LTD.	Directors	Steve Chen	0	0%
KONTRON EUROPE GMBH	Directors	Stefan Franke	0	0%
	Directors	Carlos Quieroz	0	0%
Kontron ECT design s.r.o.	Directors	Martin Pilar	0	0%
Kontron UK Ltd.	Directors	David Johnson	0	0%
Kontron Modular Computers S.A.S.	Directors	Philippe Vincent	0	0%
Kontron Technology A/S	Directors	Stefan Franke	0	0%
Kontron Electronics GmbH, Germany	Directors	Wu?mann Holger	0	0%
		Gimple Jochen	0	0%
Kontron Austria Electronics GmbH, Austria	Directors	Vogler Wolfgang	0	0%
	Directors	Unterlerchner Wolfgang	0	0%
Kontron Electronics AG, Switzerland	Directors	Ott Franz	0	0%
Kontron Austria Holding GmbH, Austria	Directors	Vogler Wolfgang	0	0%
Kapsch BusinessCom s.r.o., Czech Republic	Directors	Vaclav Kraus	0	0%
S&T PilsCom s.r.o., Czech Republic	Directors	Becka Miroslav	0	0%
	Directors	Kraus Vaclav	0	0%
RTSoft Project OOO, Russia	Directors	Olga Sinenko	0	0%
S&T IT Technologie srl., Moldova	Directors	Kopanskii Alexander	0	0%
Kapsch CarrierCom d.o.o.	Directors	Neussl Richard	0	0%
	Directors	Veselko Ivankovic	0	0%
Kapsch DOOEL Skopje	Directors	Veselko Ivankovic	0	0%
Marketch Integrated Pte. Ltd.	Chairman	Kao, Hsin-Ming	SGD\$9,236	100%
	Director	Lin, Yu-Yeh		

Company Name	Title	Name or Representative	Share Held	
			Shares (or Capital Contribution)	Shareholding Ratio (%)
Market Go Profits Ltd.	Director	Seetoh Oi Ying	USD\$39,569	100%
	Director	Kao, Hsin-Ming		
	Director	Lin, Yu-Yeh		
MIC-Tech Global Corp.	Director	Kao, Hsin-Ming	ARW\$657,800	100%
	Director	Lin, Yu-Yeh		
	Director	Pu, Chen-Hao		
	Supervisor	Li, Yi-Jung		
	President	Pu, Chen-Hao		
Headquarter International Ltd.	Director	Kao, Hsin-Ming	USD\$1,289	100%
	Director	Lin, Yu-Yeh		
Tiger United Finance Ltd.	Director	Kao, Hsin-Ming	USD\$1,410	100%
	Director	Lin, Yu-Yeh		
Marketch Engineering Pte. Ltd.	Director	Kao, Hsin-Ming	SGD\$421	100%
	Director	Lin, Yu-Yeh		
	Director	Seetoh Oi Ying		
Marketch Integrated Manufacturing Company Limited	Director	Kao, Hsin-Ming	USD\$14,000	100%
	Director	Lin, Yu-Yeh		
MIC-Tech Viet Nam Co., Ltd.	President	Kao, Hsin-Ming	USD\$1,300	100%
Marketch Co., Ltd.	President	Kao, Hsin-Ming	USD\$1,500	100%
eZoom Information, Inc.	Chairman	Lin, Yu-Yeh	20,000,000	100%
	Director	Kao, Hsin-Ming		
	Director	Sung, Ping-Chung		
	Supervisor	Lin, Yu-Yeh		
	Supervisor	Ma, Kuo-Peng		
PT Marketch International Indonesia	Director	Kao, Hsin-Ming	USD\$1,200	100%

Company Name	Title	Name or Representative	Share Held	
			Shares (or Capital Contribution)	Shareholding Ratio (%)
ADAT Technology Co., Ltd.	Supervisor	Lin, Yu-Yeh	2,000,000	30.30%
	Chairman	Lin, Yu-Yeh		
	Director	Kao, Hsin-Ming		
	Supervisor	Li, Yi-Jung		
Marketch Netherlands B.V.	Director	Kao, Hsin-Ming	EUR\$300	100%
	Director	Lin, Yu-Yeh		
	Director	Ma, Kuo-Peng		
Marketch International Sdn. Bhd.	Director	Kao, Hsin-Ming	MYR\$12,243	100%
	Director	Lin, Yu-Yeh		
	Director	Ma, Kuo-Peng		
	Director	Mohd Salleh Bin Mohamad		
	Director	Siti Zaleha Binti Mohd Salim		
MIC-Tech Ventures Asia Pacific Inc.	Director	Kao, Hsin-Ming	USD\$39,467	100%
	Director	Lin, Yu-Yeh		
Marketch Integrated Construction Co., Ltd.	Director	Kao, Hsin-Ming	USD\$285	95%
	Director	Lin, Yu-Yeh		
Russky H.K. Limited	Director	Kao, Hsin-Ming	USD\$833	100%
	Director	Lin, Yu-Yeh		
Frontken MIC Co. Limited	Director	Kao, Hsin-Ming	USD\$1,013	100%
	Director	Lin, Yu-Yeh		
Ruixuan International Co., Ltd.	Director	Kao, Hsin-Ming	USD\$4,297	60%
	Director	Lin, Yu-Yeh		
Nanjing Asiatek Inc.	Legal Representative and Executive Managing Director	INNOVATIVE SYSTEMS INTEGRATION LIMITED - Hsu, Chia-Jung	USD\$3,000	100%

Company Name	Title	Name or Representative	Share Held	
			Shares (or Capital Contribution)	Shareholding Ratio (%)
Ennoconn (Foshan) Investment Co., Ltd.	Legal Representative and Executive Director	INNOVATIVE SYSTEMS INTEGRATION LIMITED - Lou, Chao-Tsung	USD\$9,800	100%
Beijing Caswell Ltd.	Executive Director and President	Liu, Jen-Hao	0	0%
	Supervisor	Hsu,Fu-Sung	0	0%
HighAim Technology Inc.	Legal Representative and Executive Managing Director	HighAim Technology Inc. - Chung,Huan-Hsiang	USD\$10,000	100%
	Director	Chen, Yu-Ling		
	Director	Teng, Lai-Fu		
	Supervisor	Kao, Ming-Che		
EnnoMech Precision (Shenzhen) Co., Ltd.	Director	Shih,Chih-Kun	USD\$1,530	100%
	Director	Lu, Tien-Sung		
	Director	GABRIEL SE BEE THIAM		
	Supervisor	Wang, Chih-Gang		
Goldtek Technology (Shenzhen) Co., Ltd.	Legal Representative	Keenest Electronic Corp. - Tu, Tung-Sheng	USD\$1,000	100%
Ennoconn (Suzhou) Technology Co., Ltd.	Legal Representative and Executive Director	Innovative Systems Integration Ltd. - Chu, Fu-Chuan	USD\$30,000	100%
	Director	Innovative Systems Integration Ltd.- Lou, Chao-Tsung		
	Director	Innovative Systems Integration Ltd. - Shih, Chun-Hao		
	Supervisor	Innovative Systems Integration Ltd.- Huang,Chao-Mao (Huang,Chao-Mou)		
	President	Deng, Chin-Tai		
Kunshan Ennoconn Intelligent Technology	Legal Representative and	Ennoconn (Suzhou) Technology Co., Ltd.- Chu,	-	100%

Company Name	Title	Name or Representative	Share Held	
			Shares (or Capital Contribution)	Shareholding Ratio (%)
Co., Ltd.	Executive Director	Fu-Chuan		
MIC-Tech (Wuxi) Co., Ltd.	Chairman	Kao, Hsin-Ming	USD\$25,500	100%
	Director	Ma, Kuo-Peng		
	Director	Lin, Yu-Yeh		
	Supervisor	Li, Yi-Jung		
	President	Kao, Hsin-Ming		
MIC-TECH (SHANGHAI) CORP., LTD.	Chairman	Kao, Hsin-Ming	USD\$8,241	100%
	Director	Lin, Yu-Yeh		
	Director	Ma, Kuo-Peng		
	Supervisor	Li, Yi-Jung		
	President	Kao, Hsin-Ming		
Fuzhou Jiwei System Integrated Co., Ltd.	Chairman	Kao, Hsin-Ming	USD\$300	100%
	Director	Ma, Kuo-Peng		
	Director	Lin, Yu-Yeh		
	President	Kao, Hsin-Ming		
Shanghai Puritic Co., Ltd.	Chairman	Kao, Hsin-Ming	USD\$803	87%
	Director	Ma, Kuo-Peng		
	Director	Lin, Yu-Yeh		
	Supervisor	Li, Yi-Jung		
	President	Kao, Hsin-Ming		
MIC-Tech Electronic Engineering Corp.	Chairman	Kao, Hsin-Ming	USD\$17,619	100%
	Director	Ma, Kuo-Peng		
	Director	Lin, Yu-Yeh		
	Supervisor	Li, Yi-Jung		
SKMIC (Wuxi) Co., Ltd.	Director	Kao, Hsin-Ming	USD\$149	49%

Company Name	Title	Name or Representative	Share Held	
			Shares (or Capital Contribution)	Shareholding Ratio (%)
	Director	Lin, Yu-Yeh		
	Supervisor	Sung, Tung-Hsuan		
Chen Gao M&E Engineering (Shanghai) Co., Ltd.	Chairman	Li, Yi-Jung	USD\$200	100%
	Director	Kao, Hsin-Ming		
	Director	Lin, Yu-Yeh		
	Supervisor	Li, Te-Ching		
Frotken MIC (Wuxi) Co., Ltd.	Chairman	Kao, Hsin-Ming	USD\$1,013	100%
	Director	Lin, Yu-Yeh		
	Director	Ma, Kuo-Peng		
	Supervisor	Li, Yi-Jung		
	President	Hou, Fu-Chia		
Intergrated Manufacturing & Services Co., Lrd.	Chairman	Kao, Hsin-Ming	USD\$3,096	60%
	Director	Li, Yi-Jung		
	Director	Yu, Cheng-Tsun		
	Supervisor	Lin, Yu-Yeh		
	President	Lin, Chih-Fu		
MIC-TECH CHINA TRADING (SHANGHAI) CO., LTD.	Chairman	Kao, Hsin-Ming	USD\$1,500	100%
	Director	Lin, Yu-Yeh		
	Director	Ma, Kuo-Peng		
	Supervisor	Li, Yi-Jung		

(II) Operation overview of each affiliated enterprise

December 31, 2018

Unit: NT\$ thousands

Company Name	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Net Operating Profit (Loss)	Profit and Loss of the Period (After Tax)	Earnings Per Share (After Tax)
INNOVATIVE SYSTEMS INTEGRATION LIMITED	HKD\$361,609	1,457,739	0	1,457,739	52,609	52,609	52,947	-
Ennoconn International Investment Co., Ltd.	7,026,350	7,701,162	5,134	7,696,028	614,248	604,808	625,549	0.12
Caswell Inc.	680,356	3,652,582	1,197,907	2,454,675	3,861,253	391,850	356,144	5.42
Ennoconn Investment Holdings Co.,Ltd	USD\$239,360	7,639,300	72,707	7,566,593	378,166	374,946	305,913	-
ENGA Technology Co., Ltd.	HKD\$27,394	113,012	5,203	107,809	0	(900)	859	-
Tenglijia Holdings Limited	-	10,302	10,302	0	10,112	0	-	-
AIS Cayman Technology	USD\$6,563	417,973	220,947	197,026	430,053	20,215	15,866	-
S&T AG	EUR\$66,089	18,840,731	5,123,962	13,716,769	2,262,493	229,569	1,596,852	-
AIS	USD\$1,500	73,592	37,806	35,786	225,486	6,136	4,156	-
Vecow Co., Ltd.	50,000	327,503	182,801	144,702	209,745	16,822	13,064	0.01
Goldtek Technology Co., Ltd.	300,000	4,532,360	2,934,682	1,597,678	7,254,833	654,607	547,978	18.27
EnnoMech Precision (Cayman) Co., Ltd.	USD\$13,800	531,945	0	531,945	23,900	23,900	25,666	-
SyS-P Co., Ltd.	30,000	55,017	17,804	37,213	109,232	11,395	11,592	0.39
Ennowyse Corporation	84,000	56,001	2,532	53,469	15,525	3,800	(968)	(0.01)
Thecus Technology Corp.	170,000	130,796	104,794	26,002	40,496	(6,952)	(7,159)	(0.42)
Dexatek Technology Ltd.	210,000	459,306	186,912	272,394	460,224	42,448	42,054	2.00
Marketch International Corp.	1,855,913	14,910,175	9,243,441	5,666,734	16,757,545	748,195	792,582	4.40
HighAim Technology INC.	USD\$5,000	700,459	167,872	532,587	359,092	(2,433)	48,568	-
DOMINATE UNITED	USD\$2,100	65,922	0	65,922	2,217	2,182	2,650	-

Company Name	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Net Operating Profit (Loss)	Profit and Loss of the Period (After Tax)	Earnings Per Share (After Tax)
ENTERPRISE LTD.								
EnnoMech Precision Co., Ltd.	10,000	38,226	2,804	35,422	0	(3,066)	(3,334)	(0.32)
FUNOLOGY INVESTMENT INC.	USD\$1	59,511	34,978	24,533	136,653	1,685	1,851	-
ANDRIX INTERNATIONAL LIMITED	USD\$1	62,018	52,574	9,444	135,060	1,641	1,763	-
Caso Inc.	JPY\$95,000	98,674	63,547	35,127	176,079	13,361	8,002	-
Caswell International Investment Co., Ltd.	USD\$3,206	141,459	277	141,182	0	(37)	29,409	-
Caswell Americas, Inc	USD\$3,000	94,177	28,691	65,486	91,331	(11,373)	(11,397)	-
Thecus NL B.V.	EUR\$260	19,212	30,234	(11,022)	26,292	(5,471)	(4,006)	-
Tecas USA., Inc.	USD\$750	15,854	10,639	5,215	10,721	(5,305)	(5,269)	-
Keenest Electronic Corp.	USD\$12,000	368,204	0	368,204	0	(243)	4,361	-
SYS-P Corp	USD\$15	845	49	796	613	68	(75)	-
S&T CZ s.r.o., Czech Republic	EUR\$1,593	551,273	334,761	216,512	1,163,410	48,456	52,454	-
S&T Plus s.r.o., Czech Republic	EUR\$280	279,903	170,172	109,731	501,745	68,084	56,157	-
S&T Services Polska Sp.z.o.o., Poland	EUR\$313	486,349	387,366	98,983	663,482	25,607	13,674	-
S&T Crna Gora d.o.o., Montenegro	EUR\$25	33,611	11,716	21,895	66,231	4,110	3,739	-
S&T Bulgaria e.o.o.d., Bulgaria	EUR\$579	536,531	465,587	70,944	693,528	16,534	9,722	-
S&T Poland Sp.z.o.z., Poland	EUR\$3,108	1,605,193	1,333,532	271,661	2,166,049	87,921	62,709	-
S&T Services s.r.o., Slovakia	EUR\$982	19,458	14,154	5,304	74,973	4,212	3,347	-
S&T Slovenija d.d., Slovenia	EUR\$1,311	655,497	432,965	222,532	1,135,633	37,047	52,097	-
S&T Hrvatska d.o.o., Croatia	EUR\$29	714,992	307,112	407,880	1,341,060	48,430	39,100	-
S&T Macedonia d.o.o.e.l., Macedonia	EUR\$9	164,312	32,693	131,619	239,781	14,982	12,321	-
S&T Romania S.R.L., Romania	EUR\$2,451	603,628	377,181	226,447	1,051,371	(21,209)	(30,055)	-

Company Name	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Net Operating Profit (Loss)	Profit and Loss of the Period (After Tax)	Earnings Per Share (After Tax)
S&T Serbia d.o.o., Serbia	EUR\$49	345,624	259,507	86,117	533,666	27,639	21,900	-
S&T Albania Sh.p.k., Albania	EUR\$282	79,447	59,893	19,554	136,412	7,932	6,125	-
S&T Mold srl., Moldova	EUR\$206	99,596	25,504	74,092	109,947	(406)	(570)	-
S&T Consulting Hungary Kft., Hungary	EUR\$398	1,235,265	997,064	238,201	2,124,913	29,865	61,570	-
S&T Deutschland GmbH, Germany	EUR\$25	340,660	69,593	271,067	247,266	1,975	87,779	-
Computer Betting Company GmbH, Austria	EUR\$36	768,480	97,084	671,396	263,225	69,704	62,424	-
SecureGUARD GmbH, Austria	EUR\$134	122,011	42,311	79,700	68,788	(4,118)	(4,202)	-
S&T embedded GmbH, Germany	EUR\$102	0	0	0	0	0	-	-
S&T CEE Holding s.r.o., Slovakia	EUR\$1,882	1,002,023	520,603	481,420	6	(1,348)	58,044	-
Dorobet Ltd., Malta	EUR\$200	18,527	18,747	(220)	161,336	(6,659)	(7,336)	-
S&T Smart Energy GmbH, Austria	EUR\$36	78,171	29,854	48,317	149,298	(7,522)	(9,009)	-
Amanox Solutions AG; Switzerland	EUR\$96	780,884	473,654	307,230	842,512	183,071	138,701	-
Hamcos IT Service GmbH, Germany	EUR\$200	142,100	78,117	63,983	353,683	7,065	3,062	-
Kontron Austria GmbH, Austria(original S&T Electronics and Payment Systems GmbH, Austria)	EUR\$36	313,344	173,826	139,518	240,326	(8,939)	(13,425)	-
S&T SME Distribution GmbH, Austria	EUR\$35	29,798	8,545	21,253	0	814	855	-
S&T Services GmbH, Austria	EUR\$35	894,014	601,524	292,490	817,251	(120,118)	(123,709)	-
S&T Technologies GmbH, Austria	EUR\$35	284,166	68,650	215,516	186,752	45,455	35,717	-
Linforge Technologies GmbH, Austria	EUR\$35	61,216	8,941	52,275	41,493	11,939	10,078	-

Company Name	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Net Operating Profit (Loss)	Profit and Loss of the Period (After Tax)	Earnings Per Share (After Tax)
GADA GROUP ROMANIA SRL, Romania	EUR\$282	756,384	259,119	497,265	832,241	95,249	40,275	-
Affair OOO, Russia	EUR\$208	246,031	10,490	235,541	0	(390)	499	-
Kontron S&T AG, Germany(original Kontron AG)	EUR\$61,251	8,460,671	3,945,204	4,515,467	128,174	337,340	217,720	-
SnT Services Bel LCC, BLR	EUR\$113	44,281	23,333	20,948	32,536	2,957	2,635	-
S&T Asia Inc., Taiwan	EUR\$365	258,466	201,002	57,465	331,022	7,656	214,205	-
SteuDaTecc System-und Netzwerktechnik GmbH	EUR\$25	19,370	4,772	14,598	2,828	517	356	-
XTRO AG, Germany	EUR\$50	247,233	133,327	113,906	305,059	30,474	21,722	-
STS Sportwetten GmbH, Austria	EUR\$36	2,315	509	1,806	6,472	624	534	-
S&T Slovakia s.r.o., Slovakia	EUR\$1,660	483,489	322,468	161,021	683,226	15,195	9,686	-
S&T Services Kft., Hungary	EUR\$880	231,338	138,289	93,049	191,204	25,736	23,609	-
KONTRON AMERICA INC.	EUR\$2,048	1,623,483	936,957	686,526	3,390,693	82,708	38,566	-
KONTRON CANADA INC.	EUR\$21,516	1,942,227	526,023	1,416,204	2,965,725	160,470	127,199	-
KONTRON ASIA PACIFIC DESIGN SDN. BHD.	EUR\$9,354	449,166	1,009,909	(560,743)	1,051,465	(21,266)	(39,456)	-
KONTRON (BEIJING) TECHNOLOGY CO. LTD.	EUR\$1,988	576,238	250,756	325,482	500,125	(15,539)	(15,740)	-
KONTRON EUROPE GMBH	EUR\$23,600	6,636,211	2,100,534	4,535,677	7,115,968	594,146	516,381	-
Kontron ECT design s.r.o.	EUR\$20	35,557	16,122	19,435	81,998	8,553	8,546	-
Kontron UK Ltd.	EUR\$197	197,218	50,951	146,267	364,619	15,659	12,855	-
Kontron Modular Computers S.A.S.	EUR\$5,140	752,927	533,319	219,608	884,916	(16,231)	(21,508)	-
Kontron Technology A/S	EUR\$919	30,864	6,932	23,932	0	(1,830)	(1,852)	-
Kontron electronics GmbH, Germany	EUR\$102	1,029,361	338,157	691,204	524,546	23,083	13,354	-

Company Name	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Net Operating Profit (Loss)	Profit and Loss of the Period (After Tax)	Earnings Per Share (After Tax)
Kontron Austria electronics GesmbH, Austria	EUR\$54	329,848	308,683	21,165	371,951	23,980	20,832	-
Kontron electronics AG, Switzerland	EUR\$863	133,786	150,660	(16,874)	210,428	(19,606)	(16,665)	-
Kontron Holding Austria GmbH, Austria	EUR\$35	466,159	115,698	350,461	4,033	3,965	1,994	-
S&T PilsCom s.r.o.	EUR\$4	77,376	21,919	55,457	11,465	849	819	-
RTSoft Project OOO, Russia	EUR\$7	878,600	655,026	223,574	1,599,461	23,501	7,870	-
S&T IT Technologie srl., Moldova	EUR\$2	2,828	2,303	525	13,895	1,400	427	-
Kapsch CarrierCom d.o.o.	EUR\$1,467	115,708	90,654	25,054	188,807	(1,297)	(1,211)	-
Kapsch DOOEL Skopje	EUR\$5	27,149	14,438	12,711	22,501	572	356	-
Marketech Integrated Pte. Ltd.	SGD\$9,236	138,163	123,068	15,095	284,134	(552)	(288)	-
Market Go Profits Ltd.	USD\$39,569	1,070,484	0	1,070,484	0	(73)	36,179	-
MIC-Tech Global Corp.	KRW\$657,860	7,966	1,358	6,608	116,937	(1,215)	(993)	-
Headquarter International Ltd.	USD\$1,289	39,092	228	38,864	2,368	253	(307)	-
Tiger United Finance Ltd.	USD\$1,410	38,352	539	37,813	2,792	490	(476)	-
Marketech Engineering Pte. Ltd.	SGD\$421	15,357	117	15,240	0	(153)	13,794	-
Marketech Integrated Manufacturing Company Limited	USD\$14,000	360,909	5,887	355,022	0	(7,426)	(3,532)	-
MIC-Tech Viet Nam Co., Ltd.	USD\$1,300	28,890	1,329	27,561	20,715	(3,665)	(3,471)	-
Marketech Co., Ltd.	USD\$1,500	14,082	2,994	11,088	7,618	(6,853)	(6,843)	-
eZoom Information, Inc.	200,000	188,916	36,954	151,962	94,355	(20,940)	(6,743)	(0.34)
PT Marketech International Indonesia	USD\$1,200	36,702	0	36,702	0	(231)	2,622	-
ADAT Technology Co., Ltd.	66,000	46,022	3,005	43,017	0	(18,230)	(18,217)	(2.76)
Marketech Netherlands B.V.	EUR\$300	6,339	0	6,339	0	(4,051)	(4,051)	-

Company Name	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Net Operating Profit (Loss)	Profit and Loss of the Period (After Tax)	Earnings Per Share (After Tax)
Marketch International Sdn. Bhd.	MYR\$12,243	76,676	12,174	64,502	146,678	4,874	6,481	-
MIC-Tech Ventures Asia Pacific Inc.	USD\$39,467	1,090,455	21,698	1,068,757	315,847	25,838	36,252	-
Marketch Integrated Construction Co., Ltd.	USD\$300	22,908	7,283	15,625	52,940	14,648	14,688	-
Russky H.K. Limited	200,000	2,935	13,232	(10,297)	0	(19)	4,156	-
Frontken MIC Co. Limited	USD\$1,200	5,414	0	5,414	0	0	(110)	-
Ruixuan International Co., Ltd.	USD\$9,000	104,078	0	104,078	0	0	(10,126)	-
Nanjing Asiatek Inc.	USD\$3,000	461,138	313,582	147,556	1,336,466	67,441	61,864	-
Ennoconn (Foshan) Investment Co., Ltd.	RMB\$66,207	298,783	193	298,590	0	1,937	1,457	-
Beijing Caswell Ltd.	USD\$3,800	361,426	189,156	172,270	450,134	33,899	24,637	-
HighAim Technology Inc.	USD\$10,000	1,706,035	1,245,992	460,043	2,587,739	60,416	36,509	-
EnnoMech Precision (Shenzhen) Co., Ltd.	RMB\$10,000	47,944	(110)	48,054	0	(17)	2,334	-
Goldtek Technology (Shenzhen) Co., Ltd.	USD\$10,000	24,870	2,608	22,262	75,536	(2,808)	(3,215)	-
Ennoconn (Suzhou) Technology Co., Ltd.	USD\$30,000	955,778	53,010	902,768	13,676	(70,844)	(11,233)	-
Kunshan Ennoconn Intelligent Technology Co., Ltd.	-	435	505	(70)	267	5	(61)	-
MIC-Tech (Wuxi) Co., Ltd.	USD\$25,500	664,994	626,513	38,481	1,152,991	54,984	28,697	-
MIC-TECH (SHANGHAI) CORP., LTD.	USD\$8,241	888,066	536,848	351,218	1,744,419	50,219	25,652	-
Fuzhou Jiwei System Technology Co., Ltd.	USD\$300	347	1,363	(1,016)	1,622	763	695	-

Company Name	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Net Operating Profit (Loss)	Profit and Loss of the Period (After Tax)	Earnings Per Share (After Tax)
Shanghai Maohua Electronic Engineering Technology Co., Ltd.	USD\$600	299,367	313,899	(14,532)	419,669	7,068	2,424	-
Shanghai Jiwei Electronic System Engineering Co., Ltd.	USD\$17,619	2,073,677	1,655,935	417,742	3,545,175	47,220	(27,348)	-
Wuxi Hanhua Electronic Technology Co.,Ltd.	USD\$305	122	0	122	0	(198)	(204)	-
Shanghai Chenggao Mechanical and Electrical Engineering Design Co., Ltd.	USD\$200	395	983	(588)	2,123	2,094	2,056	-
Wuxi Qianjin Semiconductor Technology Co., Ltd.	USD\$2,308	5,393	0	5,393	0	(245)	(110)	-
Nantong Jianrui Photoelectric Technology Co., Ltd.	USD\$5,000	48,749	6,131	42,618	30,027	(11,247)	(10,154)	-
MIC-TECH CHINA TRADING (SHANGHAI) CO., LTD.	USD\$1,500	67,576	49,049	18,527	110,565	(3,437)	(7,308)	-

(III) Consolidated financial statements of subsidiaries:

In 2018 (from January 1, 2018 to December 31 2018), the "companies" required to be included in the consolidated financial statements of subsidiaries under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are all the same as companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in the Statements of Financial Accounting Standards No.7, and relevant information that should be disclosed in the consolidated financial statements of subsidiaries has all been disclosed in the proceeding consolidated financial statements of parent and subsidiary companies, thus the Company is not required to prepare separate consolidated financial statements of subsidiaries.

(IV) Affiliation Report:

1. Declaration

Declaration of Consolidated Financial Statements of Subsidiaries

In 2018 (from January 1, 2018 to December 31 2018), the "companies" required to be included in the consolidated financial statements of subsidiaries under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are all the same as companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in the International Financial Reporting Standards No.10 (IFRS 10), and relevant information that should be disclosed in the consolidated financial statements of subsidiaries has all been disclosed in the proceeding consolidated financial statements of parent and subsidiary companies, thus the Company is not required to prepare separate consolidated financial statements of subsidiaries.

Hereby declare

Company Name: Ennoconn Corporation

Chairman: Chu, Fu-Chuan

March 29, 2019

2. CPAs' Opinions

Deloitte & Touche Audit Report No.10804382, March 29, 2019

Received by: Ennoconn Corporation

Purpose: to express opinions on the declaration that there is no material discrepancy in the related information of your company's affiliation reports in 2018.

Explanation:

1. The Company's affiliation reports for the fiscal year of 2018 (from January 1, 2018 to 31 December, 2018) prepared on March 29, 2019 were declared by the Company that the reports are in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and the disclosed information is not materially inconsistent with the information disclosed in the notes to the financial statements of the above-mentioned period. The declaration is attached.
2. The accountant has compared the affiliation reports prepared by the Company in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", with the notes to the Company's financial report of 2018, and no material discrepancies have been found in the above-mentioned declaration.

Deloitte & Touche

CPA Liu, Shui-En

CPA Yang, Ching-Chen

3. Overview of the Relationship Between The Subordinate Company and the Controlling Company: None.
4. The Situation of Transactions:
 - (1) Purchase (Sale) of Goods: None.
 - (2) Property transactions: None.
 - (3) Financing: None.
 - (4) Asset Leasing: None.
 - (5) Other Transactions: None.
5. Endorsement and Guarantee: please refer to Attachment 2 of the 2019 consolidated financial statement of the Company.
6. Other Matters with a Significant Effect on Finances and Business: None.

- II. The Most Recent Fiscal Year and up to the Date of this Annual Report Printed, Private Placement Securities: None**
- III. The Most Recent Fiscal Year and up to the Date of this Annual Report Printed, Subsidiary Companies Holding or Disposal of the Company's Stock List: None**
- IV. Other Supplementary Information: None.**

Chapter 9 Matters Affecting Shareholders' Equity or Stock Price :None.

CPA Report

To Ennoconn Corporation

Audit Opinion

We have audited the Consolidated Balance Sheet of Ennoconn Corporation and its subsidiaries as of December 31, 2017 and 2018, the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and Notes to Consolidated Financial Statements (including Summary of Significant Accounting Policies) for the period from January 1 to December 31, 2017 and 2018.

Based on the audit results and the audit report of other accountants (please refer to Other Matters), we have concluded that the consolidated financial statements have been compiled based on the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, interpretations and their preparation recognized and put in effect by the Financial Supervisory Committee. The report adequately presents the consolidated financial position of Ennoconn Corporation up to December 31 of 2017 and 2018, as well as the consolidated financial performance and consolidated cash flows from January 1 to December 31 of 2017 and 2018.

Basis for Audit Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Individual Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our responsibilities under those standards are further described in the CPA's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results and the audit report prepared by other CPAs, we believe that we have obtained enough adequate audit evidence to provide a basis for our audit opinion.

Key Audit Matters

Key Audit Matters refer to most vital matters in the process of auditing of 2018 Consolidated Financial Statement of Ennoconn Corporation based on our professional judgment. These items have been covered in the verification process of the overall consolidated financial statements and the audit opinion. Hence, the CPA shall not express a separate opinion on these items.

The key audit matters to be identified in the consolidated financial statements of the combined Company for 2018 are described below:

Business Combinations

In accordance with the operational development plan, the acquisition this year has a significant impact on the overall consolidated financial statements. For relevant disclosures of subsidiary acquisitions, please refer to notes 15 and 33 of the consolidated financial statements. A price allocation report prepared by experts is required for business combinations for an acquisition to be measured as the fair value of the assets transferred, liabilities incurred as well as the recognition of goodwill. This process involves many complex assumptions and estimates. Therefore, we have listed business combinations as a key audit matter.

In this regard, our audit procedures include the acquisition price allocation report by the management of the independent appraisal specialists to assess the professional qualifications, experience and independence of the experts as well as reviewing the rationality of the assumptions and valuation methods to confirm that the accounting treatment complies with the provisions of IFRS 3.

Impairment of Goodwill

The goodwill of Ennoconn Corporation is mainly generated by adopting the acquisition method when merger and acquisition occurs. The value goodwill was NT\$11,071,282,000 as of December 31, 2018, accounting for 15% of the consolidated total assets. In accordance with the IFRS 36 “Impairment of Assets”, the management must conduct an annual impairment test. The process includes assumptions such as the future operating cash flow and the weighted average cost of capital used in estimating the value, which involves subjective judgments of management and may be affected by future market or economic conditions. Therefore, it is highly uncertain. We have listed the impairment of goodwill as a key audit matter.

The auditing procedure includes obtaining the goodwill impairment assessment report issued by the independent evaluation expert commissioned by the management to understand and review the assumptions used in the evaluation model, covering the forecast of future operating cash flow, growth rate, profitability, discount rate, etc., This allows for a comprehensive assessment of the reasonableness of the abovementioned goodwill impairment.

Other Matters

Among the subsidiaries listed in the Company's consolidated financial statements, the financial statements of some subsidiaries were reviewed by other accountants. Therefore, the opinions expressed in the consolidated financial statements related to 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 amounted to NT\$ 30,265,884,000 and NT\$28,824,052,000 as of 2018 and December 31, 2017 respectively, representing 40.39% and 57.04% of the total consolidated net assets. The net operating revenue reached NT\$ 35,563,124,000 and \$17,946,921,000 respectively, accounting for 51.57% and 51.42% of the consolidated net revenue.

In the consolidated financial statements, some of the financial statements of the invested companies evaluated by the equity method are reviewed by other accountants. Therefore, in our opinion expressed in the consolidated financial statements, information regarding investment by the equity method by the affiliated companies and relevant disclosures are recognized and disclosed according to other CPAs' audit reports. The balance of investments accounted for using equity method of the invested companies as of December 31, 2017 and 2018 were NT\$361,903,000 and NT\$0 respectively, accounting for 0.48% and 0% of the consolidated total assets. The consolidated gains and losses recognized by the equity method as of December 31, 2017 and 2018 were NT\$9,488,000 and NT\$ 97,334,000 respectively, representing 0.31% and 6.34% of the combined consolidated profit and loss.

We have also audited the individual financial statements of Ennoconn Corporation as of and for the years 2018 and 2017, and have issued the auditor's report with unqualified opinion.

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

It is the management's responsibility to fairly present the Consolidated Financial Statements in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and to sustain internal controls respecting preparation of the Consolidated Financial Statements so as to avoid material misstatements due to fraud or errors therein.

In preparing for the Consolidated Financial Statements, the responsibility of management includes assessing the Company's ability to continue as a going concern, disclosing relevant matters, as well as adopting going concern accounting base, unless the management intends to liquidate the Company or terminate the business, or no practicable measure other than liquidation or termination of the business can be taken.

The governing bodies of Ennoconn Corporation (including the Audit Committee) have the responsibility to oversee the procedures for financial reporting.

Responsibilities of CPA Audit on Consolidated Financial Statements

The purpose of our audit is to provide reasonable assurance that the Consolidated Financial Statements as a whole contains no material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards (GAAS) will always detect a material misstatement when it exists. Misstatement could be caused by fraud or error. If it could be reasonably anticipated that the misstated individual amounts or aggregated sums could have influence on the economic decisions made by the users of the consolidated financial statements, they will be deemed as material.

When CPAs conduct reviews in accordance with generally accepted auditing standards, they exercise professional judgment and maintains professional skepticism. The CPAs also conducted the following tasks:

1. Identify and evaluate the risk of material misrepresentation in the consolidated financial statements due to fraud or error, design and implement appropriate countermeasures for the risks, and obtain sufficient and appropriate evidence as the basis for the review. Because fraud may involve conspiracy, forgery, intentional omission, false statement or overstepping internal control, the risk of not reporting significant misrepresentation due to fraud is higher than the cause of the error.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluating the appropriateness of the accounting policy adopted by the management and the reasonableness of the accounting assessment and related disclosures made accordingly
4. Concluded on the appropriateness of the management's use of going concern basis of accounting, and determined whether there existed events or circumstances that might cast significant uncertainty over Ennoconn Corporation's ability to continue as a going concern. If we believe that there is a material uncertainty in the events or circumstances, we are then required to remind the users of the consolidated financial statements to pay attention to the relevant disclosures in the consolidated financial statements or to correct the comments when the disclosure is inappropriate. Our conclusions are based on the audit evidence obtained as of the date of the audit report, but future events or circumstances may cause the Company to no longer have the ability to continue to operate.
5. Evaluating the overall expression, structure, and contents of the consolidated financial statements (including related notes) and whether the consolidated financial statements could appropriately express related transactions and events

6. Obtained adequate and appropriate audit evidence regarding financial information of Ennococon Corporation so as to express opinions for the Consolidated Financial Statements.

We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicated with the governing body, including the planned scope and time of the review, as well as major findings (including significant lack of internal control identified during the audit process).

We have also provided the statement pertaining to our accounting firm's personnel under governance of independence to the governing body, as well as the relationships and other matters that could affect the CPA's independence (including relevant protective measures).

From the matters communicated with the governing body, we determined the key audit matters for the Company's Consolidated Financial Statements for 2018. We have stated the matters in the audit report, unless the law does not allow public disclosure of specific matters, or in the rare case, the CPA decides not to communicate specific matters in the audit report, as it can be reasonably expected that the negative impact is greater than the public interest.

Deloitte & Touche

CPA Liu, Shui-En

CPA Yang, Ching-Chen

March 29, 2019

Ennococon Corporation and Subsidiaries
Consolidated Balance Sheet
December 31, 2017 and 2018

Unit: NT\$ 1,000

Code	Assets	December 31, 2018		December 31, 2017 (recompiled and audited)	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 12,456,516	17	\$ 10,152,021	20
1110	Financial assets at fair value through profit or loss - current (Notes 4 and 7)	90,944	-	-	-
1120	Financial assets at fair value through other comprehensive income- current (Notes 4 and 8)	40,880	-	-	-
1125	Available-for-sale financial assets - current (Notes 4 and 10)	-	-	1,392,063	3
1136	Financial assets at amortized cost - current (Notes 4, 9 and 40)	4,374	-	-	-
1140	Contract assets - current (Notes 4 and 28)	4,382,925	6	-	-
1147	Investment in bond with no active market - current (Notes 4, 11 and 40)	-	-	70,262	-
1150	Net bills receivable (Notes 4 and 12)	107,095	-	1,860	-
1172	Net accounts receivable (Notes 4, 5, 12 and 40)	15,927,435	21	10,647,171	21
1180	Accounts receivable - related parties (Notes 4, 5, 12 and 39)	561,866	1	386,096	1
130X	Inventory (Notes 4, 5, 13 and 40)	11,171,069	15	5,738,748	11
1470	Other current assets (Notes 4, 21 and 40)	3,399,781	4	1,926,235	4
11XX	Total current assets	<u>48,142,885</u>	<u>64</u>	<u>30,314,456</u>	<u>60</u>
	Non-current assets				
1510	Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	413,028	1	-	-
1520	Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	323,342	-	-	-
1543	Financial assets carried at cost - non-current (Notes 4 and 14)	-	-	291,958	1
1550	Investments accounted for under equity method (Notes 4 and 16)	754,061	1	23,875	-
1600	Property, plant and equipment (Notes 4, 5, 17 and 40)	4,686,418	6	2,200,551	4
1805	Goodwill (Notes 4, 5, 18 and 33)	11,071,282	15	8,064,476	16
1821	Other intangible assets (Notes 4, 5 and 19)	7,280,211	10	7,594,084	15
1840	Deferred income tax assets (Notes 4, 5 and 30)	1,449,285	2	1,228,904	2
1960	Current prepayments for investments (Notes 4 and 20)	4,800	-	75,000	-
1990	Other non-current assets (Notes 4, 21 and 40)	799,564	1	738,327	2
15XX	Total non-current assets	<u>26,781,991</u>	<u>36</u>	<u>20,217,175</u>	<u>40</u>
1XXX	Total assets	<u>\$ 74,924,876</u>	<u>100</u>	<u>\$ 50,531,631</u>	<u>100</u>
	Liabilities and Equity				
	Current liabilities				
2100	Short-term loans (Notes 4 and 22)	\$ 9,643,490	13	\$ 1,650,413	3
2120	Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 23)	16,609	-	4,666	-
2130	Contract liabilities - current (Notes 4 and 28)	4,766,754	6	-	-
2150	Bill payable - non-related parties (Notes 4)	1,044,159	1	385	-
2170	Accounts payable (Notes 4)	12,534,220	17	7,259,966	14
2180	Accounts payable - related parties (Notes 4 and 39)	1,683,076	2	2,216,314	5
2200	Other payables (Notes 4, 24 and 39)	5,204,574	7	3,173,801	6
2230	Current tax liabilities (Notes 4)	594,253	1	196,399	1
2250	Liability reserve - current (Notes 4 and 28)	998,470	1	1,313,380	3
2320	Long-term liabilities due within one year or one business cycle (Notes 4, 22 and 23)	8,562,224	12	557,263	1
2399	Other current liabilities (Notes 4 and 24)	124,830	-	1,166,778	2
21XX	Total current liabilities	<u>45,172,659</u>	<u>60</u>	<u>17,539,365</u>	<u>35</u>
	Total non-current liabilities				
2500	Financial liabilities at fair value through profit or loss - non-current (Notes 4, 7 and 23)	-	-	4,053	-
2530	Corporate bonds payable (Notes 4 and 23)	-	-	7,584,544	15
2540	Long-term loans (Notes 4 and 22)	1,861,575	3	2,419,743	5
2550	Liability reserve - non-current (Notes 4 and 25)	380,856	1	654,640	1
2570	Deferred income tax liabilities (Notes 4 and 30)	538,584	1	451,735	1
2640	Net defined benefit liabilities - non-current (Notes 4 and 26)	301,747	-	105,474	-
2670	Other non-current liabilities (Notes 4 and 24)	893,752	1	1,260,543	2
25XX	Total non-current liabilities	<u>3,976,514</u>	<u>6</u>	<u>12,480,732</u>	<u>24</u>
2XXX	Total liabilities	<u>49,149,173</u>	<u>66</u>	<u>30,020,097</u>	<u>59</u>
	Equity attributable to owners of the parent (Notes 4, 23, 27, 35 and 37)				
3110	Common stock	775,745	1	765,288	2
3200	Capital reserve	4,728,440	6	5,050,172	10
	Retained earnings				
3310	Legal reserve	425,018	-	312,681	1
3320	Special reserve	495,665	1	41,036	-
3350	Unappropriated retained earnings	818,932	1	1,312,289	2
3300	Total retained earnings	1,739,615	2	1,666,006	3
3490	Other equity	(384,452)	-	(495,665)	(1)
3500	Treasury stock	(236,048)	-	(233,608)	-
31XX	Total equity attributable to owners of the Company	6,623,300	9	6,752,193	14
36XX	Non-controlling interests (Notes 15, 33 and 34)	19,152,403	25	13,759,341	27
3XXX	Total equity	<u>25,775,703</u>	<u>34</u>	<u>20,511,534</u>	<u>41</u>
	Total liabilities and equity	<u>\$ 74,924,876</u>	<u>100</u>	<u>\$ 50,531,631</u>	<u>100</u>

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

(Please refer to Audit Report of Deloitte & Touche on March 29, 2019)

Chairman: Chu, Fu-Chuan

President: Deng, Chin-Tai;

Accounting Officer: Wu, You-Mei

Ennococon Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to December 31, 2017 and 2018

Expressed in NT\$ 1,000, except
for earnings per share amounts

Code		2018		2017 (after recompilation and audit)	
		Amount	%	Amount	%
4100	Operating revenue (Notes 4, 28 and 39)	\$ 68,962,459	100	\$ 34,904,064	100
5110	Operating costs (Notes 13, 29, 36 and 39)	(53,698,549)	(78)	(27,175,483)	(78)
5900	Net operating margin	15,263,910	22	7,728,581	22
	Operating expenses (Notes 26, 29 and 36)				
6100	Selling expenses	(2,939,769)	(4)	(1,417,895)	(4)
6200	General and administrative expenses	(3,260,740)	(5)	(1,503,096)	(4)
6300	Research and development expenses	(5,876,650)	(9)	(3,064,338)	(9)
6450	Expected credit losses	(246,600)	-	-	-
6000	Total operational expenses	(12,323,759)	(18)	(5,985,329)	(17)
6900	Operating profit	2,940,151	4	1,743,252	5
	Non-operating income and expenses (Notes 16, 23 and 29)				
7190	Other income	91,488	-	34,067	-
7020	Other gains and losses	1,084,124	2	659,186	2
7050	Finance costs	(485,009)	(1)	(308,252)	(1)
7060	Share of profit of affiliates accounted for under equity method	16,945	-	101,942	-
7000	Total non-operating income and expenses	707,548	1	486,943	1

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Code		2018		2017 (after recompilation and audit)	
		Amount	%	Amount	%
7900	Profit before income tax	\$ 3,647,699	5	\$ 2,230,195	6
7950	Income tax expense (Notes 4, 5 and 30)	(778,822)	(1)	(409,252)	(1)
8200	Net income for the period	<u>2,868,877</u>	<u>4</u>	<u>1,820,943</u>	<u>5</u>
	Other comprehensive income (Notes 4, 26, 27 and 30)				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Remeasurements of defined benefit plans	(1,723)	-	11,002	-
8316	Unrealized gain (loss) invested with equity instruments at fair value through other comprehensive income	(49,160)	-	-	-
8349	Income tax expenses (gains) related to items that are not reclassified subsequently to profit or loss	<u>11,966</u> (<u>38,917</u>)	<u>-</u> <u>-</u>	(<u>31</u>) <u>10,971</u>	<u>-</u> <u>-</u>
8360	Items that might be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	230,302	-	(277,893)	(1)
8362	Unrealized gain (loss) on valuation of available-for-sale financial assets	<u>-</u> <u>230,302</u>	<u>-</u> <u>-</u>	(<u>18,961</u>) (<u>296,854</u>)	<u>-</u> (<u>1</u>)
8300	Other comprehensive income (net amount after tax)	<u>191,385</u>	<u>-</u>	(<u>285,883</u>)	(<u>1</u>)
8500	Total comprehensive income for the period	<u>\$ 3,060,262</u>	<u>4</u>	<u>\$ 1,535,060</u>	<u>4</u>
	Profit (loss) attributable to:				
8610	Owners of the parent	\$ 1,108,117	2	\$ 1,083,247	3
8620	Non-controlling equity	<u>1,760,760</u>	<u>2</u>	<u>737,696</u>	<u>2</u>
8600		<u>\$ 2,868,877</u>	<u>4</u>	<u>\$ 1,820,943</u>	<u>5</u>

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Code		2018		2017 (after recompilation and audit)	
		Amount	%	Amount	%
	Total Comprehensive Income				
	Attributable to:				
8710	Owners of the parent	\$ 1,196,274	2	\$ 631,183	2
8720	Non-controlling equity	<u>1,863,988</u>	<u>2</u>	<u>903,877</u>	<u>2</u>
8700		<u>\$ 3,060,262</u>	<u>4</u>	<u>\$ 1,535,060</u>	<u>4</u>
	Earnings per share (Notes 31)				
9750	Basic earnings per share	<u>\$ 14.45</u>		<u>\$ 14.28</u>	
9850	Diluted earnings per share	<u>\$ 13.45</u>		<u>\$ 12.88</u>	

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

(Please refer to Audit Report of Deloitte & Touche on March 29, 2019)

Chairman: Chu, Fu-Chuan;

President: Deng, Chin-Tai;

Accounting Officer: Wu, You-Mei

Ennococon Corporation and Subsidiaries
Consolidated Statement of Changes in Equity
January 1 to December 31, 2017 and 2018

Unit: NT\$ 1,000

		Equity attributable to owners of the parent																			
		Common stock capital		Capital reserve					Retained earnings				Other equity interests								
				Shares (1,000 shares)	Share capital	Share premium	Conversion premium of Corporate bonds	Share options of Convertible corporate bonds	Changes in equity of Subsidiaries	Total	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences of Financial Statements Translation of Foreign Operations	Unrealized gain (loss) of Financial assets Available-for-sale	Unrealized gain (loss) of Financial assets Measured at fair value through other comprehensive income	Total	Treasury stocks	Total	Non-controlling equity
Code																					
A1	Balance as of January 1, 2017	76,300	\$ 763,008	\$ 2,878,259	\$ 932,414	\$ 89,210	\$ -	\$ 3,899,883	\$ 210,406	\$ 6,312	\$ 1,126,484	\$ 1,343,202	(\$ 20,582)	(\$ 20,454)	\$ -	(\$ 41,036)	\$ -	\$ 5,965,057	\$ 1,936,159	\$ 7,901,216	
	Surplus allocation and distribution in 2016																				
B1	Legal reserve	-	-	-	-	-	-	-	102,275	-	(102,275)	-	-	-	-	-	-	-	-	-	
B3	Special reserve	-	-	-	-	-	-	-	-	34,724	(34,724)	-	-	-	-	-	-	-	-	-	
B5	Cash dividends for shareholders	-	-	-	-	-	-	-	-	-	(763,008)	(763,008)	-	-	-	-	-	(763,008)	-	(763,008)	
	Subtotal	-	-	-	-	-	-	-	102,275	34,724	(900,007)	(763,008)	-	-	-	-	-	(763,008)	-	(763,008)	
O1	Cash dividends for shareholders of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(299,884)	(299,884)	
	Other capital surplus changes:																				
C5	Issuance of convertible corporate bonds with recognized equity component	-	-	-	-	322,635	-	322,635	-	-	-	-	-	-	-	-	-	322,635	-	322,635	
C7	Changes in equity of subsidiaries under the equity method	-	-	-	-	-	734,913	734,913	-	-	-	-	-	-	-	-	-	734,913	(2,867,623)	(2,132,710)	
D1	Net Profit for 2017	-	-	-	-	-	-	-	-	-	1,123,374	1,123,374	-	-	-	-	-	1,123,374	836,430	1,959,804	
D3	Other Comprehensive Income after tax for 2017	-	-	-	-	-	-	-	-	-	2,565	2,565	(435,668)	(18,961)	-	(454,629)	-	(452,064)	166,181	(285,883)	
D5	Total comprehensive income for 2017	-	-	-	-	-	-	-	-	-	1,125,939	1,125,939	(435,668)	(18,961)	-	(454,629)	-	671,310	1,002,611	1,673,921	
I1	Corporate bonds converted into common shares	228	2,280	-	72,821	(3,316)	-	69,505	-	-	-	-	-	-	-	-	-	71,785	-	71,785	
T1	Treasury stock transferred to employees	-	-	23,236	-	-	-	23,236	-	-	-	-	-	-	-	-	123,045	146,281	-	146,281	
L1	Stock repurchase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(356,653)	(356,653)	-	(356,653)	
O1	Non-controlling equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,210,651	11,210,651	
Z1	Balance as of December 31, 2017	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	Effect of retrospective application and retrospective restatement (Notes 3 and 18)	-	-	-	-	-	-	-	-	-	(62,436)	(62,436)	-	39,415	(17,106)	22,309	-	(40,127)	2,777,427	2,737,300	
A5	Balance retrospective application and retrospective restatement on January 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	
	Surplus allocation and distribution in 2017																				
B1	Appropriation of statutory surplus reserve	-	-	-	-	-	-	-	112,337	-	(112,337)	-	-	-	-	-	-	-	-	-	
B3	Appropriation of special reserve	-	-	-	-	-	-	-	-	454,629	(454,629)	-	-	-	-	-	-	-	-	-	
B5	Cash dividends for shareholders	-	-	-	-	-	-	-	-	-	(682,864)	(682,864)	-	-	-	-	-	(682,864)	-	(682,864)	
	Subtotal	-	-	-	-	-	-	-	112,337	454,629	(1,249,830)	(682,864)	-	-	-	-	-	(682,864)	-	(682,864)	
M7	Change in ownership interests in subsidiaries accounted for using equity method	-	-	-	-	-	(734,913)	(734,913)	-	-	(328,588)	(328,588)	-	-	-	-	-	(1,063,501)	2,928,351	1,864,850	
O1	Cash dividends for shareholders of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(527,998)	(527,998)	
D1	Net Profit for the Year	-	-	-	-	-	-	-	-	-	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 for 2018	-	-	-	-	-	-	-	-	-	1,107,370	1,107,370	111,088	-	(22,184)	88,904	-	1,196,274	1,863,988	3,060,262	
I1	Corporate bonds converted into common shares	1,046	10,457	-	437,216	(24,035)	-	413,181	-	-	-	-	-	-	-	-	-	423,638	-	423,638	
L1	Stock repurchase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,440)	(2,440)	-	(2,440)	
O1	Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,128,721	1,128,721	
Z1	Balance as of December 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	

The accompanying notes are an integral part of these consolidated financial statements.
(Please refer to Audit Report of Deloitte & Touche on March 29, 2019)

Chairman:Chu, Fu-Chuan

President: Deng, Chin-Tai o

Accounting Officer: Wu, You-Mei

Ennococon Corporation and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to December 31, 2017 and 2018

Unit: NT\$ 1,000

Code		2018	2017 (after recompilation and audit)
	Cash flows from operating activities		
A10000	Profit before tax	\$ 3,647,699	\$ 2,230,195
A20010	Income charges not affecting cash		
A21000	Expected credit losses	246,600	-
A20300	Bad debt	-	89,517
A20100	Depreciation	458,367	233,111
A20200	Amortization	1,156,656	568,127
A21900	Employee stock option costs	-	23,236
A20900	Finance costs	485,009	308,252
A22300	Share of profit of associates and joint ventures accounted for under equity method	(16,945)	(101,942)
A21200	Interest income	(77,136)	(27,378)
A23700	Loss from disposal of inventories	85,937	136,489
A29900	Loss from scrapped inventories	26,747	20,571
A22500	Loss (gain) on disposal of property, plant and equipment	(20,611)	5,863
A23800	Impairments of non-financial assets	-	181,538
A20400	Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(89,284)	(8,121)
A23200	Gains from disposal of investments accounted for using equity method	-	(612,145)
A23100	Loss from disposal of available-for-sale financial assets	-	293,489
A24100	Foreign currency (gains) losses	(4,172)	13,489
A21100	Gain from bargain purchase	(56,174)	-
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets at fair value through enforced profit and loss	1,292,042	-
A31125	Contract assets	(1,003,715)	-
A31130	Notes receivable	56,126	2,823
A31150	Accounts receivable	(1,665,989)	(2,673,763)
A31200	Inventories	(1,596,925)	(679,789)
A31240	Other current assets	(851,311)	427,454
A32125	Contract liabilities	(500,496)	-
A32130	Notes payable	(227,798)	(538)
A32150	Accounts payable	555,369	2,698,030
A32180	Other payables	2,956,500	553,340
A32200	Liability reserve	(588,760)	-
A32230	Other current liabilities	43,070	(212,072)
A32990	Others	18,107	244,102
A33000	Cash inflow generated from operations	4,328,913	3,713,878
A33100	Interest received	83,524	27,398
A33300	Interest paid	(294,763)	(167,174)
A33500	Income tax paid	(587,675)	(423,049)
AAAA	Net cash inflow from operating activities	<u>3,529,999</u>	<u>3,151,053</u>

(Continued on the next page)

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Code		2018	2017 (after recompilation and audit)
	Cash inflow from financing activities		
B00300	Acquisition of available-for-sale financial assets	\$ -	(\$ 10,550,835)
B00400	Proceeds from disposal of available-for-sale financial assets	-	8,886,320
B00600	Acquisition of investments in debt instrument without active market	-	(6,152)
B01200	Acquisition of financial assets carried at cost	-	(192,209)
B00050	Disposal of financial assets at amortized cost	65,888	-
B01800	Acquisition of long-term equity investment under equity method	(641,404)	(22,094)
B02000	Increase in current prepayments for investments	(4,800)	(75,000)
B02200	Acquisition of net cash inflow from subsidiaries	(4,265,980)	814,671
B07100	Increase in prepayments for business facilities	(59,593)	(10,606)
B02700	Acquisition of property, plant and equipment	(767,835)	(417,992)
B02800	Disposal of property, plant, and equipment	147,505	-
B04500	Acquisition of Intangible assets	(849,978)	(351,900)
B03800	Increase in refundable deposits	28,069	(47,784)
B06500	Increase in other financial assets	(229,466)	-
B09900	Other investing activities	-	(395,593)
BBBB	Net cash outflow from investing activities	(<u>6,577,594</u>)	(<u>2,369,174</u>)
	Cash flow from fundraising		
C00100	Increase in short-term loans	6,517,532	(1,508,328)
C01200	Issuance of convertible corporate bonds	-	6,301,458
C01600	Increase in long-term loans	1,116,673	673,540
C01700	Repayment of long-term loans	(1,224,411)	(201,921)
C04600	Issue of new shares	-	-
C09900	Payment of share capital – common stock	-	-
C04500	Cash dividends paid	(682,864)	(763,008)
C04900	Buyback of treasury stocks	-	(356,653)
C05000	Proceeds from disposal of treasury shares	-	123,045
C05800	Cash dividends paid to non-controlling interests	(527,998)	(299,884)
C05800	Change in non-controlling interests	<u>349,093</u>	<u>2,893,143</u>
CCCC	Net cash inflow from financing activities	<u>5,548,025</u>	<u>6,861,392</u>
DDDD	Impacts on cash and cash equivalents from changes in exchange rates	(<u>195,935</u>)	<u>51,843</u>
EEEE	Net increase in cash and cash equivalents	2,304,495	7,695,114
E00100	Cash and cash equivalents at beginning of the period	<u>10,152,021</u>	<u>2,456,907</u>
E00200	Cash and cash equivalents at end of period	<u>\$ 12,456,516</u>	<u>\$ 10,152,021</u>

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

(Please refer to Audit Report of Deloitte & Touche on March 29, 2019)

Chairman: Chu, Fu-Chuan;

President: Deng, Chin-Tai;

Accounting Officer: Wu, You-Mei

Ennoconn Corporation and Subsidiaries
Notes to the consolidated financial statements
January 1 to December 31, 2017 and 2018

(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

I. History and Organization

Ennoconn Corporation (hereinafter referred to as "the Company") was established on July 12, 1999 with main business operations in data storage, processing equipment, along with manufacturing and sales of industrial motherboards. The Company is registered at and operates from 3-6F, No. 10, Jiankang Road, Zhonghe District, New Taipei City.

The Company first went public on November 21, 2012. On December 18 of the same year, the Company started trading emerging stocks at Taipei Exchange. In addition, the Company was listed in TWSE stock exchange on March 28, 2014.

The consolidated financial statements are presented in New Taiwan Dollar, the functional currency of the Company.

II. Approval Date and Procedures of Financial Statements

These consolidated financial statements were approved by the board of directors on March 29, 2019.

III. Application of New and Revised Standards and Interpretations

- (I) Regulations Governing the Preparation of Financial Reports by Securities Issuers after first applicable amending, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standard Interpretations Committee (SIC) (hereinafter referred to as "IFRSs") endorsed by Financial Supervisory Commission (hereinafter referred to as "FSC").

With the exception of the following, applicability of amended Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as IFRSs endorsed and announced by FSC should not result in major changes in the combined Company's accounting policies:

1. IFRS 9 "Financial Instruments" and Related Amendments

IFRS 9 - "Financial Instruments" supersedes IAS 39 "Financial Instruments: Recognition and Measurement", and amended other standards such as IFRS 7 "Financial Instruments: Disclosures". New requirements of IFRS 9 cover financial asset classification, measurement, impairment, and general hedge accounting. For related accounting policies, please refer to note 4.

On January 1, 2018, the combined Company has applied the classification, measurement and impairment of financial assets retrospectively and promoted general hedge accounting. IFRS is not applicable for items that have been excluded as of December 31, 2017 (inclusive).

Classification, Measurement and Impairment of Financial Assets

Based on existing financial assets and conditions on January 1, 2018, the combined Company made assessments on its financial asset classification and made retrospective adjustments. The combined Company has chosen not to adjust for comparison periods. As of January 1, 2018, the summary of measurement types, book values, and relevant changes based on IAS 39 and IFRS 9 is as follows:

Financial Asset Category	Measurement type		Book value		Description
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash	Loans and receivables	Measured at amortized cost	\$ 10,152,021	\$ 10,152,021	(1)
Stock investment	Available-for-sale financial assets	Equity instrument investments measured at FVTOCI	40,640	40,640	(2)
Stock investment	Financial assets carried at cost	Equity instrument investments measured at FVTOCI	291,958	291,958	(3)
Fund Beneficiary Certificate	Available-for-sale financial assets	Measured at FVTPL	1,351,423	1,351,423	(4)
Fixed deposits with original maturity of over three months	Loans and receivables	Measured at amortized cost	70,262	70,262	(5)
Notes receivable, accounts receivable (including related parties) and other receivables	Loans and receivables	Measured at amortized cost	11,881,285	11,881,285	(1)

	Carrying amount on January 1, 2018 (IAS 39)	Reclassification	Remeasurement	Carrying amount on January 1, 2018 (IFRS 9)	Impact on retained earnings on January 1, 2018	Impact on other equity on January 1, 2018	Description
Financial assets measured at fair value through profit and loss	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Plus: reclassification of available-for-sale assets (IAS 39)	-	1,351,423	-	1,351,423	(22,309)	22,309	(4)
	-	1,351,423	-	1,351,423	-	-	
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	
Plus: reclassification of available-for-sale assets (IAS 39)	-	40,640	-	40,640	-	-	(2)
Remeasurement of financial assets carried at cost (IAS 39)	-	291,958	-	291,958	-	-	(3)
	-	332,598	-	332,598	-	-	
Financial assets measured at amortized cost	-	-	-	-	-	-	
Plus: Reclassification of loans and receivables (IAS 39)	-	22,033,306	-	22,033,306	-	-	(1) and (5)
	-	22,033,306	-	22,033,306	-	-	
Total	\$ -	\$ 23,717,327	\$ -	\$ 23,717,327	(\$ 22,309)	\$ 22,309	

- (1) Cash and cash equivalents, bills receivable, accounts receivable (including related parties), and other receivables classified as loans and receivables based on IAS 39 are classified as financial assets measured at amortized cost based on IFRS 9, and assessed for expected credit loss.
- (2) Equity investments were classified as available-for-sale financial assets in accordance with IAS 39, because they are not held for trading. The combined company chose to measure them at FVTOCI. For other equities, the available-for-sale financial assets have been reclassified as other equity - unrealized gains and losses on financial assets at fair value through other comprehensive income.

- (3) Investment in unlisted stocks measured at cost is measured at fair value through other comprehensive income in accordance with IFRS 9.
- (4) Fund beneficiary vouchers are classified as available-for-sale financial assets based on IAS 39. As its cash flow is not entirely the interest paid on the principal and the outstanding principal amount, nor is it an equity instrument, it is classified by IFRS 9 as profit (loss) measured at fair value. As a result of retrospective application, unrealized gain or loss from other equity - available-for-sale financial assets increased by NT\$22,309,000 and retained earnings decreased by NT\$ 22,309,000 after adjustment.
- (5) For classified debt instrument investments with no active markets and bond investments bond investments measured at amortized cost based on IAS 39, the contractual cash flow was recognized for full principle payment and outstanding principle interests. The business model related to contractual cash flow is assessed based on facts and conditions as of January 1, 2018, measured at amortized cost based on IFRS 9, and assessed for expected credit loss.

2. IFRS 15 "Revenue from Contracts with Customers" and Related Amendments

IFRS 15 are principles for recognizing revenue from contracts with customers. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts", and relevant interpretations. Please refer to note 4 for related accounting policies.

When identifying performance obligations, IFRS 15 and related amendments, if the product or service can be separated (product or service often sold at a single units) and its contract commitment can be separated (contract commitment for transfer of each product or service and not the combination), then the product or service can be separated.

The net result of recognized revenue, amounts received, and receivables are recognized as contract assets (liabilities). Prior to the application of IFRS 15, contracts under IAS 18 recognized decrease in receivables or revenues collected in advance.

When the combined Company has sold a product and not provided service, the service shall be treated as a performance obligation per IFRS 15. For transactions with no combined products or service, no transactions have been authorized. Therefore, no major difference exists after the combined Company's application of IFRS 15 and related amendments.

(II) Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by FSC applicable for 2019

New, Revised, Amended Standards and Interpretations	Effective Date Announced by IASB (note 1)
Annual Improvements in 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (note 3)
Amendments to IAS 28 "Long-Term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

Note 1: unless otherwise noted, the aforementioned new announcements/amendments/amended standards and Interpretations will take effect in the fiscal year after their respective dates.

Note 2: FSC has allowed the Company to apply these amendments earlier on January 1, 2018.

Note 3: these amendments apply to plan amendments, curtailment, or settlement occurring after January 1, 2019.

1. IFRS 16 "Leases"

IFRS 16 regulates the recognition of lease agreements and will supersede IAS 17 "Leases" and other interpretations.

Definition of lease

For the first-time application of IFRS 16, the combined Company will choose whether to evaluate (or include) the leases based on IFRS 16 for the contracts signed (or amended) after January 1, 2019. Currently, lease contracts in the definition of IAS 17 and IFRIC 4 will not be reclassified. The assessment will be processed in accordance with the transitional provisions of IFRS 16.

The combined Company as lessee

For the first IFRS 16 application, asset leases with low-value bids and short-term leases are recognized as expense on a straight-line basis. Other leases are recognized as right-of-use assets and lease liabilities on the consolidated balance sheet. In consolidated statements of comprehensive income will list separately the depreciation expense under right of use, and interest expense accrued from lease liabilities using effective interest method. In the consolidated statement of cash flows, the principal amount of the lease liability is shown as financing activities and interest payments will be classified as operating activities. Prior to the application of IFRS 16, expense for operating lease contracts were recognized as expense on a straight-line basis. The lease prepayments for the acquisition of land use rights in China are recognized in the prepaid lease payments. Cash flow from operating leases is classified under operating activities in the consolidated statements of cash flows. Contracts classified as financing leases are recognized as lease assets and lease payables in the consolidated balance sheet.

Based on current operating lease agreements under IAS 17, remaining lease payments will be discounted at the lessee's incremental borrowing rate on January 1, 2019. All right-of-use assets will be measured as lease liabilities on that day. IAS 36 is applicable for impairment assessment of the recognized right-of-use assets.

The combined Company is expected to apply the following expedients:

- (1) A single discount rate is used to measure lease liability combination with reasonably similar characteristics.
- (2) Lease terms that end before December 31, 2019, will be treated as short-term leases.
- (3) Original direct cost is not included in right-of-use asset measurement on January 1, 2019.
- (4) When measuring lease liabilities, decisions on lease terms are clarified after use.

For leases classified as financial leasing under IAS 17, the carrying amount of the leased asset and the lease liability of December 31, 2018 will be adopted as the carrying amount of the right-of-use asset and the lease liability on January 1, 2019.

The combined Company as lessor

No adjustments will be made to lessor's leases during the transition, and IFRS 16 will be applied starting from January 1, 2019.

Expected impact on assets, liabilities and equity

	Carrying amount as of December 31, 2018	Adjustment for First-time Application	January 1, 2019 Carrying Amount After Adjustment
Use of right-of-use assets	\$ -	\$ 1,109,138	\$ 1,109,138
Lease prepayments	6,004	(6,004)	-
Long-term lease prepayments	78,825	(78,825)	-
Impact on Assets	<u>\$ 84,829</u>	<u>\$ 1,024,309</u>	<u>\$ 1,109,138</u>
Lease liability - current	<u>\$ -</u>	<u>\$ 1,014,448</u>	<u>\$ 1,014,448</u>
Lease payables - non-current	<u>-</u>	<u>9,861</u>	<u>9,861</u>
Impact on Liabilities	<u>\$ -</u>	<u>\$ 1,024,309</u>	<u>\$ 1,024,309</u>
Impact on equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

2. IFRIC 23, "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty about the tax treatment of the income, the combined Company must assume that the tax authorities will be able to take all relevant information for review. If it is decided that the tax treatment of its application is likely to be accepted by the tax authorities, the income, tax base, unused tax losses, unused tax credits and tax rates must be consistent with the tax treatment used in reporting the income tax. If the tax authority is not likely to accept the tax treatment of a tax liability, the combined Company shall adopt the most likely amount or expected value (the method that is more likely to be predict future uncertainties). Whenever changes in facts or situation occur, the combined Company shall reassess its judgments and estimates.

When applying IFRIC 23 for the first time, the combined Company expects to recognize the cumulative impact of the application retroactively on January 1, 2019.

3. Amendment to IAS 19 "Plan Amendment, Curtailment or Settlement"

In case of plan amendment, curtailment, or settlement, current service cost and net interests for the remainder of the year will be determined under the actuarial assumptions for remeasured net defined benefit liabilities (assets) at the time. In addition, the amendment clarifies the effects of plan amendment, curtailment, or settlement on asset cap regulations. The combined Company will defer the application of the aforementioned amendments.

Besides the effects mentioned and up until the publishing date of the consolidated financial statements, the combined Company is continuing to assess the amendment effects from other standards and interpretations on financial status and performance. Relevant effects shall be disclosed when assessment is completed.

(III) IFRSs Announced by IASB but Not Approved by FSC nor in Effect

New, Revised, Amended Standards and Interpretations	Effective Date Announced by IASB (note 1)
IFRS 3 Amendments "Definition of a Business"	January 1, 2020 (note 2)
IFRS 10 and IAS 28 Amendments "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2021
IAS 1 and IAS 8 Amendments "Definition of Material"	January 1, 2020 (note 3)

Note 1: unless otherwise noted, the aforementioned new announcements/amendments/amendment standards and Interpretations will take effect in the fiscal year after their respective dates.

Note 2: this amendment applies to business combinations, as well as other subsequent asset acquisitions, with acquisition dates after January 1, 2020 or the start of annual reporting period.

Note 3: application of this amendment is postponed to the fiscal year after January 1, 2020.

As of the date of authorization of the consolidated financial statements, the combined Company has continued to assess the effects of amendments to other standards and interpretations on its financial position and performance. Related impacts will be disclosed upon completion of the assessment.

IV. Summary of Significant Accounting Policies

(I) Compliance statement

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed and announced by the FSC.

(II) Basis of Preparation

The consolidated financial statements were prepared based on historical cost, except for financial instruments measured at fair value and net defined benefit liabilities from its present value minus recognized fair value of plan assets.

Fair value measurement is divided into three levels based on observable input and materiality:

1. Level 1 Input: offer price of comparable assets or liabilities in active market on day of measurement (unadjusted).
2. Level 2 Input: assets, input of directly observable (the price) and indirectly observable (deduced from price) liabilities, with the exception of level 1 offer price.
3. Level 3 Input: unobservable input of assets or liabilities.

(III) Classification of Current and Non-current Assets and Liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months of the balance sheet date; and

3. Cash and cash Equivalent (excluding those restricted from trading or settlement 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities with settlement in the 12 months after the balance sheet date (long-term refinancing and repayment agreements completed after balance sheet date and before publishing of financial reporting are treated as current liabilities), and;
3. Liabilities for which settlement date cannot be extended unconditionally to more than 12 months after the balance sheet date. The issuance of equity instruments for settlement, based on transaction party's choice on liability terms, does not affect the classification.

Other types of assets or liabilities are classified as non-current.

(IV) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its wholly owned entities (subsidiaries). The consolidated statement of profit or loss has included the operating gains and losses of the subsidiaries that are acquired or disposed of in the current period from the date of acquisition or to the date of disposal. The financial reports of subsidiaries have been reorganized to bring uniformity in their accounting policies. In preparing for the consolidated financial statements, transactions, account balance, income and expenses among each entity have been eliminated in full. A subsidiary's total comprehensive income is attributed to the shareholders of the Company and non-controlling interests, even if non-controlling interests become deficit balance in the process.

When a change in the combined Company's ownership interests in a subsidiary does not cause a loss of control, it is treated as equity transaction. The carrying amounts of the combined Company's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The difference between the adjustment amount of non-controlling interests and the fair value of consideration paid or collected shall be directly recognized in equity attributable to the shareholders of the Company.

Please refer to Note 15, Table 8 and Table 9 for details on the subsidiaries, shareholding ratios and operations.

(V) Business combinations

Business combinations are accounted for using the acquisition method, and acquisition-related costs are expensed as labor and services received in the current period.

Goodwill is measured at the aggregate of the fair value of the consideration transferred, the amount of non-controlling interest in the acquiree and the acquisition-date fair value of the acquiree's interest in the acquiree over the net fair value of the identifiable assets acquired, and liabilities assumed at the date of acquisition.

The combined Company recognizes a non-controlling interest in the acquiree on an acquisition-by-acquisition basis, and at a proportionate share of the acquiree's net assets, over the amount of the non-controlling interests that are acquired in the acquiree and the proportionate share of the recognized amounts of the acquiree's identifiable net assets.

When the consideration transferred by the combined Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and the resulting gain or loss is recognized in profit or loss as part of the consideration transferred. If the change in the fair value of the contingent consideration is an adjustment of the measurement period, it is a retrospective adjustment of the acquisition cost and a relative adjustment of the goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) are about facts and circumstances that existed on the acquisition date.

Changes in fair value attributable to a contingent consideration that is not adjusted within the measurement period are classified as contingent consideration. Other contingent consideration is measured at fair value on the balance sheet date. Changes in fair value are recognized in profit or loss.

During the measurement period, the acquirer should recognize the adjustment of the provisional amount and consider the accounting treatment for business combination as the acquisition date. Therefore, the acquirer should consider the comparative information in the financial statements as required, including the original accounting treatment for depreciation, amortization of any changes in depreciation or other gains and losses on such assets.

(VI) Foreign Currency

In preparing each individual financial statement, transactions denominated in a currency other than the entity’s functional currency (i.e. foreign currency) are translated into the entity’s functional currency by using the exchange rate at the date of the transaction before they are recorded by each entity.

Monetary items denominated in foreign currencies are translated at the closing rates on the balance sheet date. Differences in exchange amount arising from settlement or conversion of monetary items are recognized in profit or loss in its period of occurrence.

Non-monetary items denominated in foreign currencies measured at fair value are converted using exchange rate on date of fair value determination. The differences are recognized under loss and gain of the period. For changes in fair value from other comprehensive income, the differences arising from exchange are recognized under other comprehensive income.

Non-monetary items denominated in foreign currencies and measured at historical cost are converted using exchange rates on date of transaction, and are not re-converted.

For the purpose of preparing for the consolidated financial statements, assets and liabilities of foreign operations (including the subsidiaries with different locations of operations or use different currencies) are translated into the New Taiwan Dollars at the exchange rates ruling at the balance sheet date. The income and expense items are translated at the average rate of the year. The exchange differences arising are recognized in other comprehensive income.

(VII) Inventories

Inventories include raw materials, work in progress, semi-finished goods, finished goods and commodity inventory. Inventories are measured by taking the lower value of cost and net realizable value. When comparing the two, individual items are used as the basis except for same-category inventory. NRV is the estimated selling price less estimated costs for completion and estimated costs necessary to make the sale. Cost of inventory is calculated using the monthly weighted-average method.

(VIII) Investment in the affiliated enterprises

Affiliate enterprises are companies in which the merging company has major influence but they are neither its subsidiaries nor joint ventures.

The combined Company adopts the equity method for investment in affiliate enterprises.

Under the equity method, investments in affiliated companies are initially recognized at cost. The carrying amount of such investments after the acquisition date changes in accordance with the combined Company's share of subsidiaries' profit or loss and other comprehensive income, as well as earnings allocation. In addition, changes in the interest of the affiliate companies are recognized in the proportion of shareholding.

Any excess of the cost of acquisition over the combined Company's share of the net fair value of the identifiable assets and liabilities of the associate is recorded as goodwill, which is included in the carrying amount of the investment and is not amortized. The excess of the cost of acquisition over the carrying amount of the investment in the associate is stated in the consolidated statement of profit or loss over the period of the relevant lease.

When the Company issues new shares, the combined Company has not subscribed for its shares in proportion to its shareholding ratio, resulting in changes in shareholding percentage and thus increase the adjusted capital surplus and increase the amount of net equity attributable to the equity method and investment in equity method. If the amount of ownership interests in associates is not subscribed for or obtained in proportion to the shareholding ratio, the amount of the related asset or liability shall be recognized in other comprehensive income. The basis of the accounting treatment is the same as that of the associate. The basis of the difference in the balance of the capital reserve accounted for using equity method shall be the same as that of the associate.

When the combined Company loses its share of losses of an associate equals or exceeds its interest in the associate (including the carrying amount of the investment in an associate under the equity method and other long-term interests that, in substance, the carrying amount of the investment in the associate), the combined Company discontinues recognizing its further losses. The combined Company recognizes additional losses and liabilities for the purpose of recognizing the amount of legal obligations, defined obligations or payment of the associated companies.

When assessing impairment, the combined Company shall consider the overall carrying amount of the investment (including goodwill) as a single asset to be the single asset and the carrying amount is tested for impairment. Impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the investment and is included in the carrying amount of the investment. Any reversal of impairment loss is recognized in the consolidated income statement within the scope of the investment.

The combined Company shall cease the use of equity method from its investment no longer be the date of the related business. Its retained interest in the associate is measured at fair value, and the difference between the fair value and the carrying amount of the investment and the carrying amount of the investment at the date of acquisition of the equity method is included in profit or loss for the current period. In addition, the accounting practices for amounts of the associate shown in other comprehensive profit or loss account shall follow the same basis as that followed by the Company for direct disposal of related assets or liabilities. Additionally, when

investments in the associates become investments in the joint venture, or vice versa, the combined Company will continue to adopt the equity method, instead of remeasuring the reserved equities.

The profit and loss from the combined Company's transactions with its associates and the current and downstream exchanges are recognized in the consolidated financial statements only to the extent of the combined Company's interests in the associates.

(IX) Property, Plant, and Equipment

Property, plant and equipment are recognized at cost, and subsequently at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in construction is recognized at cost less accumulated impairment loss. The cost includes professional service expenses and borrowing costs eligible for capitalization. When these assets are completed and ready for use, they are classified as property, plant or equipment, and start to be listed as depreciation.

Property, plant and equipment are depreciated on a straight-line basis over the useful life of the assets, and each significant component is depreciated separately. The combined Company reviews at least annually the estimated useful life, residual values and depreciation method and will also extend the impact of changes in accounting estimates.

When derecognizing property, plant and equipment, the difference between net disposal proceeds and asset carrying amount is recognized under loss and gain.

(X) Goodwill

Goodwill acquired in a business combination is recognized as cost of goodwill and subsequently measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the combined Company's cash-generating units (or combined Companies of cash-generating units) that is expected to benefit from the synergies of the combination and is described as a cash-generating unit ("CGU").

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired, in which unit and the amount of the cash-generating unit to which the goodwill has been allocated is tested for impairment before the impairment test. If the goodwill allocated to the cash-generating unit is acquired in a business combination for the current year, the unit shall perform impairment testing before the end of the current year. If the recoverable amount of the cash-generating unit is less than its carrying amount, the carrying amount of the cash-generating unit is reduced to its recoverable amount, which is the sum of the carrying amount of the cash-generating unit to which the goodwill is allocated. Any impairment loss is recognized directly as profit or loss. Loss in impairment of goodwill cannot be reversed subsequently.

When a disposal of an operating entity is disposed of in a cash-generating unit, the amount of goodwill relating to the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal.

(XI) Intangible assets

1. Separate acquisition

Intangible assets that are acquired separately and are measured at cost minus the accumulated amortization and accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their useful lives, and at least annually, and are tested for impairment at least annually, and on the impact of changes in accounting estimates. Intangible assets with indefinite useful lives are carried at cost minus the accumulated impairment losses.

2. Acquisition from business combinations

Intangible assets acquired in a business combination are recognized at fair value at the acquisition date, with goodwill recognized separately from goodwill and are subsequently measured at amortized cost with the same separately as intangible assets acquired separately.

3. Derecognition

When derecognizing the intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(XII) Impairment of tangible and intangible assets (other than goodwill) and contract costs

The combined Company assesses on each balance sheet date whether there is any indication that an intangible asset may be impaired. If any such indication exists, the asset's recoverable amount is estimated. If an individual asset's recoverable amount is not possible to determine, the combined Company will determine it for its cash-generating unit. Common assets are amortized reasonably consistently for the minimum cash-generating unit combined Company. The total assets shared are shared to the minimum cash-generating unit on a reasonable and consistent basis.

The recoverable amount is defined as the higher of the "fair value less costs to sell" and the "value in use." If the recoverable amount of an individual asset or a cash-generating unit is lower than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognized in profit or loss.

For customer contracts that apply IFRS 15, the amount of the impairment loss on assets, property, plant and equipment and intangible assets recognized in accordance with the contract is less than the sum of the estimated amount that the relevant product or service is expected to be received, and the carrying amount of the relevant assets is reduced by the amount of the estimated future cash-generating units.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization and depreciation) had no impairment loss been recognized for the asset in prior years. Reversal of impairment loss is recognized in profit or loss.

(XIII) Financial instruments

Financial assets and financial liabilities shall be recognized in the consolidated balance sheet when the combined Company becomes a party of the financial instrument contract.

When financial assets and financial liabilities are recognized initially, they are measured at fair value, plus transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities at fair value through profit or loss. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

Regular transactions of financial assets are recognized and derecognized based on the trade date accounting basis.

(1) Measurement types

2018

Financial assets held by the combined Company are classified as financial assets at fair value through profit or loss, financial assets at amortized cost and equity instruments measured at FVTOCI.

A. Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss include financial assets at fair value through profit or loss and financial assets designated as at FVTPL. Financial assets at fair value through profit or loss forcibly include equity instrument investment that is not designated as at FVTOCI by the combined Company, and non-conforming debt instrument investments that are measured at amortized cost or measured at fair value through other comprehensive gain or loss.

Financial assets at FVTPL are measured at fair value, with gains or losses arising from remeasurement recognized in profit or loss (including any dividends or interest earned on the financial assets). Please refer to Note 38 for the ways in which the fair value is determined.

B. Financial assets measured at amortized cost

If both of the following conditions apply to the financial assets the combined Company invest in, they are then classified as financial assets measured at amortized cost:

- a. It is held under a business model that is held for the purpose of obtaining financial assets to collect contractual cash flows; and
- b. The contractual terms generate cash flows on a specified date basis and the cash flows are solely payments on the principal amounts outstanding and interest amounts outstanding.

Financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable and other financial assets measured at amortized cost) are measured at the aggregate carrying amount of the financial asset after initial recognition and determined by using the effective interest method. Any foreign currency exchange gains and losses are recognized in profit or loss.

Except for the following two situations, interest income is calculated by applying the effective interest rate to total carrying amount of financial assets:

- a. For financial assets acquired or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate of effective interest rate multiplied by the effective interest rate of the financial asset.

- b. For financial assets that are not purchased or the original credit impairment, subsequent credit-impaired financial assets are measured at amortized cost using the effective interest method.

Cash equivalents include fixed deposits that are highly liquid and highly liquid, with fixed amounts of cash and short-term bank deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

C. Equity instrument investment measured at FVTOCI

If the combined Company is on initial recognition, an irrevocable election can be made to an equity instrument that is not held for trading, and the equity instrument that is not recognized by a business combination is designated as at FVTOCI.

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value, with changes in fair value recognized in other comprehensive income and accumulated in other equity. When the investment is disposed of, the cumulative gain or loss is directly transferred to retained earnings and is not reclassified to profit or loss.

Dividends on equity instruments measured at fair value through other comprehensive income are recognized in profit or loss when the combined Company's right to receive payments is established, unless such dividends clearly represent the recovery of the investment cost.

2017

Financial assets held by the combined Company are financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables.

A. Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading.

Financial assets at FVTPL are measured at fair value, with gains or losses arising from remeasurement recognized in profit or loss (including any dividends or interest earned on the financial assets).

B. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

For available-for-sale financial assets, financial assets are measured at fair value, with changes in the carrying amount of available-for-sale monetary financial assets that are denominated in foreign currency and recognized as interest income calculated using the effective interest method and dividends on available-for-sale equity investments, and recognized in profit or loss. Changes in the carrying amount of other available-for-sale financial assets are recognized in other comprehensive income and reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity investments are recognized in profit or loss when the combined Company's right to receive payments is established.

Subsequent to the sale of financial assets in the absence of an active market quotation and the fair value of the equity instrument investment, and the derivative instruments that are linked to such non-quote equity instruments and are required to deliver the equity instruments, the amount measured in addition to the impairment loss is separately classified as "financial assets measured by cost." When a financial asset is subsequently measured at its fair value, the difference between its carrying amount and its fair value is recognized in other comprehensive income. If any impairment loss is recognized, it is recognized in profit or loss.

C. Loans and Receivables

Loans and receivables (including accounts receivable, cash and cash equivalents, investments in debt instrument investments with active markets and other receivables) are measured at amortized cost using the effective interest method, minus any impairment losses except where the interest recognition for short-term accounts receivable is not material.

Cash equivalents include buy-back bonds, commercial promissory notes and fixed deposits that are highly liquid within 3 months from the date of acquisition, can be converted into fixed cash at any time and have little risk of changes in value, and are used to meet short-term cash commitments.

(2) Impairments of Financial Assets

2018

Financial assets (including accounts receivable) are measured at amortized cost on the balance sheet date through debt instrument investments, lease receivables and impairment of contract assets by the combined Company.

Account receivables and lease receivables are recognized as a provision for expected credit losses over the lifetime of the lease. Other financial assets are assessed for significant increases in credit risk after initial recognition. If significant increases are not significant, loss allowance for estimated credit losses is recognized in 12-month expected credit losses. If significant increases have been demonstrated, loss allowance for lifetime is recognized.

Expected credit losses are weighted average of credit losses that are highly probable. 12-month expected credit losses are the expected credit losses arising from the default of the financial instrument within twelve months after the reporting date. Expected credit losses are expected to occur in the financial statements for expected credit losses on a financial instrument that is expected to occur throughout the expected lifetime of the financial instrument.

Impairment loss on financial assets is reduced through the use of an allowance account, provided that the loss allowance for debt instrument

investments measured at FVTOCI is recognized in other comprehensive income without any reduction in its carrying amount.

2017

The combined Company assesses at each balance sheet date whether there is any objective evidence that a financial asset other than the ones at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of single or multiple events that has occurred after the initial recognition of the asset and that event has a negative impact on the estimated future cash flows of the financial asset.

Financial assets carried at amortized cost, such as accounts receivable, that are assessed not to be impaired individually, are assessed for impairment on a collective basis in addition. Objective evidence of impairment for a receivable is assessed for impairment and more frequently if there is an increase in the payment history of the combined Company that in the past year and the collective excess of the expected credit period.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The financial assets presented at amortized cost are reduced in the subsequent period, and the amount of the impairment loss is reduced in the subsequent period, and the decrease is recognized directly or by adjustment of the allowance account. The reversal is recognized in profit or loss, except that the reversal shall not cause the carrying amount of the financial asset to exceed the amortized cost on the reversal date if the impairment is not recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the investment below its cost is also evidence that the assets are impaired.

Evidence of objective impairment of other financial assets may include significant financial difficulties or defaults of the issuer or debtor (such as delays or non-payment of interest or principal payments), a significant increase in the likelihood that the debtor will enter bankruptcy or other financial restructuring, or financial difficulties have made the active market of financial assets disappear.

The amount of accumulated losses originally recognized as other comprehensive profits and losses will be reclassified as profit or loss when the available-for-sale financial assets is impaired.

Impairment losses recognized in profit or loss on available-for-sale equity instruments are not reversed through profit or loss. Any increase in the fair value after recognition of impairment loss has to be recognized in other comprehensive profits and losses. If the fair value of the provision for the sale of the debt is increased in the subsequent period and the increase can be objectively linked to the occurrence of the impairment loss recognized in profit or loss, the impairment loss is reversed and recognized in profit or loss.

For financial assets measured at cost, the amount of impairment loss is evaluated as the difference between the asset's carrying amount with expected future cash flow and the discounted present value of the estimated future cash flows of a market return on financial assets of a similar asset. Such impairment loss will not be reversed in subsequent periods.

The impairment loss of financial assets is directly deducted from the carrying amount of the financial asset. However, the carrying amount of accounts receivable is reduced through the use of an allowance account. When the receivable is considered uncollectible, it is written off against the allowance account. The amount of subsequent recoveries of amounts previously written off is credited against the allowance account. Except for accounts receivable which are uncollectible and written off against allowance account, changes in the carrying amount of the allowance account are recognized in profit or loss.

(3) Derecognition of financial assets

The combined Company derecognizes financial assets when the contractual rights to the cash inflow from the asset expire or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

Prior to 2017 (inclusive), the difference between the carrying amount and the sum of the consideration received and the cumulative gain or loss recognized in other comprehensive income is recognized in profit or loss. Since 2018, the difference between the carrying amount and the consideration received shall be recognized in profit or loss when the financial asset is derecognized at amortized cost. On derecognition of a debt instrument measured at FVTOCI, the difference between the carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. In addition to derecognition of equity instruments that are measured at FVTOCI, the cumulative gain or loss is directly transferred to retained earnings and is not reclassified to profit or loss.

2. Equity instruments

The combined Company classifies its issuance of debts and financial instruments as financial liabilities or equity in accordance with the definition of financial liabilities and equity instruments, as well as the contractual substance.

Equity instruments issued by the combined Company are recognized as the net of proceeds less direct issuance costs.

The combined Company's equity instruments are recognized and deducted from equity afterwards. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or disposition of the Company's own equity instruments.

3. Financial liabilities

(1) Subsequent measurement

All financial liabilities are measured at amortized cost, using the effective interest method, except for:

Financial liabilities measured at fair value through profit and loss

Financial liabilities measured at fair value through profit or loss are financial liabilities held for trading.

Financial liabilities held for trading shall refer to the amount of gains or losses incurred in the financial liabilities, and the gains or losses (excluding any dividends or interest paid on the financial liabilities) are recognized in profit or loss. Please refer to Note 38 for the ways in which the fair value is determined.

(2) Derecognition of financial liabilities

When a financial liability is derecognized, the difference between the carrying amount and the consideration paid (including any non-cash asset transferred or liability assumed) is recognized in profit or loss.

4. Convertible corporate bonds

Compound financial instruments issued by the combined Company (convertible corporate bonds) are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

At the time of initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments and measured at amortized reached. The liability component of the non-equity derivative is measured at fair value.

The conversion option classified as equity is a conversion option that is equal to the fair value of the compound instrument as a whole, net of income tax effects, and is subsequently measured at the amount that would be recognized in equity after deducting the impact of income tax effects. When the conversion option is exercised, the associated liability component and the amounts recognized in equity are transferred to share capital and reserves – the premium. If the conversion option of convertible bonds remains unexercised at the maturity date, the amount recognized in equity will be transferred to capital surplus – premium.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability (carrying amount of the liability) and the equity component, as appropriate, on the basis of the allocation of total gross proceeds (the “carrying amount”) and equity component (included in equity).

5. Derivatives

Derivative agreements entered into by the combined Company include forward foreign exchange contracts and foreign currency option contracts to manage the exchange rate risk.

Derivatives are initially recognized at fair value and subsequently measured at fair value, with subsequent measurement gains and losses that are recognized in the balance sheet. Derivatives are carried as financial assets when the fair value is positive and as liabilities when the fair value is negative.

Prior to 2017 (inclusive), if the embedded derivative is in line with the definition of the derivative, its risk and characteristics are not closely related to the risk and characteristics of the principal contract, and the hybrid contract is not a financial asset or financial measure measured at fair value through profit or loss. When indebted, the derivative is treated as a separate derivative. Since

2018, derivatives that are embedded in the asset master contract within the scope of IFRS 9 determine the classification of financial assets by the overall contract. If derivatives embedded in an asset host contract is not within the scope of IFRS 9 (eg. embedded in the host contract of financial liabilities), and the embedded derivative meets the definition of derivative too, when the risks and characteristics are not closely related to the risks and characteristics of the host contract, and the hybrid contract is not measured at fair value through profit or loss, the derivative is treated as a separate derivative.

(XIV) Liability reserve

The amount recognized as liability reserve is the best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties surrounding repayment. Liability reserve is measured at the discounted present value of the estimated cash flows discounted at the financial asset's original effective interest rate.

1. Onerous contracts

When the combined Company expects that the costs incurred to be incurred in fulfilling the contract obligations exceed the expected costs of obtaining the contract, the recognized onerous contract is recognized as a liability.

2. Reconstructing

Liability reserves for restructuring liabilities are recognized when the combined Company has a detailed formal plan for restructuring and has begun to proceed with or release the principal contents of the plan. Liability reserves for restructuring liabilities comprise direct costs incurred from the reconstructing, which are not related to the ongoing activities required to be undertaken by the combined Company and the corporate activities.

3. Warranty

The warranty obligations that correspond to the requirements of the guarantee and the agreement are based on the best estimates of the expenditure required to settle the combined Company's obligations, and recognize revenue when the relevant products are recognized.

(XV) Revenue recognition

2018

After the combined Company identifies the contract performance obligations in a customer contract, the transaction price is apportioned to the performance obligations and revenue is recognized when contract obligations have been satisfied.

The contract price is not adjusted for the transaction price of the transfer of the commodity or services and the time interval of the consideration.

1. Sales revenue from goods

Revenue from sales of goods is derived from the sales of industrial motherboards, information systems integration products and online communication. As the products are mainly shipped to designated locations where the customers have established the right to set the price and use the products, as well as taking on the responsibility for the sales and the risks for obsolescence, the combined Company shall recognize revenue and accounts receivable at appropriate times.

When the material is processed, control of the processed products is not transferred and the amount of the control is not recognized when the material is finished.

2. Service revenue

Service income is derived from the maintenance services of the product. The relevant income is recognized when the services are rendered.

3. Construction revenue

The combined Company gradually recognizes revenue over the construction process when real property contracts govern properties that are controlled by the client during construction. Due to the direct correlation between the cost and the completion of performance obligations, the combined Company measured the progress of the actual cost incurred to the total estimated costs. The combined Company recognizes contract assets gradually during the construction process and reclassifies the assets as accounts receivable when invoicing the customer. If the construction amount received exceeds the recognized revenue, the difference is recognized as contract liabilities. Retention amount withheld by customers is recognized in accordance with the contract terms to ensure that the combined Company has completed all contractual obligations and recognized as contract assets before the completion of the obligation performance.

2017

Revenue is measured at the fair value of the consideration received or receivable and excludes estimated customer returns, rebates and other similar allowances.

1. Sales of goods

Revenue is recognized when the following conditions are met:

- (1) The combined Company has transferred the significant risks and rewards of ownership of the products to the buyer;
- (2) The combined Company has neither continuing managerial involvement to the degree usually associated with the products sold nor maintained effective control over the goods sold;
- (3) The amount of revenue can be measured reliably;
- (4) The economic benefits associated with the transaction will flow to the combined Company; and
- (5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2. Provision of services

Service income (such as commission income) is recognized when the services are rendered.

3. Dividend income and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment is established, provided that it is probable that the economic benefits associated with the transaction will flow to the combined Company and the amount of revenue can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the combined Company and the amount of income can be measured reliably. Interest income is recognized on a time-apportioned basis by reference to the principal outstanding and the effective interest rate applicable.

(XVI) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The combined Company as lessee

Finance leases are recognized at cost, being the lower of the total present value of the minimum lease payments and the present value of the leased asset at the inception of the lease or, if lower, at the time of the recognition.

The implicit interest payments on the lease payments are capitalized as current financial expense and are capitalized if they are directly attributable to qualifying assets.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(XVII) Borrowing Costs

Cost of loans directly attributable to acquisition, construction, or production of assets that meet requirements is considered as part of the cost of the asset until it reaches the stage of functional use or is ready for sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Except for the above, other borrowing costs are recognized as an expense.

(XVIII) Employee benefits

1. Short-term employee benefits

Short-term employee benefits liabilities are measured at the undiscounted amount of the employee services expected to be paid in exchange for the services.

2. Post-employment benefits

Pension contributions to defined contribution retirement plans are recognized as expenses in the period in which the contributions are rendered by employees.

The defined benefit costs (including service costs, net interest and remeasurements) of defined benefit pension plans are calculated under the projected unit credit method. Current service costs and net defined benefit liabilities (assets) are recognized as employee benefit expense when they are incurred. Remeasurement (including actuarial gains and losses and plan assets after deducting interest) is recognized in other comprehensive income and included in retained earnings, and is not reclassified to profit or loss in subsequent periods.

Net defined benefit liability (asset) is the shortfall (surplus) for defined benefit pension plans. Net defined benefit asset shall not exceed the present value of the funded pension fund refund or reductions in future contributions.

(XIX) Employee Share-based Payment

Equity-settled share-based payment agreements are recognized as a liability in the fair value of the equity instruments granted to the equity instrument issued at the

grant date, with a corresponding adjustment to equity. The fair value of equity instruments reflects market vesting conditions and non-vesting conditions. The recognized remuneration costs are adjusted as the number of awards that are expected to meet the vesting conditions and the market price vesting conditions are adjusted, and the amount recognized is recognized on the current-date basis.

(XX) Income taxes

Income tax expense represents the sum of current income tax and deferred tax.

1. Current income tax

The unappropriated earnings calculated in accordance with the income tax law in the Republic of China are subject to the annual recognition of the earnings.

Adjustments to income taxes payable in the previous year are included in the current income tax.

2. Deferred income tax

Deferred income tax is calculated at the temporary differences between the carrying amount of assets and liabilities and the tax base used to determine the taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred income tax assets are recognized when it is probable that taxable profits will be available against which deductible temporary differences, losses or losses from machineries are set off.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the combined Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognized for deductible temporary differences associated with such investments only to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. If the deferred income tax assets are not recognized as deferred income tax assets, it is also re-examined on each balance sheet date, and the carrying value will be increased if the future taxable income can be wholly or partially recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the combined Company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred income tax for the current year

Current and deferred income tax is recognized in profit or loss, except when it is related to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity respectively.

V. The Primary Sources of Uncertainties in Major Accounting Judgments, Estimates, and Assumptions

When the combined Company adopts accounting policies, the management must make judgments, estimates and assumptions based on historical experience and other critical factors. Actual results may differ from these estimates.

The management will constantly review the estimates and underlying assumptions. If the revision of an estimate only affects the current period, the revision will be recognized for the current period. If the revision affects the accounting estimate, the revision is recognized for the current and future periods.

(I) Estimated impairment of financial assets (for 2018)

The estimated impairment of accounts receivable, debt instrument investments and financial guarantee contracts is based on the assumption that the combined Company has applied for the default rate and expected loss rate. The combined Company considers the historical experience, current market conditions and forward-looking information to make assumptions and select the input value to be assessed. Please refer to Note 12 for the significant assumptions and inputs used. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(II) Estimated impairment of accounts receivable (for 2017)

When there is objective evidence indicating that there is impairment, the combined Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(III) Impairment of inventories

The net realizable value of inventories is estimated as the estimated selling price in the ordinary course of business minus estimated costs to completion and estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions could significantly affect these estimates.

(IV) Impairment assessment of tangible and intangible assets

In assessing impairment of assets, the combined Company assesses the value in use of the asset by making subjective judgement based on the use of the asset and the characteristics of the industry. The value in use calculation requires the combined Company to estimate future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

(V) Estimated impairment of goodwill

When determining whether goodwill is impaired, an estimation of the value in use of the cash-generating units to which goodwill has been allocated is required. For value in use calculations, management should estimate future cash flows expected to arise from the cash-generating unit and determine a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise.

(VI) Realizability of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable income will be available against which the deductible temporary differences can be utilized. Assessing the recoverability of deferred income tax assets requires significant accounting judgements and estimates of the management, including assumptions such as expected future growth in sales revenue and margin, tax periods, income tax credits and tax planning. Any changes in the global economic conditions, industry environment and laws and regulations may cause significant adjustments to deferred income tax assets.

VI. Cash and Cash Equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash on hand	\$ 22,488	\$ 8,297
Bank cheques and demand deposits	12,024,265	9,995,962
Cash equivalents		
Bank fixed deposits with original maturity within three months	<u>409,763</u>	<u>147,762</u>
	<u>\$ 12,456,516</u>	<u>\$ 10,152,021</u>

The market interest rates for fixed deposits at the balance sheet date are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Demand deposits	0.001%~3.51%	0.001%~4.85%
Fixed deposits	0.14%~6.81%	0.58%~2.25%

VII. Financial instruments compulsorily measured at fair value through profit or loss

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial assets - current</u>		
Held for trading		
Derivative instruments (non-hedging)		
– Domestic convertible corporate bonds	\$ 6	\$ -
Forcibly measured at FVTPL		
Non-derivative financial assets		
– Listed (TPEX) and emerging stock companies	<u>90,938</u>	<u>-</u>
	<u>\$ 90,944</u>	<u>\$ -</u>
<u>Financial assets - non-current</u>		
Compulsorily measured at FVTPL		
Non-derivative financial assets		
– Listed (TPEX) and emerging stock companies	\$ 9,558	\$ -
– Unlisted (TPEX) and emerging stock	379,824	-
– Foreign convertible corporate bonds	<u>23,646</u>	<u>-</u>
	<u>\$413,028</u>	<u>\$ -</u>

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	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial liabilities – current</u>		
Held for trading		
Derivative instruments (non-hedging)		
– Foreign currency option contracts	(\$ 245)	(\$ 328)
– Forward foreign exchange contracts	5,111	4,994
– Domestic convertible corporate bonds		
(Note 23)	<u>11,743</u>	<u>-</u>
	<u>\$ 16,609</u>	<u>\$ 4,666</u>
<u>Financial liabilities – non-current</u>		
Held for trading		
Derivative instruments (non-hedging)		
– Domestic convertible corporate bonds		
(Note 23)	<u>\$ -</u>	<u>\$ 4,053</u>

- (I) The combined Company does not apply the following foreign currency option contracts for hedging accounting and has not yet expired:

December 31, 2018

<u>Currency</u>	<u>Maturity</u>	<u>Contractual Amount (NT\$ Thousand)</u>
Sell USD/BUY EUR	June, 2017 - June, 2020	USD 3,000/EUR2,620

December 31, 2017

<u>Currency</u>	<u>Maturity</u>	<u>Contractual Amount (NT\$ Thousand)</u>
Sell USD/BUY EUR	June 2018 - June 2020	USD3,000/EUR2,501

- (II) Forward foreign exchange contracts that have not yet been used for hedge accounting are as follows:

December 31, 2018

<u>Currency</u>	<u>Maturity</u>	<u>Contractual Amount (NT\$ Thousand)</u>
Sell EUR/BUY USD	January 2019	EUR17/USD19
Sell CHF/BUY EUR	February 2019	CHF570 / EUR504

December 31, 2017

<u>Currency</u>	<u>Maturity</u>	<u>Contractual Amount (NT\$ Thousand)</u>
Sell EUR/BUY USD	January 2018 - February 2018	EUR2,838/USD3,365
Sell USD/BUY EUR	January 2018 - March 2018	USD17,150/EUR 14,423
Sell AUD/BUY EUR	March 2018	AUD175 / EUR112
Sell CNY/BUY EUR	March 2018	CNY 30,000/EUR3,810

VIII. Financial assets measured at fair value through other comprehensive income - 2018

Equity instrument investments measured at FVTOCI

December 31, 2018

Current

Domestic investment

Listing (TPEX) and Emerging Stock Stocks

\$ 40,880

Non-current

Domestic investment

Unlisted shares

\$ 10,450

Foreign investment

Unlisted shares

147,798

Limited Partnership

165,094

\$ 323,342

The combined Company adopts medium- and long-term strategies and expects to gain profit through long-term investment. The management of the combined Company considers that the short-term fair value of the investments will be included in the profit or loss and is not consistent with the long-term investment planning mentioned above, and therefore, the designation of such investments is not in line with the fair value of the investment in other comprehensive income. These investments are originally classified as available-for-sale financial assets under IAS39. The reclassification and information for 2017 are disclosed in Note 3, Note 10 and Note 14.

IX. Financial assets measured at amortized cost - 2018

December 31, 2018

Current

Domestic investment

Fixed deposits with original maturity of over three months

\$ 4,374

As at 31st December 2018, the interest rate range for the original maturity over 3 months is 0.01% to 0.07% per annum. These deposits are classified as debt instrument investment in non-active markets under IAS 39. Please refer to Note 3 and Note 11 for the reclassification and information for 2017.

X. Available-for-sale financial assets - 2017

December 31, 2017

Domestic investment

Listing (TPEX) and Emerging Stock
Stocks

\$ 40,640

Fund Beneficiary Certificate

1,351,423

\$ 1,392,063

XI. <u>Investments in debt instruments in non-active market - current</u>		<u>December 31, 2017</u>
Bank fixed deposits with original maturity of over three months		<u>\$ 70,262</u>
Deposit interest rate		0.74%~1.05%
XII. <u>Notes receivable and accounts receivable</u>		
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Notes receivable</u>		
Notes receivable – arising from operations	\$ 107,095	\$ 1,860
Minus: Allowance for bad debts	<u>-</u>	<u>-</u>
	<u>\$ 107,095</u>	<u>\$ 1,860</u>
<u>Accounts receivable</u>		
Total carrying amount measured at amortized cost	\$ 16,879,854	\$ 10,957,756
Minus: Allowance for loss	(<u>952,419</u>)	(<u>310,585</u>)
	<u>\$ 15,927,435</u>	<u>\$ 10,647,171</u>
Accounts receivable - related parties	<u>\$ 561,866</u>	<u>\$ 386,096</u>

2018

Accounts receivable measured at amortized cost

The average credit period for the combined Company's sales of goods is 30 to 75 days. Interests are not charged to the accounts receivable. The combined Company adopts a policy of treating transactions with good quality credit ratings and where necessary, sufficient collateral is obtained to mitigate the risk of financial losses arising from defaults. Credit rating information is provided by independent rating institutions. If no such information can be obtained, the combined Company will use other public available financial information and historical transaction records to rate major customers. The combined Company continues to monitor credits risk and the credit rating of transaction counterparties. Credit limits for transaction counterparties are reviewed and approved at appropriate times on a yearly basis.

The combined Company adopts the simplified approach of IFRS 9 to recognize allowance for losses for accounts receivable over the lifetime based on expected credit losses. The lifetime expected credit losses are calculated using the provision matrix. Consideration is given to the past default history and the current financial status of the customers, the industry and economic situation, and the consideration of GDP forecast and industry outlook. The historical experience of the combined Company's credit loss history has shown that the loss patterns of different customer have not significantly different from the loss patterns. Therefore, the provision matrix is not further differentiated in the customer base. Only the number of overdue days for accounts receivable are used for setting the expected credit loss rate.

If there is evidence that the counterparty is facing serious financial difficulties and the combined Company cannot reasonably expect the recoverable amount, for example, if the counterparty is liquidating or the debt has been overdue for more than one year, the

combined Company will directly write off the relevant receivables, but will continue to pursue recourse. The amount recovered by recourse is recognized in profit or loss.

The combined Company's allowance for losses for accounts receivable measured by applying the reserve matrix is as follows:

December 31, 2018

	Not overdue	1 - 30 days overdue	31 - 150 days overdue	151 - 270 days overdue	271 - 365 days overdue	1 - 2 years overdue	Over 2 years overdue	Total
Expected credit loss rate	0.23%	3.05%	3.60%	9.25%	35.09%	74.49%	100%	
Total carrying amount	\$ 13,508,169	\$ 1,424,269	\$ 1,082,039	\$ 317,773	\$ 205,192	\$ 774,819	\$ 129,459	\$ 17,441,720
Loss allowance (lifetime expected credit losses)	(30,876)	(43,504)	(38,993)	(29,400)	(72,007)	(608,180)	(129,459)	(952,419)
Amortized cost	<u>\$ 13,477,293</u>	<u>\$ 1,380,765</u>	<u>\$ 1,043,046</u>	<u>\$ 288,373</u>	<u>\$ 133,185</u>	<u>\$ 166,639</u>	<u>\$</u>	<u>\$ 16,489,301</u>

The impairment of the allowance for loss of accounts receivable is as follows:

	<u>2018</u>
Opening balance (IAS 39)	\$ 310,585
Adjustments from the retroactive application of IFRS 9	-
Opening balance (IFRS 9)	310,585
Plus: Bad debt recognized for the current period	246,600
Plus: Acquisition through business combinations	488,011
Minus: Actual write-off for the current period	(19,409)
Foreign currency translation differences	(73,368)
Ending balance	<u>\$ 952,419</u>

2017

The credit policy of the combined Company in 2017 was the same as the credit policy for 2018. When deciding on the recoverability of accounts receivable, the combined Company considers any changes in the credit quality of its accounts receivable from the original credit date to the balance sheet date. As the past experience shows that accounts receivable that are overdue for over 360 days cannot be recovered, the combined Company recognizes 100% allowance for bad debts for accounts receivable overdue for over 360 days. For accounts receivable overdue for less than 360 days, the calculation for allowance for bad debts is based on the past default records of the counterparty and its current financial position to estimate the amount that cannot be recovered.

Before accepting a new customer, the combined Company shall engage the credit company to assist the investigation for the net value, business conditions, credit guarantee and credit line of the customer to evaluate the credit quality and credit line of the potential customer. Any customer who has not applied for credit should trade in cash. The credit limits and credit rating of customers are adjusted from time to time in accordance with changes in customer transaction status and changes in the financial status. Accounts receivable that are neither overdue nor impaired refer to the Company's performance and the past payment status, profitability, and industry-wide risk.

Analysis of age of accounts receivable

	<u>December 31, 2017</u>
Not overdue	\$ 9,699,287
Within 30 days	1,231,700
31 - 150 days	215,900
151 - 270 days	62,830
271 - 360 days	23,557
Over 361 days	<u>110,578</u>
Total	<u>\$ 11,343,852</u>

The above is an analysis of the overdue number of days based on the age of receivables.

The age analysis of overdue but yet impaired accounts receivable is:

	<u>December 31, 2017</u>
Within 30 days	\$ 1,231,700
31 - 150 days	102,280
151 - 270 days	-
271 - 360 days	-
Over 361 days	-
Total	<u>\$ 1,333,980</u>

The above is an analysis of the overdue number of days based on the number of days overdue.

The changes for allowance for bad debts of accounts receivable are as follows:

	Individually assessed impairment losses	group assessed impairment loss	Total
Balance as of January 1, 2017	\$ 45,364	\$ 5,973	\$ 51,337
Plus: Bad debt recognized for the current period	1,261	88,256	89,517
Plus: Increase in corporate combinations	66	1,213,575	1,213,641
Minus: Actual write-off for the current period	-	(1,043,805)	(1,043,805)
Foreign currency translation differences	(<u>179</u>)	<u>74</u>	(<u>105</u>)
Balance as of December 31, 2017	<u>\$ 46,512</u>	<u>\$ 264,073</u>	<u>\$ 310,585</u>

The amount of accounts receivable as collateral for the combined Company is set as the amount of accounts receivable for the purpose of the loan. Please refer to Note 40.

XIII. Inventories

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Raw materials	\$ 5,123,912	\$ 2,595,883
Raw materials in transit	7,124	-
Work in progress	2,085,099	745,331
Semi-finished products	622,847	32,188
Finished goods	2,123,474	1,679,132
Commodity inventories	1,678,988	927,486
Minus: Allowance for loss in inventory valuation	(<u>470,375</u>)	(<u>241,272</u>)
	<u>\$ 11,171,069</u>	<u>\$ 5,738,748</u>

Cost of sales for the year of 2018 includes loss in inventory value of NT\$ 85,937,000 and inventory obsolescence loss of NT\$ 26,747,000.

Cost of sales for the year of 2017 includes loss in inventory value of NT\$ 136,489,000 and inventory obsolescence loss of NT\$ 20,571,000.

The combined Company has set up the amount of inventories for loan guarantee. Please refer to Note 40.

XIV. Financial assets carried at cost - 2017

	<u>December 31, 2017</u>
Ordinary shares of unlisted companies	\$123,501
Limited Partnership	<u>168,457</u>
	<u>\$291,958</u>

The classification of unlisted shares in the abovementioned unlisted companies is classified as financial assets available-for-sale. As the ranges of reasonable estimates of fair value are material, and it is impossible to assess the probability of all estimates, the combined Company's management is required to measure the probability of the combination; thus the cost minus the impairment loss on the balance sheet date.

XV. Subsidiaries

(I) Subsidiaries included in consolidated financial statements

The consolidated financial statements are presented as follows:

Name of investee	Name of subsidiary	Nature of business	Percentage of shareholding		Description
			2018 December 31st	2017 December 31	
The Company	Innovative Systems Integration Limited, Hong Kong (hereinafter referred to as "HK Innovative")	Professional investment	100%	100%	
"	Ennoconn International Investment Co., Ltd. (hereinafter referred to as "Ennoconn International")	Professional investment	100%	100%	
The Company	Ennoconn Investment Holdings Co., Ltd (hereinafter referred to as EIH)	Professional investment	100%	100%	
HK Innovative	Nanjing Asiatek Inc. (hereinafter referred to as the "Asiatek")	Research, development and sales of software and hardware products, as well as installation, processing and technical consultancy	100%	100%	
"	Ennoconn (Foshan) Investment Co., Ltd. (hereinafter referred to as Foshan Ennoconn)	Professional investment	100%	100%	Note 1
"	ENGA Technology Co., Ltd. (hereinafter referred to as ENGA)	Wholesale, manufacturing, service and import/export of industrial computer and industrial systems	100%	100%	Note 1
"	Ennoconn (Suzhou) Technology Co., Ltd.	Research and development, production and sales of industrial computers	100%	100%	Note 1
Ennoconn International	Goldtek Technology Co., Ltd. (hereinafter referred to as Goldtek Technology)	Import of telecommunications-based RF equipment and information software wholesale/retail	56.74%	56.74%	Note 2
Goldtek Technology	Jing Yuan Da Electronic Technology (Nanjing) Co., Ltd. (hereinafter referred to as "Jing Yuan Da")	Research, design and sales of electronic products, computer hardware and software, electronic cash registers, and barcode readers	-	-	Note 3
"	Keenest Electronic Corp. (hereinafter referred to as Keenest)	Professional investment	100%	100%	
Keenest Electronic Corp.	Shenzhen Goldtek Electronics Co. Ltd (hereinafter referred to as Goldtek (Shenzhen))	Research, design and sales of electronic products, communication devices and accessories, and after-sales services for the above products.	100%	100%	
The Company and Ennoconn International	Caswell Inc. (hereinafter referred to as "Caswell")	Manufacturing of electronic parts, computer and peripheral devices, electronic material	34.48%	38.73%	Note 4

Name of investee	Name of subsidiary	Nature of business	Percentage of shareholding		Description
			2018 December 31st	2017 December 31	
Ennoconn International	EnnoMech Precision (Cayman) Co., Ltd. (hereinafter referred to as the EnnoMech Cayman)	wholesale and software services Professional investment	100%	100%	
"	SyS-P Co., Ltd. (hereinafter referred to as SyS-P)	International trade, information software wholesale and services	100%	100%	
"	Ennowyse Corporation (hereinafter referred to as Taiwan Applied Module)	Research, design and sales of products relevant to mobile payment, electronic approval system and information security	60%	60%	
"	Thecus Technology Corp. (hereinafter referred to as "Thecus Technology")	Manufacturing of electronic parts, computer and peripheral devices, electronic material wholesale and software services	60%	60%	
"	Dexatek Technology Ltd. (hereinafter referred to as "Dexatek")	R&D and design, manufacturing of multimedia products	60%	60%	
"	Marketch International Corp. (hereinafter referred to as "Marketch")	Integration of high-tech industrial plants and manufacturing system planning services	45.34%	-	Note 9
Ennoconn International and EIH	S&T AG and subsidiaries	Integration service for information software and hardware	26.61%	22.33%	Note 5
EIH	AIS Cayman Technology (hereinafter referred to as AIS Cayman)	Professional investment	60%	60%	Note 6
AIS Cayman	American Industrial Systems Inc. (hereinafter referred to as AIS)	Human machine interface and Industrial 4.0	100%	100%	Note 6
"	Vecow Co., Ltd.	Manufacturing, processing, trading and import/export of communication machinery, electronic equipment and electronic devices	100%	-	Note 10
EIH	Kontron Canada Inc. (hereinafter referred to as KCI)	Communication products	-	49%	Note 7
Caswell Inc.	CASO Inc.	Import and sales of Internet machinery and computer products	99%	99%	
"	CASWELL INTERNATIONAL INVESTMENT CO., LTD.	Professional investment	100%	100%	
CASWELL INTERNATIONAL INVESTMENT CO., LTD.	Beijing Caswell Ltd. (hereinafter referred to as Beijing Caswell)	Production of electronic monitoring and network communication products	82%	82%	
EnnoMech Cayman	DOMINATE UNITED ENTERPRISE LTD.	Professional investment	100%	100%	
"	EnnoMech Precision Co., Ltd. (hereinafter referred to as EnnoMech Precision)	Manufacturing of electronic parts, computer and peripheral devices, electronic material wholesale and software services	100%	100%	
"	HighAim Technology Inc. (hereinafter referred to as HighAim)	Professional investment	66.05%	66.05%	
DOMINATE UNITED ENTERPRISE LTD.	EnnoMech Precision (Shenzhen) Co., Ltd. (hereinafter referred to as EnnoMech Shenzhen)	Manufacturing of electronic parts, computer and peripheral devices, electronic material wholesale and software services	100%	100%	
HighAim	HighAim Technology Inc.	Design, development and production of various modules, servers and communication devices	100%	100%	
"	Andrix International LTD.	Import and export trading	100%	100%	
"	Funology Investment Inc.	Import and export trading	100%	100%	
Thecus Technology Corp.	Thecus NL B.V.	Sales of network storage devices	100%	100%	

Name of investee	Name of subsidiary	Nature of business	Percentage of shareholding		Description
			2018 December 31st	2017 December 31	
"	Thecus U.S.A., Inc.	and maintenance services Sales of network storage devices and maintenance services	100%	100%	
"	Thecus Technology Corp. (Delaware)	Professional investment	100%	100%	
Thecus Technology Corp. (Delaware)	Thecus Technology Co., Ltd. (Nanjing)	Sales of network storage devices and maintenance services	-	100%	Note 11
SyS-P Co., Ltd.	SYS-P Corp.	International trade, information software wholesale and services	100%	100%	

Note 1: Ennoconn (Foshan) Investment Co., Ltd., ENGA Technology Co., Ltd. and Ennoconn (Suzhou) Technology Co., Ltd. were established in January, July and November 2017 respectively. They were then included in the consolidated financial statements.

Note 2: The combined Company failed to subscribe for the shares in the capital increase by Goldtek Technology Co., Ltd. in April 2017, which resulted in the decrease in shareholding percentage to 56.74% (see Note 34).

Note 3: The combined Company's Board of Directors resolved to enhance the operational efficiency and simplify management costs of the organization on August 4, 2017. Jing Yuan Da Electronic Technology (Nanjing) Co., Ltd., which the combined Company had 100% of the shareholding, was liquidated. The liquidation was registered in November 2017, and the remaining capital of US\$184,000 was remitted in December 2017.

Note 4: The shareholding of the Company and Ennoconn International Investment Co., Ltd. was 33.32% and 5.41% respectively. The combined Company acquired the majority voting rights of the board of directors of Caswell Inc., gaining the ability to dominate its human resources, financial and operational decisions. Therefore, it is listed as a subsidiary. In April 2018, the Company did not subscribe for cash capital increase by holding the shares in proportion to its shareholding ratio, resulting in a decrease in the shareholding percentage to 34.18%. From October to December 2018, Caswell Inc. repurchased its treasury stocks, resulting in an increase in the consolidated shareholding percentage to 34.48% (see Note 34).

Note 5: The combined Company held 8.96% of S&T AG's shareholding in 8.96% through Ennoconn Investment Holdings Co., Ltd in January 2017. S&T AG is a listed company in Frankfurt, Germany and is a combined Company holding company. As this company's shareholding structure is scattered, the shareholding ratio of other shareholders is significant and therefore has significant influence. In addition, at the end of June 2017, the company increased its shareholding to 28.45% (the shares held by Ennoconn International Investment Co., Ltd. and EIH were 1.52% and 26.93%, respectively) to become the largest shareholder and obtained more than half of the board seats with substantial control. Therefore, it was listed as a subsidiary. The assets, liabilities and equity were incorporated into the consolidated financial statements on June 30, 2017. The profit and loss items were incorporated in the second half of the same year (see Note 33). In addition, the Company did not subscribe for S&T AG shares in proportion to its cash-invested equity between August and December 2017, causing the shareholding ratio to decrease to 22.33% (see Note 34). In

October 2018, through equity transfer, the entire equity of KCI held by EIH was transferred to S&T AG and its shareholding was obtained, resulting in the comprehensive shareholding ratio to rise to 26.61%.

Note 6: The combined Company prepaid the investment in American Industrial Systems., Inc. in 2016. The transfer of equity was completed in January 2017 and incorporated in the consolidated financial statements (see Note 33).

Note 7: The combined Company obtained 49% equity in June 2016 and has significant influence over the company. As mentioned in Note 5, the company is a subsidiary of S&T AG, it was merged into the consolidated financial report at the end of June, 2017. In October 2018, 49% of the equity was transferred to S&T AG.

Note 8: The combined Company failed to subscribe for cash capital increase by shareholding in proportion in October 2017, resulting in a decrease in shareholding percentage to 66.05% (see Note 34).

Note 9: The combined Company obtained 46.79% of equity in Ennoconn International Investment Co., Ltd. in May 2018. Considering the proportion of voting rights held by other shareholders, the combined Company has substantial control. Therefore, it was listed as a subsidiary (see Note 33). In 2018, the combined Company did not subscribe to the number of shares by proportion. Therefore, the shareholding ratio decreased to 45.34% (see Note 34).

Note 10: The combined Company obtained 100% of the equity through AIS Cayman Technology in June 2018, as well as including it in the consolidated financial statements (see Note 33).

Note 11: The operations ended in the first quarter of 2018, and the liquidation was completed.

The list of subsidiaries in the financial statements was prepared in accordance with the audited financial statements for the same period.

(II) Information on subsidiaries with material non-controlling interests

Name of subsidiary		Proportion of equity and voting rights held by non-controlling interests	
		December 31, 2018	December 31, 2017
Caswell Inc.		65.82%	61.27%
S&T AG		73.39%	77.67%
Marketch	International Corp.	54.66%	Non-consolidated reporting entities

Please refer to Table 8 for information on the country of the main operation premises and registration.

Name of subsidiary	Profit or loss allocated to non-controlling interests		Non-controlling equity	
	2018	2017	December 31, 2018	December 31, 2017
Caswell Inc. (non-controlling interests of subsidiaries)	\$ 186,059	\$ 163,502	\$ 1,883,507	\$ 1,159,860
S&T AG (non-controlling interests of subsidiaries)	932,197	390,426	12,514,207	11,205,986
Marketch International (non-controlling interests of subsidiaries)	255,110	-	3,104,709	-
	<u>\$ 1,373,366</u>	<u>\$ 553,928</u>	<u>\$ 17,502,423</u>	<u>\$ 12,365,846</u>

The summarized financial information of the following subsidiaries is prepared in accordance before the amount of inter-company transactions has been eliminated:

Caswell Inc. and subsidiaries

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current assets	\$ 3,754,081	\$ 2,548,620
Non-current assets	668,311	737,622
Current liabilities	(1,320,697)	(1,171,469)
Total non-current liabilities	(6,519)	(5,457)
Equity	<u>\$ 3,095,176</u>	<u>\$ 2,109,316</u>
Equity attributable to:		
Owners of the Company	\$ 1,180,309	\$ 924,096
Non-controlling interests of Caswell Inc.	1,883,507	1,159,860
Non-controlling interests of the subsidiaries of Caswell Inc.	31,360	25,360
	<u>\$ 3,095,176</u>	<u>\$ 2,109,316</u>

	2018	2017
Operating revenue	<u>\$ 4,247,762</u>	<u>\$ 4,036,345</u>
Net income for the period	\$ 293,038	\$ 269,316
Other comprehensive gain or loss	(<u>1,971</u>)	(<u>3,024</u>)
Total comprehensive income	<u>\$ 291,067</u>	<u>\$ 266,292</u>
Profit (loss) attributable to:		
Owners of the Company	\$ 100,435	\$ 103,336
Non-controlling interests of Caswell Inc.	186,059	163,502
Non-controlling interests of the subsidiaries of Caswell Inc.	<u>6,544</u>	<u>2,478</u>
	<u>\$ 293,038</u>	<u>\$ 269,316</u>
Total Comprehensive Income		
Attributable to:		
owners of the Company	\$ 100,091	\$ 102,260
Non-controlling interests of Caswell Inc.	185,058	161,799
Non-controlling interests of the subsidiaries of Caswell Inc.	<u>5,918</u>	<u>2,233</u>
	<u>\$ 291,067</u>	<u>\$ 266,292</u>
Cash flow		
Operating activities	(\$ 5,947)	\$ 162,980
Investing activities	(22,333)	(16,359)
Financing activities	534,069	(143,153)
Effect of exchange rate fluctuations on cash	(<u>2,164</u>)	(<u>3,193</u>)
Net cash inflow	<u>\$ 503,625</u>	<u>\$ 275</u>
Dividends paid to non-controlling interests		
Caswell Inc.	<u>\$ 158,049</u>	<u>\$ 183,903</u>

S&T AG and subsidiaries

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current assets	\$ 19,535,066	\$ 19,104,657
Non-current assets	18,123,367	17,467,134
Current liabilities	(13,476,829)	(12,037,635)
Total non-current liabilities	(3,442,684)	(4,787,623)
Equity	<u>\$ 20,738,920</u>	<u>\$ 19,746,533</u>
Equity attributable to:		
Owners of the Company (Note)	\$ 7,826,755	\$ 8,199,497
Non-controlling interests of S&T AG	12,514,207	11,205,986
Non-controlling interests of S&T AG subsidiaries	<u>397,958</u>	<u>341,050</u>
	<u>\$ 20,738,920</u>	<u>\$ 19,746,533</u>

Note: Including the interests of Ennoconn International and EIH in the joint shareholding of S&T AG, and the equity of EIH in the KCI holdings of the subsidiary of S&T AG.

	<u>2018</u>	<u>2017</u>
Operating revenue	<u>\$ 35,223,782</u>	<u>\$ 17,768,393</u>
Net income for the period	\$ 1,440,695	\$ 599,936
Other comprehensive gain or loss	<u>63,981</u>	(<u>90,556</u>)
Total comprehensive income	<u>\$ 1,504,676</u>	<u>\$ 509,380</u>
Profit (loss) attributable to:		
Owners of the Company	\$ 384,961	\$ 182,469
Non-controlling interests of S&T AG	932,197	390,426
Non-controlling interests of S&T AG subsidiaries	<u>123,537</u>	<u>27,041</u>
	<u>\$ 1,440,695</u>	<u>\$ 599,936</u>
Total Comprehensive Income Attributable to:		
Owners of the Company	\$ 402,267	\$ 152,723
Non-controlling interests of S&T AG	982,351	311,232
Non-controlling interests of S&T AG subsidiaries	<u>120,058</u>	<u>45,425</u>
	<u>\$ 1,504,676</u>	<u>\$ 509,380</u>
Cash flow		
Operating activities	\$ 1,070,990	\$ 1,675,084
Investing activities	(2,222,464)	(828,303)
Financing activities	(450,356)	3,359,189
Effect of exchange rate fluctuations on cash	11,272	(87,467)
Net cash inflow (outflow)	(\$ 1,590,558)	\$ 4,118,503
Dividends paid to non-controlling interests	\$ 247,334	\$ 1,116

Marketch International Corp. and subsidiaries

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current assets	\$ 15,268,921	\$ -
Non-current assets	5,308,552	-
Current liabilities	(12,123,395)	-
Total non-current liabilities	(367,508)	-
Equity	<u>\$ 8,086,570</u>	<u>\$ -</u>
Equity attributable to:		
Owners of the Company	\$ 4,911,293	\$ -
Non-controlling interests of Marketch International Corp.	3,104,709	-
Non-controlling interests of Marketch International Corp. subsidiaries	<u>70,568</u>	<u>-</u>
	<u>\$ 8,086,570</u>	<u>\$ -</u>
	<u>2018</u>	<u>2017</u>
Operating revenue	<u>\$15,654,188</u>	<u>\$ -</u>
Net income for the period	\$ 468,153	\$ -
Other comprehensive gain or loss	(46,459)	-
Total comprehensive income	<u>\$ 421,694</u>	<u>\$ -</u>
Profit (loss) attributable to:		
Owners of the Company	\$ 219,646	\$ -
Non-controlling interests of Marketch International Corp.	255,110	-
Non-controlling interests of Marketch International Corp. subsidiaries	(6,603)	-
	<u>\$ 468,153</u>	<u>\$ -</u>
Total Comprehensive Income Attributable to:		
Owners of the Company	\$ 198,705	\$ -
Non-controlling interests of Marketch International Corp.	230,304	-
Non-controlling interests of Marketch International Corp. subsidiaries	(7,315)	-
	<u>\$ 421,694</u>	<u>\$ -</u>
Cash flow		
Operating activities	\$ 97,169	\$ -
Investing activities	(505,328)	-
Financing activities	301,928	-
Effect of exchange rate fluctuations on cash	(38,984)	-
Net cash outflow	<u>(\$ 145,215)</u>	<u>\$ -</u>
Dividends paid to non-controlling interests	\$ 235,461	\$ -

XVI. Investment using equity method

Investment in associates

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Associates with significance		
Kontron Canada Inc.	\$ -	\$ -
Associates not individually significant	<u>754,061</u>	<u>23,875</u>
	<u>\$ 754,061</u>	<u>\$ 23,875</u>

(I) Associates with significance

	<u>Proportion of ownership interests and voting rights held</u>	
<u>Company Name</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Kontron Canada Inc.	Note	Note

Note: Included in the consolidated financial statements on June 30, 2017. Please refer to Note 15.

For the nature of business, main operation premises and country of registration, please refer to Table 8: "Information on Investee, Location, etc."

The combined Company evaluates the above associate under the equity method.

The combined Company's equity investment in Kontron Canada Inc. constitutes mainly of goodwill. The Company's investment lasted for a year. Considering the interest is lower than the book value, the management of the combined Company conducted an impairment test on the investment in May 2017 to compare whether the carrying amount of the investment is lower than the recoverable amount. The value in use is calculated by the combined Company to estimate the cash flow of the associate's operating income based on the annual discount rate of 9.66%. The estimated carrying amount of the investment in Kontron Canada Inc. is higher than its recoverable amount. The impairment loss has been recognized as NT\$181,538,000.

The investments accounted for using equity method and the combined Company's share of profit and loss and other comprehensive income are recognized in the financial statements based on the audited financial statements of the same period of the respective associates.

The summarized financial information below is based on the individual financial statements of the associates and reflects the adjustment of the equity method.

Kontron Canada Inc.

	<u>December 31, 2017</u>
Current assets	\$ -
Non-current assets	-
Current liabilities	-
Total non-current liabilities	-
Equity	<u>\$ -</u>
Percentage of the combined Company's shares held	-
Interests of the combined Company	\$ -
Goodwill	-
Carrying amount of investment	<u>\$ -</u>

	<u>2017</u>
Operating revenue	<u>\$ 1,474,076</u>
Net income for the period	\$ 178,454
Other comprehensive gain or loss	-
Total comprehensive income	<u>\$ 178,454</u>
Dividends received	<u>\$ 57,644</u>

(II) Summarized information on associates not individually significant

	<u>2018</u>	<u>2017</u>
Shares of the combined Company		
Net income for the year	\$ 16,945	\$ 1,957
Other comprehensive income	-	-
Total comprehensive income	<u>\$ 16,945</u>	<u>\$ 1,957</u>

The investment accounted for using equity method and the combined Company's profit and loss and other comprehensive income, except for Shenzhen Xiangxing Technology Co., Ltd., are recognized in accordance with the financial statements of the same period as the Company's financial statements. However, the management of the Company is of the opinion that the financial statements of the investee though not yet audited by the CPAs, would not cause a significant impact.

XVII. Property, plant, and equipment

	Land	Buildings	Machinery and equipment	Leasehold improvements	Other equipment	Total
<u>Cost</u>						
Balance as of January 1, 2018	\$ 292,191	\$ 975,212	\$ 1,397,496	\$ 13,418	\$ 559,003	\$ 3,237,320
Addition	-	85,888	308,175	1,165	349,604	744,832
Reclassification	-	481,343	137,569	-	(543,337)	75,575
Disposal	(21,961)	(21,366)	(159,030)	-	(35,836)	(238,193)
Acquired through business combinations	266,928	2,251,312	1,178,510	-	784,431	4,481,181
Net exchange differences	2,081	(19,738)	(51,818)	1,877	(25,467)	(93,065)
Balance as of December 31, 2018	<u>\$ 539,239</u>	<u>\$ 3,752,651</u>	<u>\$ 2,810,902</u>	<u>\$ 16,460</u>	<u>\$ 1,088,398</u>	<u>\$ 8,207,650</u>
<u>Accumulated depreciation and impairment</u>						
Balance as of January 1, 2018	\$ -	\$ 171,854	\$ 695,944	\$ 4,360	\$ 164,611	\$ 1,036,769
Disposal	-	(10,012)	(79,714)	-	(21,573)	(111,299)
Reclassification	-	2,950	(3,545)	-	(2,655)	(3,250)
Acquired through business combinations	-	1,005,077	959,066	-	161,634	2,125,777
Depreciation	-	87,885	276,273	3,204	91,005	458,367
Net exchange differences	-	(5,438)	23,855	510	(4,059)	14,868
Balance as of December 31, 2018	<u>\$ -</u>	<u>\$ 1,252,316</u>	<u>\$ 1,871,879</u>	<u>\$ 8,074</u>	<u>\$ 388,963</u>	<u>\$ 3,521,232</u>
Net amount as of December 31, 2018	<u>\$ 539,239</u>	<u>\$ 2,500,333</u>	<u>\$ 939,023</u>	<u>\$ 8,388</u>	<u>\$ 699,435</u>	<u>\$ 4,686,418</u>
<u>Cost</u>						
Balance as of January 1, 2017	\$ 292,191	\$ 481,327	\$ 312,741	\$ 13,251	\$ 175,465	\$ 1,274,975
Addition	-	11,148	203,329	1,725	198,850	415,052
Reclassification	-	-	6,561	-	409	6,970
Disposal	-	(2,349)	(14,690)	(1,558)	(41,995)	(60,592)
Acquired through business combinations	-	475,013	852,205	-	213,757	1,540,975
Net exchange differences	-	10,073	37,350	-	12,517	59,940
Balance as of December 31, 2017	<u>\$ 292,191</u>	<u>\$ 975,212</u>	<u>\$ 1,397,496</u>	<u>\$ 13,418</u>	<u>\$ 559,003</u>	<u>\$ 3,237,320</u>
<u>Accumulated depreciation and impairment</u>						
Balance as of January 1, 2017	\$ -	\$ 38,701	\$ 169,028	\$ 1,647	\$ 76,322	\$ 285,698
Disposal	-	(52)	(8,672)	(635)	(41,655)	(51,014)
Reclassification	-	704	(704)	-	-	-
Acquired through business combinations	-	102,733	385,793	-	63,647	552,173
Depreciation	-	25,345	143,620	3,348	60,798	233,111
Net exchange differences	-	4,423	6,879	-	5,499	16,801
Balance as of December 31, 2017	<u>\$ -</u>	<u>\$ 171,854</u>	<u>\$ 695,944</u>	<u>\$ 4,360</u>	<u>\$ 164,611</u>	<u>\$ 1,036,769</u>
Net amount as of December 31, 2017	<u>\$ 292,191</u>	<u>\$ 803,358</u>	<u>\$ 701,552</u>	<u>\$ 9,058</u>	<u>\$ 394,392</u>	<u>\$ 2,200,551</u>

The combined Company's property, plant and equipment are depreciated on a straight-line basis over the following years of service life:

Buildings	5 - 50 years
Machinery and equipment	2 - 15 years
Leasehold improvements	5 years
Other equipment	3 - 15 years

Please refer to Note 40 for the amount of property, plant and equipment pledged as collateral for borrowings.

XVIII. Goodwill

	<u>2018</u>	<u>2017</u>
<u>Cost</u>		
Opening balance	\$ 8,064,476	\$ 255,548
Acquisition through business combinations for the current period (Note 33)	2,886,630	7,752,775
Net exchange differences	<u>120,176</u>	<u>56,153</u>
Ending balance	11,071,282	8,064,476
<u>Accumulated impairment losses</u>		
Opening and closing balances	<u>-</u>	<u>-</u>
Net amount	<u>\$ 11,071,282</u>	<u>\$ 8,064,476</u>

The combined Company assesses the recoverable amount of the tangible and intangible assets by taking the recoverable amount and the estimated duration into consideration for evaluating the use of cash flow. The key assumptions adopted in the value-in-use calculations of the combined Company's business performance, future operating activities and the Company's business development objectives and future market development objectives are estimated to calculate the value in use of the estimated future net cash flows. The estimated number of residual values of these assets will be discounted by weighted average cost of capital.

The combined Company obtained the acquisition price allocation report on the S&T AG acquisition date (June 28, 2017) in the second quarter of 2018. Based on the fair value of the intangible assets of the subsidiary S&T AG as measured on the acquisition date, and the merger The former consolidated company has held the equity of S&T AG and then measured its fair value, the combined Company adjusted the original accounting treatment and provisional amount from the acquisition date and re-stated the comparative information.

The increase (decrease) in related item balance sheet is as follows:

	<u>December 31, 2017</u>	<u>Date of Acquisition</u>
Goodwill	(\$ 1,168,930)	(\$ 1,156,986)
Trademark Rights	<u>\$ 1,425,834</u>	<u>\$ 1,425,834</u>
Existing Technology	<u>\$ 669,271</u>	<u>\$ 701,245</u>
Customer relations	<u>\$ 1,811,125</u>	<u>\$ 1,918,012</u>
Retained earnings	(\$ 40,127)	<u>\$ 11,944</u>
Non-controlling equity	<u>\$ 2,777,427</u>	<u>\$ 2,876,161</u>

The adjustments to the relevant items in the consolidated income statement are as follows:

	<u>2017</u>
Operating expenses – amortization expense	<u>\$138,861</u>

XIX. Other Intangible Assets

	Trademark Rights	Patents	Computer software	Customer relations	Others	Total
Cost						
Balance as of January 1, 2018	\$ 2,335,023	\$ 574,342	\$ 2,928,625	\$ 1,918,012	\$ 1,605,633	\$ 9,361,635
Separate acquisition	1,086	-	674,773	-	174,119	849,978
Acquired through business combinations	-	-	36,615	-	1,873	38,488
Disposal	-	-	(16,687)	-	-	(16,687)
Reclassification	-	(213)	630	-	-	417
Net exchange differences	(6,298)	1,420	52,196	-	(11,638)	35,680
Balance as of December 31, 2018	<u>\$ 2,329,811</u>	<u>\$ 575,549</u>	<u>\$ 3,676,151</u>	<u>\$ 1,918,012</u>	<u>\$ 1,769,988</u>	<u>\$ 10,269,511</u>
Accumulated amortization and impairment						
Balance as of January 1, 2018	\$ 297,488	\$ 166,052	\$ 639,058	\$ 106,887	\$ 558,066	\$ 1,767,551
Acquired through business combinations	-	-	26,426	-	653	27,079
Amortization	108,182	62,103	556,369	215,289	213,519	1,155,462
Disposal	-	-	(14,160)	-	-	(14,160)
Reclassification	-	(213)	(265)	-	-	(478)
Net exchange differences	(3,281)	723	65,247	-	(8,843)	53,846
Balance as of December 31, 2018	<u>\$ 402,389</u>	<u>\$ 228,665</u>	<u>\$ 1,272,675</u>	<u>\$ 322,176</u>	<u>\$ 763,395</u>	<u>\$ 2,989,300</u>
Net amount as of December 31, 2018	<u>\$ 1,927,422</u>	<u>\$ 346,884</u>	<u>\$ 2,403,476</u>	<u>\$ 1,595,836</u>	<u>\$ 1,006,593</u>	<u>\$ 7,280,211</u>
Cost						
Balance as of January 1, 2017	\$ 324,406	\$ 578,179	\$ 29,582	\$ -	\$ -	\$ 932,167
Separate acquisition	2,670	-	331,024	-	18,206	351,900
Disposal	(62)	(135)	(33,885)	-	(6,116)	(40,198)
Reclassification	(309)	-	1,522	-	-	-
Acquired through business combinations	1,995,116	-	2,545,227	1,918,012	1,577,237	8,035,592
Net exchange differences	13,202	(3,702)	55,155	-	16,306	80,961
Balance as of December 31, 2017	<u>\$ 2,335,023</u>	<u>\$ 574,342</u>	<u>\$ 2,928,625</u>	<u>\$ 1,918,012</u>	<u>\$ 1,605,633</u>	<u>\$ 9,361,635</u>
Accumulated amortization and impairment						
Balance as of January 1, 2017	\$ 51,215	\$ 105,189	\$ 14,939	\$ -	\$ -	\$ 171,343
Amortization	66,068	61,896	224,718	106,887	107,511	567,080
Disposal	(62)	(135)	(15,355)	-	-	(15,552)
Reclassification	(38)	-	38	-	-	-
Acquired through business combinations	176,175	-	386,034	-	448,600	1,010,809
Net exchange differences	4,130	(898)	28,684	-	1,955	33,871
Balance as of December 31, 2017	<u>\$ 297,488</u>	<u>\$ 166,052</u>	<u>\$ 639,058</u>	<u>\$ 106,887</u>	<u>\$ 558,066</u>	<u>\$ 1,767,551</u>
Net amount as of December 31, 2017	<u>\$ 2,037,535</u>	<u>\$ 408,290</u>	<u>\$ 2,289,567</u>	<u>\$ 1,811,125</u>	<u>\$ 1,047,567</u>	<u>\$ 7,594,084</u>

The above intangible assets with an indefinite useful life and are amortized using the straight-line method over their useful lives of three to eleven years.

The abovementioned trademarks are subject to an extension of statutory life at minimum cost. The management believes that the combined Company has the intention and capacity to extend the useful life. The management has conducted research on the product life cycle research, market, competitive, environmental trend and the research and development opportunities. The result shows that said trademarks are expected to generate net cash inflows for the indefinite useful life, and are therefore classified as intangible assets with indefinite useful life. The useful life of the trademark is not amortized until it is determined to be finite, and is tested annually for impairment regardless of the lack of any indicator of impairment.

XX. Prepaid investment

Investment companies	Investee	December 31, 2018		December 31, 2017	
		Amount	Acquisition Shareholding %	Amount	Acquisition Shareholding %
Marketch International Corp.	Taiwan Specialty Chemical Corporation	\$ 4,800	0.07	\$ -	-
HighAim Technology Inc.	Qingdao Bonin Fortune Access equipment Co., Ltd.	-	-	75,000	6
		<u>\$ 4,800</u>		<u>\$ 75,000</u>	

For the abovementioned investments, as of the balance sheet date, the remittances have been settled due to the fact that the equity transfer has not been completed.

XXI. Other Assets

	December 31, 2018	December 31, 2017
Other receivables	\$ 1,580,852	\$ 846,158
Current tax assets	49,161	69,695
Prepayments	1,531,728	932,140
Other financial assets (Note 1)	279,245	44,750
Prepaid lease (Note 2)	84,829	44,577
Refundable deposits	77,018	59,637
Prepaid equipment	7,900	15,821
Others	<u>588,612</u>	<u>651,784</u>
	<u>\$ 4,199,345</u>	<u>\$ 2,664,562</u>
Current	\$ 3,399,781	\$ 1,926,235
Non-current	<u>799,564</u>	<u>738,327</u>
	<u>\$ 4,199,345</u>	<u>\$ 2,664,562</u>

Note 1: Other financial assets are pledged demand deposits. Please refer to Note 40.

Note 2: The prepaid lease payment is for land use right in Mainland China. The land use right certificate has been obtained. Please refer to Note 40 for mortgage information.

XXII. Loans

(I) Short-term loans

	December 31, 2018	December 31, 2017
<u>Secured loans (Note 40)</u>		
Bank loans	\$ 151,741	\$ 292,997
<u>Unsecured loans</u>		
Bank loans	<u>9,491,749</u>	<u>1,357,416</u>
	<u>\$ 9,643,490</u>	<u>\$ 1,650,413</u>
<u>Interest rate range</u>		
<u>Secured loans</u>	0.75%~4.08%	1%~3.30%
<u>Unsecured loans</u>	0.88%~18.5%	1%~9%

(II) Long-term loans

	December 31, 2018	December 31, 2017
<u>Secured loans (Note 40)</u>		
Bank loans	\$ 299,361	\$ 278,632
<u>Unsecured loans</u>		
Bank loans	2,769,906	2,164,824
Minus: long-term loans due within one year	(<u>1,207,692</u>)	(<u>23,713</u>)
	<u>\$ 1,861,575</u>	<u>\$ 2,419,743</u>
<u>Interest rate range</u>		
Secured loans	0.65%~2.75%	1.35%~2.50%
Unsecured loans	1.55%~6.50%	0.50%~6.50%

The above guarantees were secured by the pledge of land and buildings, which were either due for repayment or the principal and interest on a monthly basis with terms of maturity in May 2032. The borrowing rate is a floating rate. Unsecured loans were due for repayment in May 2032, with a floating interest rate.

XXIII. Convertible corporate bonds

	December 31, 2018	December 31, 2017
First domestic unsecured convertible corporate bond issue	\$ -	\$ -
Second domestic unsecured convertible corporate bond issue	1,170,468	1,486,059
First foreign unsecured convertible corporate bond issue	6,172,298	6,098,485
Subsidiary unsecured ordinary corporate bonds	11,766	533,550
Minus: parts with maturity or executable sellback within 1 year	(<u>7,354,532</u>)	(<u>533,550</u>)
	<u>\$ -</u>	<u>\$ 7,584,544</u>

(I) The Company issued the first unsecured convertible corporate bonds on May 5, 2015 to repay bank loans and increase working capital. The status of the issuance is as follows:

1. Total amount: NT\$800,000,000
2. Face value: NT\$100,000 per unit
3. Coupon rate: 0%
4. Effective interest rate: 1.7447%
5. Carrying value at issuance: NT\$759,547,000
6. Duration: May 5, 2015 - May 5, 2018
7. Conversion period:

Except for the suspension of the conversion period, the creditor may request that the company's debt conversion method be held from the day following the second month after the date of issuance (July 6, 2015) to maturity date of May 5, 2018 to be converted into ordinary shares of the Company. The suspension of conversion period is as follows:

- (1) The Company suspends and suspended the transfer period in accordance with the laws.
- (2) The Company will negotiate with Taipei Exchange on the non-replenishment of the shareholding date, the cash dividend payment or the cash increase subscription stop dates, and the period from the 15 business days before the transfer date to the base date of the rights distribution.
- (3) The date of capital reduction is cut off one day before the commencement of capital reduction.
- (4) Other statutory suspension period.

8. Conversion price and adjustment:

The conversion price at the time of issuance was at NT\$295. After the increase in the number of ordinary shares issued by the Company, it shall be handled in accordance with the provisions of Article 12 of the Company's domestic unsecured conversion of corporate bonds issuance and conversion procedures for the adjustment of conversion price. The conversion price after the final adjustment was \$274.

9. Resale option of the creditor:

For 30 days prior to the 2 years of maturity of the corporate bonds (May 5, 2017), the bond holder may notify the Company in writing to redeem the bonds at face value plus the principal amount of the convertible bonds (102.01% of the nominal face value of the bonds after 2 years) for the convertible corporate bonds to be redeemed in cash.

10. Redemption right of the Company:

From the next day following the bond issuance for 2 months (July 6, 2015) to 40 days before the maturity date (March 26, 2018), if the closing price of the company's common stock exceeds the current conversion price for 30 consecutive business days for up to 30%, or the outstanding balance of the conversion of corporate bonds is less than 10% of the total amount of the original issuance, the Company may notify the bondholders in accordance with the conversion method and recover all the bonds in cash in denominations.

This convertible corporate bonds comprise a liability and equity component. The equity component is presented in equity as a capital surplus – share option scheme. The liability component is classified as a liability for embedded derivative instrument and non-derivative instrument. The embedded derivative instrument is estimated to be NT\$0 of fair value as of December 31, 2017. The non-derivative liabilities were measured at amortized cost of NT\$0. The effective interest rate for the initial recognition was 1.7447%.

Issue price (minus the transaction cost of NT\$ 5,578,000)	\$ 794,422
Equity component	(29,155)
Liability component (including corporate bonds payable of NT\$759,547,000 and financial liabilities at fair value through profit or loss – non-current at NT\$5,720,000)	765,267
Interest calculated at effective interest rate of 1.7447%	11,456
Financial instruments gain from valuation	(8,527)
Corporate bonds converted into ordinary shares	(768,196)
Liability component as of December 31, 2018	\$ -

(II) The Company issued the second domestic unsecured convertible corporate bonds on May 13, 2016 to repay bank loans and increase working capital. The status of the issuance is as follows:

1. Total amount: NT\$1,800,000,000
2. Face value: NT\$100,000 per unit
3. Coupon rate: 0%
4. Effective interest rate: 1.4306%
5. Carrying value at issuance: NT\$1,676,592,000
6. Duration: May 14, 2016 - May 13, 2021
7. Conversion period:

Except for the suspension of the conversion period, the creditor may request that the company's debt conversion method be held from the day following the 2nd month after the date of issuance (July 14, 2016) to maturity date of May 13, 2021 to be converted into ordinary shares of the Company. The suspension of conversion period is as follows:

- (1) The Company suspends and suspended the transfer period in accordance with the laws.
- (2) The Company will negotiate with Taipei Exchange on the non-replenishment of the shareholding date, the cash dividend payment or the cash increase subscription stop dates, and the period from the 15 business days before the transfer date to the base date of the rights distribution.
- (3) The date of capital reduction is cut off one day before the commencement of capital reduction.
- (4) Other statutory suspension period.

8. Conversion price and adjustment:

The conversion price at the time of issuance was at NT\$435. After the increase in the number of ordinary shares issued by the Company, it shall be handled in accordance with the provisions of Article 12 of the Company's domestic unsecured conversion of corporate bonds issuance and conversion procedures for the adjustment of conversion price. As of December 31, 2018, the conversion price was adjusted to NT\$ 403.

9. Resale option of the creditor:

For 30 days prior to the 3 years of maturity of the corporate bonds (May 13, 2019), the bond holder may notify the Company in writing to redeem the bonds at face value plus the principal amount of the convertible bonds (103.0301% of the nominal face value of the bonds after 3 years) for the convertible corporate bonds to be redeemed in cash.

10. Redemption right of the Company:

From the next day following the bond issuance for 2 months (July 14, 2016) to 40 days before the maturity date (April 3rd, 2021), if the closing price of the company's common stock exceeds the current conversion price for 30 consecutive business days for up to 30%, or the outstanding balance of the conversion of corporate bonds is less than 10% of the total amount of the original issuance, the Company may notify the bondholders in accordance with the conversion method and recover all the bonds in cash in denominations.

This convertible corporate bonds comprise a liability and equity component. The equity component is presented in equity as a capital surplus – share option scheme. The liability component is classified as a liability for embedded derivative instrument and non-derivative instrument. The embedded derivative instrument is estimated to be NT\$11,743,000 of fair value as of December 31, 2018. The non-derivative liabilities were measured at amortized cost of NT\$1,170,468,000. The effective interest rate for the initial recognition was 1.4306%.

Issue price (minus the transaction cost of NT\$ 3,395,000)	\$ 1,796,605
Equity component	(99,172)
Liability component (including corporate bonds payable of NT\$1,679,592,000 and financial liabilities at fair value through profit or loss – non-current at NT\$20,841,000)	1,697,433
Interest calculated at effective interest rate of 1.4306%	52,684
Financial instruments gain from valuation	(7,018)
Corporate bonds converted into ordinary shares	(560,888)
Liability component as of December 31, 2018	<u>\$ 1,182,211</u>

(III) The Company issued the first unsecured convertible corporate bonds abroad on March 10, 2017 to repay bank loans and increase working capital. The declaration was validated by the FSC to be listed at the Singapore Exchange. The status of the issuance is as follows:

1. Total amount: US\$200,000,000. The corporate bonds will be converted into the New Taiwan Dollars at a fixed exchange rate of 31.653 for the repayment, sellback and redemption.
2. Face value: US\$200,000 per unit
3. Coupon rate: 0%
4. Effective interest rate: 2.4144%
5. Carrying value at issuance: NT\$5,978,823,000
6. Duration: March 10, 2017 - March 10, 2022
7. Conversion period:

Except for the suspension of the conversion period, the creditor may request that the company's debt conversion method be held from the day following the 2nd month after the date of issuance (April 10, 2017) to 10 days before the maturity date of February 28, 2022 to be converted into ordinary shares of the Company.

8. Conversion price

The creditor can request the conversion of corporate bonds into the Company's common stocks at the conversion price of NT\$435 and the fixed conversion rate of 31.653. After the increase in the number of ordinary shares issued by the Company, it shall be handled in accordance with the provisions of Article 13 of the Company's foreign unsecured conversion of corporate bonds issuance and conversion procedures for the adjustment of conversion price. As of December 31, 2018, the conversion price was adjusted to NT\$ 463.94.

9. Repayment of bonds due:

Except for the redemption, repurchase and cancellation, as well as the conversion right exercised by the bondholder, the bonds will be repaid in full on the maturity date at the nominal value plus a yield of 1.25% per annum.

10. Resale option of the creditor:

From two years (March 10, 2019) to 4 years following the bond issuance (March 10, 2021), the bondholders may, in accordance with the provisions of the conversion method, notify the company in writing that the Company shall add the interest compensation (bond denomination plus 1.25% of the annual interest rate) to the denomination of the bond, and redeem the converted corporate bond held from the Company.

11. Redemption right of the Company:

After issuing the corporate bonds for 2 years (March 10, 2019), if there are 20 trading days out of 30 consecutive business days where the common stocks' closing price on the Taiwan Stock Exchange at the current conversion rate for the US dollar, reaches the issuer's advanced redemption price divided by the denomination multiplied by more than 130% of the total amount, the issuing company may redeem the bonds in whole or in part in advance at the price calculated by the denomination of the bonds plus the annual interest rate of 1.25%. If 90% of the bonds have been redeemed, converted, purchased or cancelled, the Company of issuance may redeem the outstanding bonds in full at the redemption price for advanced redemption.

This convertible corporate bonds comprise a liability and equity component. The equity component is presented in equity as a capital surplus – share option scheme. The liability component is a liability that is not a derivative instrument measured at amortized cost at NT\$6,172,298,000 as of December 31, 2018. The effective interest rate for the initial recognition was 2.4144%.

Issue price (minus the transaction cost of NT\$29,142,000)	\$ 6,301,458
Equity component	(<u>322,635</u>)
Liability component at the date of issue	5,978,823
Interest calculated at an effective interest rate of 2.4144%	284,316
Corporate bonds converted into ordinary shares	(<u>90,841</u>)
Liability component as of December 31, 2018	<u>\$ 6,172,298</u>

(IV) The major conditions for issuance of corporate bonds by subsidiaries are listed below:

Issuance period	Total amount	Coupon rate	Repayment method	December 31, 2018	December 31, 2017
May 2014 to May 2018	EUR 15,000	7.25%	The capital is repaid at maturity and the interest is paid annually.	<u>\$ -</u>	<u>\$ 533,550</u>

- (V) The subsidiaries' unsecured convertible bonds issuance criteria are as follows:
1. Total amount: NT\$500,000,000
 2. Face value: NT\$100,000 per unit
 3. Coupon rate: 0%
 4. Effective interest rate: 1.788%
 5. Duration: August 22nd, 2016 - August 22nd, 2019
 6. Conversion period: The date of the issuance of the corporate bond holders shall be the next day of the following month after the issuance of the bonds. Unless the Company has been required to suspend the transfer of the account in accordance with the procedures or regulations, bondholders may request the Company to convert into ordinary shares. The rights and obligations of the common shares shall be the same as the original issued ordinary shares.
 7. Conversion price:

The conversion price of the convertible corporate bonds is determined in accordance with the established model stipulated by the conversion method. The conversion price is subject to the conversion method. The Company will adjust the conversion price in accordance with the regulations of the conversion method. On the base date set by the method, the conversion price will be re-stated according to the prescribed model stipulated in the conversion method. If it is higher than the conversion price before the re-establishment of the current year, it will not be adjusted.
 8. Redemption option:
 - (1) Redemption of the bonds: After the maturity of the bonds, the Company will repay the principal.
 - (2) Redemption in advance: From the next day following the bond issuance for one month to 40 days before the maturity date, if the closing price of the company's common stock exceeds the current conversion price for 30 consecutive business days for up to 30%, or the outstanding balance of the conversion of corporate bonds is less than 10% of the total amount of the original issuance, the Company may notify the bondholders in accordance with the conversion method and recover all the bonds in cash in denominations.
 - (3) According to the conversion regulations, all recovered, repaid or converted corporate bonds will be cancelled and all rights and obligations attached to the bonds will be eliminated and not issued again.

XXIV. Other liabilities

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Other payables - current</u>		
Salary and bonus payable	\$ 1,310,831	\$ 975,540
Employee bonus payable	242,843	93,817
Remuneration payable to directors and supervisors	23,999	11,573
Equipment payable	31,379	8,376
Procurement payable on behalf of others	1,378,208	-
Others	<u>2,217,314</u>	<u>2,084,495</u>
	<u>\$ 5,204,574</u>	<u>\$ 3,173,801</u>
<u>Other liabilities</u>		
Advance from customers	\$ -	\$ 1,128,853
Temporary credits	23,140	23,111
Receipts under custody	23,213	13,077
Others	<u>972,229</u>	<u>1,262,280</u>
	<u>\$ 1,018,582</u>	<u>\$ 2,427,321</u>
Current	\$ 124,830	\$ 1,166,778
Non-current	<u>893,752</u>	<u>1,260,543</u>
	<u>\$ 1,018,582</u>	<u>\$ 2,427,321</u>

XXV. Liability reserve

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Current</u>		
Warranty (1)	\$ 191,327	\$ 235,638
Reconstructing (2)	7,814	249,365
Onerous contracts (3)	185,683	286,049
Others (4)	<u>613,646</u>	<u>542,328</u>
	<u>\$ 998,470</u>	<u>\$ 1,313,380</u>
<u>Non-current</u>		
Warranty (1)	\$ 64,055	\$ 30,250
Onerous contracts (3)	42,219	118,648
Employee benefits liability reserve (4)	77,998	75,892
Others (5)	<u>196,584</u>	<u>429,850</u>
	<u>\$ 380,856</u>	<u>\$ 654,640</u>

	Employee Benefits	Warranty	Onerous contract	Reconstructing	Others	Total
Balance as of January 1, 2018	\$ 75,892	\$ 265,888	\$ 404,697	\$ 249,365	\$ 972,178	\$ 1,968,020
Acquired through business combinations	7,811	7,509	10,508	-	51,781	77,609
Additions for the year	1,531	59,435	62,202	-	71,757	194,925
Used for the year	(1,278)	(49,054)	(180,535)	(40,827)	(213,486)	(485,180)
Reversal of unused balance for the current year	(5,167)	(48,759)	(33,343)	(198,130)	(68,304)	(353,703)
Others	-	25,171	(30,305)	-	4,801	(333)
Net exchange differences	(791)	(4,808)	(5,322)	(2,594)	(8,497)	(22,012)
Balance as of December 31, 2018	<u>\$ 77,998</u>	<u>\$ 255,382</u>	<u>\$ 227,902</u>	<u>\$ 7,814</u>	<u>\$ 810,230</u>	<u>\$ 1,379,326</u>

- (I) Warranty reserve is the present value of the best estimate of the future economic benefits of the combined Company due to warranty obligations. The estimate is based on historical warranty experience and adjusted for factors such as the new raw materials, process changes or other factors affecting the quality of the products.
- (II) Restructuring is for the liability reserve arising from the acquisition of KONTRON AG by S&T AG.
- (III) The liability reserve for onerous contract is the estimated present value of the existing future payment obligation under S&T AG's non-cancellable purchase contract.
- (IV) Employee benefit liability reserve is a one-time severance payment for temporary employees by S&T AG.
- (V) Other items include litigation and employee benefits.

XXVI. Post-retirement benefit program

(I) Defined contribution plans

The pension system of the "Labor Pension Act" applicable to the combined Company as well as its domestic subsidiaries is a defined contribution plan under government administration. 6% of the employees' monthly salaries is contributed to their personal accounts at the Bureau of Labor Insurance.

The foreign subsidiaries of the combined Company also set aside and make payments to the relevant statutory bodies in accordance with the local laws and regulations.

(II) Defined benefit plans

1. The Company, Marketech International Corp. and Thecus Technology Corp. administer the pension system in accordance with domestic Labor Standards Act, which is a defined benefit retirement plan managed by the government. The payment of employee pension is based on the number years in service and the average wages of the six months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. The Company assesses the balance in the aforementioned labor pension reserve account by December 31 of every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by the end of next March. The Bureau of Labor Funds, Ministry of Labor is assigned to administer the account. The Company retains no rights that may influence its investment and administration strategies.
2. As part of the combined Company, Kontron shall comply with relevant local laws and regulations. When the employees who participate in the retirement plan meet the conditions (such as reaching the retirement age, losing the capacity to work, etc.), pension should be paid based on their years in service and wages when they leave the job or retire.

The amounts included in the defined benefit plan in the consolidated balance sheet are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Present value of defined benefit obligations	\$431,259	\$107,195
Fair value of plan assets	(<u>130,255</u>)	(<u>3,516</u>)
Contribution deficit (surplus)	<u>\$301,004</u>	<u>\$103,679</u>
Net defined benefit assets	(\$ 743)	(\$ 1,795)
Net defined benefit liabilities	<u>301,747</u>	<u>105,474</u>
	<u>\$301,004</u>	<u>\$103,679</u>

The changes in net defined benefit liabilities (assets) are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities (assets)</u>
January 1, 2017	\$ <u>1,889</u>	(\$ <u>3,499</u>)	(\$ <u>1,610</u>)
Acquired through business combinations	<u>109,190</u>	<u>-</u>	<u>109,190</u>
Cost of service			
Current cost of service	3,413	-	3,413
Interest expense (income)	<u>1,164</u>	(<u>24</u>)	<u>1,140</u>
Recognized in profit and loss	<u>4,577</u>	(<u>24</u>)	<u>4,553</u>
Return on plan assets (excluding amounts included in net interest)	-	7	7
Actuarial (gain) loss – changes in financial assumptions	(<u>10,475</u>)	-	(<u>10,475</u>)
Actuarial (gain) loss – experience adjustments	(<u>534</u>)	-	(<u>534</u>)
Recognized in other comprehensive income	(<u>11,009</u>)	<u>7</u>	(<u>11,002</u>)
Benefits paid	(<u>233</u>)	<u>-</u>	(<u>233</u>)
Exchange differences	<u>2,781</u>	<u>-</u>	<u>2,781</u>
December 31, 2017	<u>107,195</u>	(<u>3,516</u>)	<u>103,679</u>
Acquired through business combinations	\$ <u>323,149</u>	(\$ <u>120,679</u>)	\$ <u>202,470</u>
Cost of service			
Current cost of service	5,910	-	5,910
Interest expense (income)	3,868	(<u>1,684</u>)	2,184
Recognized in profit and loss	9,778	(<u>1,684</u>)	8,094
Return on plan assets (excluding amounts included in net interest)	-	(<u>3,286</u>)	(<u>3,286</u>)
Actuarial (gain) loss – demographic assumptions changes	(<u>17</u>)	-	(<u>17</u>)
Actuarial (gain) loss – changes in financial assumptions	5,659	-	5,659
Actuarial (gain) loss – experience adjustments	(<u>633</u>)	-	(<u>633</u>)
Recognized in other comprehensive income	5,009	(<u>3,286</u>)	1,723
Employer contributions	-	(<u>15,168</u>)	(<u>15,168</u>)
Benefits paid	(<u>11,621</u>)	<u>11,621</u>	-
Settlements	(<u>647</u>)	<u>2,457</u>	1,810
Exchange differences	(<u>1,604</u>)	<u>-</u>	(<u>1,604</u>)
December 31, 2018	\$ <u>431,259</u>	(\$ <u>130,255</u>)	\$ <u>301,004</u>

The Company and the domestic subsidiaries are exposed to the following risks due to the pension system of the "Labor Standards Act":

1. Investment risk: The Labor Fund Application Bureau of the Ministry of Labor invests in domestic and foreign equity securities, debt securities and bank deposits, respectively, through self-employment and entrusted operations. However, the amount of the Company's planned assets is calculated as not lower than the income from the local bank's 2-year fixed deposit rate.
2. Interest rate risk: A decrease in the government bond yield rate will increase the present value of the defined benefit obligation, however, the return on the debt investments of the plan assets will also increase. Those two will partially offset each other.
3. Salary risk: The present value of defined benefit obligations is calculated by referencing the future salaries of the plan participants. Therefore, the increase in salaries of the plan participants will increase the present value of defined benefit obligations.

The principal risks of the pension plans of Kontron include the future salary changes for the plan participants, life expectancy and market interest rate volatility.

The present value of the defined benefit obligation of the merging company is determined by a qualified actuary. The significant assumptions on the measurement date are as follows:

	December 31, 2018	December 31, 2017
Discount rate	1.000% - 3.000%	1.150% - 3.250%
Expected salary growth rate	2.0% - 4.0%	1.6% - 4.0%
Mortality rate	According to 90% of the 5th Taiwan Life Insurance standard ordinary experience mortality table	According to 90% of the 5th Taiwan Life Insurance standard ordinary experience mortality table
Turnover Rate	0% - 34%	0% - 34%

If reasonably possible changes occur in major actuarial assumptions while all other assumptions remain unchanged, the present value of defined benefit obligations will increase (decrease) as follows:

	December 31, 2018	December 31, 2017
Discount rate		
Increase by 0.5%	(\$ 16,535)	(\$ 7,935)
Decrease by 0.5%	<u>\$ 10,777</u>	<u>\$ 7,394</u>
Expected salary growth rate		
Increase by 0.5%	<u>\$ 10,519</u>	<u>\$ 7,286</u>
Decrease by 0.5%	(<u>\$ 16,369</u>)	(<u>\$ 7,312</u>)

As actuarial assumptions may be related to one another, the likelihood of one assumption changing is low. Therefore, the sensitivity analysis above may not be representative of the actual change in the present value of defined benefit obligations.

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Expected appropriation within 1 year	<u>\$ 6,009</u>	<u>\$ -</u>
Average maturity period of defined benefit obligations	17.45 years	12.85 years

XXVII. Equity

(I) Share capital

Common stock

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Authorized shares (thousand shares)	<u>150,000</u>	<u>120,000</u>
Authorized capital	<u>\$ 1,500,000</u>	<u>\$ 1,200,000</u>
Number of issued and paid shares (thousand shares)	<u>77,574</u>	<u>76,528</u>
Issued capital	<u>\$ 775,745</u>	<u>\$ 765,288</u>

The par value of ordinary shares issued were NT\$10 per share. Each share is entitled to the right to vote and receive dividend.

The convertible corporate bonds were converted into ordinary shares at NT\$ 2,280,000 for 2017. Paid-in capital after change was NT\$765,288,000.

The convertible corporate bonds were converted into ordinary shares at NT\$10,457,000 for 2018. Paid-in capital after change was NT\$775,745,000.

(II) Capital surplus

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>For the purpose of offsetting losses, cash distribution or capitalization of share capital</u>		
<u>(1)</u>		
Share premium	\$ 2,415,595	\$ 2,415,595
New shares issued by other companies	485,900	485,900
Premium on conversion of convertible bonds	1,442,451	1,005,235
<u>Only for offsetting losses</u>		
Changes in ownership interests in subsidiaries (2)	-	734,913
<u>Not for any purpose</u>		
Share options for convertible corporate bonds	<u>384,494</u>	<u>408,529</u>
	<u>\$ 4,728,440</u>	<u>\$ 5,050,172</u>

1. Such capital reserve can be used to make up for losses. It can also be used to issue cash or to make up the capital when the company has no loss, but only to a certain percentage of the paid-up share capital each year when the capital is used.
2. Such capital reserve is the number of equity transactions affected by the change in the equity when the Company has not actually acquired or owned the equity of the subsidiaries, or the adjustment of the capital reserve of the subsidiary recognized by the Company using the equity method.

(III) Retained earnings and dividend policy

In accordance with the Company's Articles of Incorporation, current year's earnings must be distributed in the following order:

1. Covering accumulated deficit.
2. Setting aside as legal reserve equal to 10% of current year's net income. However, when the legal reserve has reached the total capital of the company, this does not apply.
3. Other special reserve appropriated and reversed by other laws and regulations.
4. After the annual final accounting, after deducting the amount from the aforementioned items 1-3, the Company's net profit for the year is added to the undistributed earnings from beginning of the year. The Board of Directors makes a distribution proposal for distributable earnings and submits it to the Shareholders' Meeting for resolution.

The Company is at the growing stage. The Company's stock dividend policy shall consider the Company's capital budget and fund requirements for the Board of Directors to propose the distribution package and the Shareholders' Meeting to pass the resolution. The distribution of cash dividends shall be no less than 10% of the dividends distributed in the current year. For employees, directors and supervisors remuneration as stipulated in the Articles of Incorporation, please refer to Note 29 (6) for the employees' remuneration and remuneration of directors and supervisors.

The legal surplus reserve shall be allocated until it reaches the balance of the Company's paid-in capital. The legal surplus reserve can be used to make up for losses. When the Company has no loss, the portion of the statutory surplus reserve exceeding 25% can be allocated for the total paid-in capital as well as cash distribution.

The Company set aside and reverses special surplus reserve and reversal according to the Financial Supervisory Securities Letter No. 1010012865, the Financial Supervisory Commission's Letter No. 1010047490 and the "Adoption of International Financial Reporting Standards (IFRSs)".

The Company held shareholders' meetings on June 28, 2018 and May 18, 2017. The distribution of earnings for 2017 and 2016 was resolved as follows:

	Distribution of earnings		Dividends per share (NTD)	
	2017	2016	2017	2016
Legal reserve	\$ 112,337	\$ 102,275		
Special reserve	454,629	34,724		
Cash Dividends	682,864	763,008	\$ 9.00	\$ 10.00

The Board of Directors submitted the proposal for distribution of earnings and dividends per share for 2017 on March 29, 2019:

	Distribution of earnings	Dividends per share (NTD)
Legal reserve	\$ 110,812	
Reversal) Special Reserve	(111,213)	
Cash Dividends	580,436	\$ 7.00

The distribution of earnings for 2018 is subject to the resolution of the shareholders' meeting to be held on June 28, 2019.

(IV) Other equity items

1. Exchange differences on translation of foreign financial statements

	2018	2017
Opening balance	(\$ 456,250)	(\$ 20,582)
Arising from the current period		
Exchange differences on translation of foreign operations	111,088	(389,849)
Reclassification adjustment		
Disposal of foreign operations	-	(45,819)
Other comprehensive income (loss)	111,088	(435,668)
Ending balance	(\$ 345,162)	(\$ 456,250)

2. Unrealized gain (loss) on available-for-sale financial assets

	2017
Balance as of January 1, 2017	(\$ 20,454)
Arising from current period	
Unrealized gain (loss)	(312,450)
Reclassification adjustment	
Proceeds from disposal of available-for-sale financial assets	293,489
Other comprehensive income (loss)	(18,961)
Balance as of December 31, 2017	(\$ 39,415)

3. Unrealized gain (loss) on financial assets at fair value through other comprehensive income

	2018
Opening balance (IAS 39)	(\$ 39,415)
Impact of applying IFRS 9 retrospectively	22,309
Opening balance (IFRS 9)	(17,106)
Arising from current period	
Unrealized gain (loss)	
Equity instruments	(22,184)
Other comprehensive income (loss)	(22,184)
Ending balance	(\$ 39,290)

(V) Non-controlling interests

	2018	2017
Opening balance	\$ 13,759,341	\$ 1,936,159
Net income for the period	1,760,760	737,696
Other comprehensive income (loss)		
Exchange differences on translation of foreign financial statements	119,216	166,181
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(17,096)	-
Defined benefit plans	1,108	-
Cash dividends for shareholders of the subsidiaries	(527,998)	(299,884)
Increase in non-controlling interest of the subsidiaries increase by cash capital increase	786,939	5,045,779
Acquisition of non-controlling interests in subsidiaries (Note 33)	2,928,351	9,086,965
Transactions with non-controlling interests of subsidiaries (Note 34)	339,501	(2,913,555)
Non-controlling interests related to vested shares in circulation held by the employees of the subsidiaries (Note 32)	2,281	-
Ending balance	<u>\$ 19,152,403</u>	<u>\$ 13,759,341</u>

(VI) Treasury stock

Reason for recovery	Transfer of shares to Employees (thousand shares)	Parent company stocks held by subsidiaries (thousand shares)	Total (thousand shares)
Shares on January 1st, 2017	-	-	-
Increase during the period	1,000	-	1,000
Decrease during the period	(345)	-	(345)
Number of shares as of December 31, 2017	<u>655</u>	<u>-</u>	<u>655</u>
Number of shares as of January 1, 2018	655	-	655
Increase during the period	-	10	10
Decrease during the period	-	-	-
Number of shares as of December 31, 2018	<u>655</u>	<u>10</u>	<u>665</u>

For the purpose of investment, the subsidiaries held shares of the Company as of December 31, 2018. The relevant information is as follows:

Name of subsidiary	Shares (1,000 shares)	Carrying Amount	Market value
Marketch International Corp.	10	\$ 2,440	\$ 2,440

The Company transferred 345,000 shares of treasury stocks to employees in August 2017. The transfer price per share was NT\$356.653, and the total amount was NT\$123,045,000. The fair value of the share options is NT\$67.35 per share. The recognized salary expenses and capital reserve of NT\$ 23,236,000 were recognized.

Treasury stocks held by the Company shall not be pledged as collateral in accordance with the Securities and Exchange Act, nor shall it be entitled to dividend distribution and voting rights. Company stocks held by the subsidiaries are treated as treasury stocks. Except for not being used for the Company's cash capital increase and the lack of voting power, the rest of the rights are the same as the general shareholders' rights.

XXVIII. Revenue

	2018	2017
Revenue from customer contracts		
Sales revenue	\$ 47,958,862	\$ 34,780,869
Service revenue	10,402,788	123,195
Construction revenue	<u>10,600,809</u>	<u>-</u>
	<u>\$ 68,962,459</u>	<u>\$ 34,904,064</u>

The abovementioned products are sold to the world's largest suppliers in different application fields at fixed price as per the contract

(I) Contract assets and contract liabilities

	<u>December 31, 2018</u>
Accounts receivable (Note 12)	<u>\$ 16,489,301</u>
Contract assets	
Contract assets – construction contracts	<u>\$ 4,382,925</u>
Contract liabilities	
Contract liabilities – Construction contracts	\$ 3,208,427
Contract liabilities – sales contracts	1,457,005
Contract liabilities – service contracts	<u>29,322</u>
Total	<u>\$ 4,766,754</u>

Changes in contract assets and contract liabilities are mainly caused by the difference between the timing of obligation performance and timing of payment. Other important changes are acquired through business combinations.

The amount of contract liabilities recognized as revenue at the beginning of the year is as follows:

	<u>2018</u>
<u>Opening contract liabilities</u>	
Sale of goods	<u>\$ 1,087,496</u>

(II) For details on the customer contract, please refer to Note 45.

XXIX. Net Income

(I)	Other income	2018	2017
	Rental income	<u>\$ 14,352</u>	<u>\$ 6,689</u>
	Interest income	<u>77,136</u>	<u>27,378</u>
		<u>\$ 91,488</u>	<u>\$ 34,067</u>
(II)	Other gains and losses	2018	2017
	Net loss from disposal of available-for-sale financial assets	\$ -	(\$ 293,489)
	Financial assets and financial liabilities		
	Financial liabilities held for trading	-	8,121
	Financial assets at fair value through the statement of other comprehensive income	89,284	-
	Disposal of associate interests (Note 33)	-	612,145
	Impairment loss on investments under the equity method	-	(181,538)
	Net foreign exchange loss	46,859	(45,098)
	Proceeds from actual settlement of litigation	19,654	-
	Bargain purchase gain – acquisition of subsidiaries (Note 33)	56,174	-
	Proceeds from disposal of property, plant, and equipment	20,611	-
	Others	<u>851,542</u>	<u>559,045</u>
		<u>\$ 1,084,124</u>	<u>\$ 659,186</u>
(III)	Finance Costs	2018	2017
	Interest on bank loans	<u>\$302,883</u>	<u>\$167,180</u>
	Imputed interest on corporate bonds payable	<u>182,126</u>	<u>141,072</u>
		<u>\$485,009</u>	<u>\$308,252</u>

(IV) Depreciation and amortization cost			
	2018	2017	
Depreciation of property, plant and equipment	\$ 458,367	\$ 233,111	
Amortization cost on other intangible assets	1,155,462	567,080	
Amortization of long-term prepaid lease payments	1,194	1,047	
	<u>\$ 1,615,023</u>	<u>\$ 801,238</u>	
Depreciation cost summarized by function			
Operating costs	\$ 146,009	\$ 41,128	
Operating expenses	312,358	191,983	
	<u>\$ 458,367</u>	<u>\$ 233,111</u>	
Amortized cost summarized by function			
Operating costs	\$ 134,203	\$ 1,116	
Operating expenses	1,022,453	567,011	
	<u>\$ 1,156,656</u>	<u>\$ 568,127</u>	
(V) Employee benefits expenses			
	2018	2017	
Post-employment benefits			
Defined contribution plans	\$ 157,018	\$ 56,522	
Defined benefit plans	8,094	4,553	
Salaries, bonuses and dividends	8,702,093	4,105,380	
Other employee benefits	285,476	149,039	
	<u>\$ 9,152,681</u>	<u>\$ 4,315,494</u>	
Summarized by function			
Operating costs	\$ 720,929	\$ 152,372	
Operating expenses	8,431,752	4,163,122	
	<u>\$ 9,152,681</u>	<u>\$ 4,315,494</u>	
(VI) Employees' compensation and directors' and supervisors' remuneration			
The Company will allocate no less than 2% and no more than 2% of respectively before deducting the pre-tax benefits to employees' compensation and directors' and supervisors' remuneration. The employees' compensation and directors' and supervisors' remuneration for 2018 and 2017 were resolved by the board of directors on March 29, 2019 and March 30, 2018 respectively as follows:			
<u>Estimated ratio</u>			
	2018	2017	
Employee compensation	3.0%	4.1%	
Director and Supervisor remuneration	0.3%	0.2%	

<u>Amount</u>	<u>2018</u>	<u>2017</u>
Employee remuneration	<u>\$ 33,116</u>	<u>\$ 50,000</u>
Remuneration to Directors and Supervisors	<u>\$ 3,060</u>	<u>\$ 2,901</u>

If there are any changes in the amounts after approval of the annual consolidated financial report, they will be treated accordingly and recorded in the accounts of the next fiscal year.

The actual distribution amount for employees' compensation and directors' and supervisors' remuneration for 2017 and 2016 did not differ from the recognized amounts of the consolidated financial statements for 2017 and 2016.

Information on the employees' compensation and directors and supervisors' remuneration resolved by the Board of Directors in 2019 and 2018 is available on the Market Observation Post System of TWSE.

(VII) Foreign exchange gains and losses

	<u>2018</u>	<u>2017</u>
Total gains on foreign exchange	\$ 688,513	\$ 247,418
Total loss on foreign exchange	(<u>641,654</u>)	(<u>292,516</u>)
Net (loss) gain	<u>\$ 46,859</u>	(<u>\$ 45,098</u>)

XXX. Income tax

(I) Income tax recognized in profit or loss

The main components of income tax expenses are as follows:

	<u>2018</u>	<u>2017</u>
Current income tax		
Arising from the current period	\$ 816,241	\$ 303,669
Surtax on unappropriated retained earnings	34,485	46,694
Adjustments for prior years	(4,698)	4,324
Deferred income tax		
Arising from the current period	(71,369)	54,565
Change in tax rate	(<u>14,725</u>)	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 778,822</u>	<u>\$ 409,252</u>

Reconciliation between accounting income and current income tax expenses is as follows:

	2018	2017
Net income before tax	<u>\$ 3,647,699</u>	<u>\$ 2,230,195</u>
Income tax expense at the statutory rate	\$ 882,651	\$ 408,372
Expenses not deductible for tax	303,332	83,884
Tax-exempted income	(164,262)	(23,049)
Surtax on unappropriated retained earnings	34,485	46,694
Unrecognized temporary difference	(282,238)	(15,991)
Investment tax credit	(3,418)	(3,328)
Effect of different tax rates for consolidated entities	27,985	(15,022)
Unrecognized deductible losses	(290)	(76,632)
Adjustments in respect of current income tax expense for prior periods	(4,698)	4,324
Changes in tax rates	(<u>14,725</u>)	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 778,822</u>	<u>\$ 409,252</u>

The combined Company is eligible to tax rate of 17% applicable to individuals based on the Income Tax Act of the Republic of China

The Income Tax Law of the Republic of China was increased from 17% to 20% in the Income Tax Act amended in February 2018 and implemented in 2018. In addition, the tax rate applicable to unappropriated earnings for 2018 will decrease from 10% to 5%.

The tax rate applicable to subsidiaries in the Mainland China is 25%. Tax arising from other jurisdictions is calculated at the rates applicable in the respective jurisdictions.

As the distribution of earnings from the shareholders' meeting in 2019 is still uncertain, the potential income tax on undistributed earnings for 2018 has not been determined by the potential profit tax.

(II) Income tax recognized in other comprehensive income

	2018	2017
<u>Deferred income tax</u>		
Changes in tax rates	\$ -	\$ -
Arising from the current period		
– At fair value through other comprehensive income	2,086	-
– Remeasurement of defined benefit plans	<u>9,880</u>	<u>31</u>
Income tax recognized in other comprehensive income	<u>\$ 11,966</u>	<u>\$ 31</u>

(III) Deferred income tax assets and liabilities

The changes in deferred income tax assets and liabilities are as follows:

2018

	Opening balance	Acquired through business combinations	Recognized in profit and loss	Recognized in other comprehensive income	Exchange differences	Closing balance
Deferred income tax assets						
Allowance for inventory valuation loss	\$ 148,737	\$ 13,191	\$ 37,716	\$ -	(\$ 6,619)	\$ 193,025
Loss deduction	603,216	-	174,540	-	(9,774)	767,982
Bad debt loss	4,757	41,774	(4,757)	-	-	41,774
Liability reserve	441,403	36,336	(77,475)	-	(6,752)	393,512
Others	30,790	49,828	(49,554)	9,880	12,048	52,992
	<u>\$ 1,228,903</u>	<u>\$ 141,129</u>	<u>\$ 80,470</u>	<u>\$ 9,880</u>	<u>(\$ 11,097)</u>	<u>\$ 1,449,285</u>
Deferred income tax liabilities						
Defined benefit retirement plan	\$ 616	\$ -	\$ 2,241	(\$ 2,086)	\$ -	\$ 771
Book-tax difference	193,279	42,870	(19,653)	-	(3,101)	213,395
Asset revaluation	257,841	46,452	7,896	-	(2,692)	309,497
Others	-	11,029	3,892	-	-	14,921
	<u>\$ 451,736</u>	<u>\$ 100,351</u>	<u>(\$ 5,624)</u>	<u>(\$ 2,086)</u>	<u>(\$ 5,793)</u>	<u>\$ 538,584</u>

2017

	Opening balance	Acquired Acquisition	Recognized in profit and loss	Recognized in other comprehensive income	Exchange differences	Closing balance
Deferred income tax assets						
Allowance for inventory valuation loss	\$ 20,105	\$ 147,220	(\$ 19,909)	\$ -	\$ 1,321	\$ 148,737
Loss deduction	31,208	461,484	99,416	-	11,108	603,216
Bad debt loss	-	-	4,757	-	-	4,757
Liability reserve	-	552,653	(123,557)	-	12,307	441,403
Others	7,021	44,285	(19,420)	-	(1,096)	30,790
	<u>\$ 58,334</u>	<u>\$ 1,205,642</u>	<u>(\$ 58,713)</u>	<u>\$ -</u>	<u>\$ 23,640</u>	<u>\$ 1,228,903</u>
Deferred income tax liabilities						
Defined benefit retirement plan	\$ 585	\$ -	\$ -	\$ -	\$ 31	\$ 616
Book-tax difference	-	195,875	(17,516)	-	14,920	193,279
Asset revaluation	-	235,965	16,037	-	5,839	257,841
Unrealized exchange gains	2,669	-	(2,669)	-	-	-
	<u>\$ 3,254</u>	<u>\$ 431,840</u>	<u>(\$ 4,148)</u>	<u>\$ -</u>	<u>\$ 20,790</u>	<u>\$ 451,736</u>

(IV) Unused tax credits not recognized in the consolidated balance sheet

	2018	2017
Carry-forward deficit deduction	<u>\$ 1,362,980</u>	<u>\$ 1,804,724</u>

(V) Information on unused carry-forward deficit:

As of December 31, 2018, relevant information for carry-forward deficit is set out below:

Balance before deduction	Final year of deduction
\$ 54,014	2022
20,938	2023
27,652	2024
38,208	2025
30,946	2026
61,492	2027
2,662,224	2028
2,641	2034
5,132	2035
2,175	2036
5,275	2038
<u>6,085,218</u>	No limit
<u>\$ 8,995,915</u>	

(VI) Aggregate amount of temporary differences associated with investments and unrecognized deferred income tax liabilities

As of December 31, 2017 and 2018, the taxable temporary differences for the investee subsidiaries were NT\$4,020,480,000 and NT\$2,801,416,000 respectively, and the deferred tax liabilities were not recognized.

(VII) Income tax approval status

The Company, Ennoconn International Investment Co., Ltd., Goldtek Technology Co., Ltd., Thecus Technology Corp., Caswell Inc. and Marketek International Corp.'s business income tax declarations as of 2016 have been approved by the tax collection agency.

XXXI. Earnings per share (EPS)

The weighted average number of ordinary shares for the purpose of calculating earnings per share and the weighted average number of ordinary shares are as follows:

Net income for the period

	2018	2017
Net income attributable to owners of the Company	\$ 1,108,117	\$ 1,083,247
Impact on ordinary shares with dilutive effect:		
Post-tax interest on convertible corporate bonds	<u>145,701</u>	<u>117,090</u>
Net profit used in calculating diluted earnings per share	<u>\$ 1,253,818</u>	<u>\$ 1,200,337</u>

Unit: thousand shares

	<u>2018</u>	<u>2017</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	76,686	75,838
Impact on ordinary shares with dilutive effect:		
Convertible corporate bonds	16,396	17,233
Employees' compensation	<u>161</u>	<u>122</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>93,243</u>	<u>93,193</u>

If the Company chooses to distribute employee compensation in shares or cash, when calculating the diluted earnings per share, it is assumed that the employee compensation will be issued in the form of stocks, and the diluted ordinary shares will be included in the weighted average number of outstanding shares to calculate the diluted earnings per share. The dilutive effect of potential ordinary shares in respect of the Company's shares before the issuance of shares as employee compensation by the Board of Directors in the following year is also considered.

XXXII. Share-based Payment Agreement

(I) Subsidiary employee stock option plan

A subsidiary, Caswell Inc., increased capital by cash before being listed in the stock exchange. Pursuant to Article 267 of the Company Act, a total of 1,200,000 shares (15%) were retained for employee subscription at NT\$101 per share. The transfer of the restricted share options shall only be transferable three months after the shares are listed.

Caswell Inc. adopts the Black-Scholes option pricing model to estimate the fair value of the share-based payment.

The information on employee stock options is as follows:

	<u>2018</u>	
Unit (thousand)	Weighted average Exercise price (NT\$)	
<u>Employee stock options</u>		
Opening outstanding	-	\$ -
Distributed this period	999	101
Lost this period	-	-
Exercised this period	(<u>999</u>)	(<u>101</u>)
Closing outstanding	<u>-</u>	<u>\$ -</u>

In 2018, Caswell Inc. recognized compensation expenses of NT\$ 3,723,000 and additional capital surplus according to the fair value of the equity goods. The Company's shareholding ratio of all subsidiaries' equity changes is estimated to be NT\$1,442,000.

(II) Share option plan for the subsidiary acquired during the current period

The subsidiary Marketech International Corp. provides stock options to its managers and senior employees. The combined Company has not been replaced by any other share option schemes as of the acquisition date of the subsidiary. The plan continues to be valid.

The share option scheme of Marketech International Corp. for 2018 is set out below:

Type of agreement	Date of grant	Quantity (thousand shares)	Contract period	Vesting conditions
Employee stock option scheme	September 11, 2015	3,956	6 years	2 - 4 years in service

The abovementioned share-based payment agreements are equity-settled share-based payment transactions.

All outstanding share options are measured at the market price at the acquisition date. The option is calculated using the Black-Scholes valuation model. The inputs for the model are as follows:

Type of agreement	Share option scheme
Share price at the date of acquisition (NT\$)	\$ 19.60
Exercise price (NT\$)	\$ 19.60
Expected volatility	34.91%
Duration	4.375 years
Expected dividend yield	0%
Risk-free interest rate	0.81%
Fair value per unit (NTD)	\$ 5.8326

The information on employee stock options is as follows:

	January 1st to December 31, 2018	
Employee stock options	Unit (thousand)	Weighted average Exercise price (NT\$)
Opening outstanding	-	\$ -
Acquired through business combinations	2,031	-
Lost this period	(56)	-
Exercised this period	(650)	16.7
Closing outstanding	<u>1,325</u>	16.7
Exercisable at the end of the period	<u>83</u>	

XXXIII. Business Combination

(I) Acquisition of subsidiaries

	Main operating activities	Date of Acquisition	Proportion of acquisition with voting rights (%)	Transfer consideration
KCC Kapsch combined Company	Information technology services	2018.04.01	100.00	\$ 22,390
Active Internet Performance	Information technology services	2018.05.01	100.00	17,740
Exceet combined Company	IoT	2018.07.28	100.00	1,083,132
Fair Value	Information technology services	2018.08.01	100.00	29,608
Inocybe	Embedded System Services	2018.08.01	100.00	152,159
Pils Com	Information technology services	2018.10.01	100.00	38,200
Steu Da Tec	Information technology services	2018.12.01	100.00	14,233
Marketch International Corp. and subsidiaries (hereinafter referred to as "Marketch")	Planning integration services for high-tech industrial plants and process systems	2018.05.15	46.79	4,924,648
Vecow Co., Ltd. (hereinafter referred to as "Vecow")	Manufacturing, processing, trading and import/export of communication machinery, electronic equipment and electronic devices	2018.06.29	100.00	98,366
AIS Cayman and subsidiaries (hereinafter referred to as AIS)	Professional investment	2017.01.02	60.00	153,513
S&T AG and subsidiaries (hereinafter referred to as S&T)	Integration service for information software and hardware	2017.06.28	28.45	3,611,576

The combined Company acquired these companies for business expansion, and has acquired relevant development design and production technologies.

The transfer consideration for the acquisition of the subsidiaries above was paid in cash.

(II) Assets acquired and liabilities assumed on acquisition date

2018

	Marketch	Vecow	KCC Kapsch combined Company	Exceet combined Company	Others
Current assets					
Cash and Cash Equivalents	\$ 1,935,003	\$ 44,078	\$ 57,849	\$ 38,610	\$ 38,956
Financial assets at fair value through profit or loss - current	65,300	11,240	-	-	-
Contract assets - current	3,225,826	-	-	-	-
Notes and accounts receivable	3,670,782	45,321	218,570	305,858	8,396
Other receivables	51,648	-	-	-	-
Inventories	3,042,843	85,847	13,512	778,689	4,017
Prepayments	574,112	-	-	-	-
Others	222,901	-	-	-	-
Non-current assets					
Financial assets at fair value through profit or loss - non-current	301,596	-	-	-	-
Investment accounted under equity method	52,903	-	-	-	-
Property, plant and equipment	2,043,907	85,850	14,811	198,354	12,482
Other intangible assets	11,409	-	-	-	-
Deferred income tax assets	141,129	-	-	-	-
Long-term prepaid lease payments	41,068	-	-	-	-
Others	51,802	7,993	24,208	141,551	41,321
Current liabilities					
Short-term loans	(1,475,545)	-	-	-	-
Contract liabilities – current	(2,818,334)	-	-	-	-
Notes and accounts payable	(4,491,262)	(182,450)	(195,316)	(507,551)	(84,813)
Other payables	(409,218)	-	-	-	-
Current income tax liabilities	(146,451)	-	-	-	-
Others	(55,669)	-	-	-	-
Total non-current liabilities					
Corporate bonds payable	(178,442)	-	-	-	-
Long-term loans	(200,000)	-	-	-	-
Net defined benefit liabilities	(153,576)	-	-	-	(48,894)
Deferred income tax liabilities	-	-	(52,147)	(70,246)	22,042
Others	-	-	(2,923)	(110,989)	30,373
	<u>\$ 5,503,732</u>	<u>\$ 97,879</u>	<u>\$ 78,564</u>	<u>\$ 774,276</u>	<u>\$ 23,880</u>

The initial accounting treatment for the acquisition of Marketch and Vecow is only provisional on the balance sheet date. At the date of issuance of these consolidated financial statements, the market valuation and other required calculations have not been completed. Therefore, the value is based on the best estimate of the combined Company's management.

The fair value of the accounts receivable from these companies in the merger transaction is close to the book value, and there is no expected uncollectible amount on the acquisition date.

2017

	AIS	S & T
Current assets		
Cash and Cash Equivalents	\$ 162,745	\$ 3,512,271
Notes and accounts receivable	12,018	4,704,272
Inventories	19,700	3,218,823
Prepayments	358	146,073
Others	414	1,619,303
Non-current assets		
Property, plant and equipment	1,476	987,326
Deferred income tax assets	5,198	1,200,444
Other intangible assets	-	7,024,786
Others	-	284,881
Current liabilities		
Short-term loans	-	(893,530)
Notes and accounts payable	(12,456)	(3,861,987)
Other payables	(1,718)	(3,362,384)
Long-term liabilities due within one year	-	(520,800)
Others	(1,357)	(1,387,266)
Total non-current liabilities		
Long-term loans	-	(1,948,124)
Deferred income tax liabilities	-	(431,840)
Others	-	(1,773,548)
	<u>\$ 186,378</u>	<u>\$ 8,779,974</u>

The fair value of the accounts receivable from these companies in the merger transaction is close to the book value, and there is no expected uncollectible amount on the acquisition date.

(III) Goodwill arising from acquisition (bargain purchase gain)

2018

	Marketch	Vecow	KKC Kapsch	Exceet combined Company	Others
Transfer consideration	\$ 4,924,648	\$ 98,366	\$ 22,390	\$ 1,083,132	\$ 251,940
Plus: Non-controlling interests	2,928,351	-	-	-	-
Minus: Fair value of identifiable net assets acquired	(5,503,732)	(97,879)	(78,564)	(774,276)	(23,920)
Goodwill arising from acquisition (bargain purchase gain)	<u>\$ 2,349,267</u>	<u>\$ 487</u>	<u>(\$ 56,174)</u>	<u>\$ 308,856</u>	<u>\$ 228,020</u>

2017

	AIS	S & T
Transfer consideration	\$ 153,513	\$ 3,611,576
Plus: Fair value of shares held	-	3,867,073
Non-controlling equity	74,584	9,012,381
Minus: Fair value of identifiable net assets acquired	(186,378)	(8,779,974)
Goodwill arising on acquisition	<u>\$ 41,719</u>	<u>\$ 7,711,056</u>

The benefits arising from the fair value of the shares held by the S&T in the current period are based on the fair value of the acquisition date as follows:

Fair value of shares held	\$ 3,867,073
Carrying amount of investment at the date of acquisition	(3,312,691)
Plus: Other comprehensive income from associates accounted for using equity method	45,819
Plus: Unrealized gain (loss) on available-for-sale financial assets	<u>11,944</u>
Recognized benefits	<u>\$ 612,145</u>

The goodwill arising from the acquisition is mainly attributable to the control premium. In addition, the consideration paid for the combination includes the combination of expected synergies, revenue growth and future market development. However, if the recognition criteria for an intangible asset are not met, they are not separately recognized.

(IV) Net cash outflow (inflow) from acquisition of subsidiaries

2018

	Marketch	Vecow	KKC Kapsch	Exceet combined Company	Others
Consideration paid for cash	\$ 4,924,648	\$ 98,366	\$ 22,390	\$ 1,083,132	\$ 251,940
Cash and cash equivalents acquired	(1,935,003)	(44,078)	(57,849)	(4,630)	(72,936)
	<u>\$ 2,989,645</u>	<u>\$ 54,288</u>	<u>(\$ 35,459)</u>	<u>\$ 1,078,502</u>	<u>\$ 179,004</u>

2017

	AIS	S & T
Transfer consideration	\$ 153,513	\$ 3,611,576
Minus: Prepaid investment	-	(904,744)
Consideration paid for cash	153,513	2,706,832
Cash and cash equivalents acquired	(162,745)	(3,512,271)
	<u>(\$ 9,232)</u>	<u>(\$ 805,439)</u>

(V) Impact on operating results from business combination

2018

The operating results of the acquired companies from the acquisition date are as follows:

	Marketch	Vecow	KKC Kapsch	Exceet combined Company	Others
Operating revenue	<u>\$15,654,188</u>	<u>\$ 397,747</u>	<u>\$ 418,091</u>	<u>\$ 972,878</u>	<u>\$ 76,411</u>
Net income for the period	<u>\$ 468,154</u>	<u>\$ 51,589</u>	<u>(\$ 26,208)</u>	<u>\$ 19,301</u>	<u>(\$ 22,887)</u>

2017

The operating results of the acquired companies from the acquisition date are as follows:

	AIS	S & T
Operating revenue	<u>\$ 178,528</u>	<u>\$ 17,768,393</u>
Net (loss) profit for the period	(<u>\$ 7,500</u>)	<u>\$ 650,305</u>

XXXIV. Equity transactions with non-controlling interests

In April 2017, Ennoconn International Investment Co., Ltd. did not subscribe for the cash capital increase by the shares of Goldtek Technology Co., Ltd., resulting in the shareholding ratio to reduce from 60% to 56.74%.

From July to December 2017, Ennoconn International Investment Co., Ltd. and EIH did not subscribe for the cash capital increase by the shares of S&T AG, resulting in the shareholding ratio to reduce from 28.45% to 22.33%.

S&T AG increased its investment in its subsidiary Kontron from August to December 2017, resulting in its shareholding ratio to increase from 29.90% to 92%.

In October 2017, AIS Cayman Technology did not subscribe for the cash capital increase by the shares of HighAim, resulting in the shareholding ratio to reduce from 70% to 66.05%.

EIH increased its investment in the equity of S&T AG in February 2018, resulting in the shareholding ratio of EIH and Ennoconn International Investment Co., Ltd. to increase from 22.33% to 24.99%. From May to September 2018, EIH did not subscribe for cash capital increase by shares in proportion to its shareholding ratio, causing the shareholding ratio of S&T AG to drop to 24.11%. In October 2018, EIH transferred all of its 49% KCI shares to S&T AG and increased its comprehensive shareholding ratio to 26.61%.

S&T AG increased its investment in its subsidiaries Kontron, S&T Romania, BIT IT and Amanox from February to June 2018, resulting in a change in shareholding ratio.

In April 2018, Ennoconn Corporation and Ennoconn International did not subscribe for the cash capital increase by the shares of Caswell, resulting in the comprehensive shareholding ratio to reduce from 38.73% to 34.18%. In October to December of 2018, Caswell bought back the treasury shares, resulting in a change in the shareholding ratio to 34.48%.

As the transactions mentioned above did not change the control of the Company, they are regarded as equity transactions.

2018

	S&T AG	S&T AG subsidiaries	Caswell
Cash consideration paid	(\$ 445,963)	(\$ 279,479)	\$ -
Carrying amount of net assets of the subsidiaries recognized in the consolidated statement of changes in equity	(<u>645,194</u>)	<u>58,868</u>	<u>246,825</u>
Difference in equity transactions	(<u>\$ 1,091,157</u>)	(<u>\$ 220,611</u>)	<u>\$ 246,825</u>

2017

	Goldtek Technology	Kontron	S&T AG	Highaim
Cash consideration paid	(\$ 131,107)	(\$ 3,744,264)	\$ -	\$ -
Carrying amount of net assets of the subsidiary recognized in the consolidated statement of changes in equity	139,889	2,047,535	726,719	(588)
Difference in equity transactions	\$ 8,782	(\$ 1,696,729)	\$ 726,719	(\$ 588)

XXXV. Non-cash transactions

- (I) The Company converted convertible corporate bonds into equity and capital reserve in 2018, and the total impact is NT\$423,638,000.
- (II) The Company converted convertible corporate bonds into equity and capital reserve in 2017, and the total impact is NT\$71,785,000.
- (III) The Company acquired 275,185 shares of Clouddtalk Inc. with NT\$24,268,000 in cash and other assets of NT\$ 52,766,000.

XXXVI. Operating Lease Agreement

The combined Company leases office, machinery and equipment, as well as vehicles. The leases will expire at the end of February 2026 and can be renewed.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Less than 1 year	\$ 616,478	\$ 412,205
1 - 5 years	1,522,458	1,053,374
Over 5 years	630,493	200,358
	<u>\$ 2,769,429</u>	<u>\$ 1,665,937</u>

The lease payments recognized as expenses as follows:

	2018	2017
Minimum lease payments	<u>\$ 569,531</u>	<u>\$ 304,063</u>

XXXVII. Capital risk management

Based on the industry characteristics and future development of the combined Company, and taking into account external environmental changes and other factors, the combined Company plans the working capital and dividend expenses required for the future period to ensure that the combined Company can continue to operate and maintain the optimal capital structure in order to maximize shareholder benefits in the long run.

To maintain or adjust the capital structure, the combined Company may adjust the amount of dividends paid to shareholders or issue new shares. In addition, the combined Company does not need to comply with other externally imposed capital requirements.

XXXVIII. Financial instruments

(I) Fair value information - financial instruments not measured at fair value

The carrying amounts of financial assets and financial liabilities not measured at fair value, except for the following table, are considered to be close to the fair value by the management.

	December 31, 2018	
	Carrying Amount	Fair value
<u>Financial liabilities</u>		
Financial liabilities at amortized cost:		
– Convertible corporate bonds	<u>\$ 7,342,766</u>	<u>\$ 7,416,674</u>

	December 31, 2017	
	Carrying Amount	Fair value
<u>Financial liabilities</u>		
Financial liabilities at amortized cost:		
– Convertible corporate bonds	<u>\$ 7,584,544</u>	<u>\$ 7,928,127</u>

(II) Fair value of financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value through profit and loss</u>				
Derivatives	\$ -	\$ 6	\$ -	\$ 6
Equity instruments				
– Domestic listed (TPEX) and emerging stocks	100,496	-	-	100,496
– Domestic unlisted and emerging stocks (TPEX)	-	-	379,824	379,824
Foreign convertible corporate bonds	-	-	23,646	23,646
Total	<u>\$ 100,496</u>	<u>\$ 6</u>	<u>\$ 403,470</u>	<u>\$ 503,972</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Equity instruments				
– Domestic listed (TPEX) and emerging stocks	\$ 40,880	\$ -	\$ -	\$ 40,880
– Domestic unlisted and emerging stocks (TPEX)	-	-	10,450	10,450
– Foreign exchange (OTC) stocks	-	-	312,892	312,892
Total	<u>\$ 40,880</u>	<u>\$ -</u>	<u>\$ 323,342</u>	<u>\$ 364,222</u>
<u>Financial liabilities measured at fair value through profit and loss</u>				
Derivatives	\$ -	\$ 16,609	\$ -	\$ 16,609

December 31, 2017

	Level 1	Level 2	Level 3	Total
<u>Available-for-sale financial assets</u>				
Domestic listed (TPEX) securities				
– Equity investments	\$ 40,640	\$ -	\$ -	\$ 40,640
Fund Beneficiary Certificate	<u>1,351,423</u>	<u>-</u>	<u>-</u>	<u>1,351,423</u>
	<u>\$ 1,392,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,392,063</u>
<u>Financial liabilities measured at fair value through profit and loss</u>				
Derivatives				
– Foreign currency option contracts	\$ -	(\$ 328)	\$ -	(\$ 328)
– Forward foreign exchange contracts	-	4,994	-	4,994
– Redemption of convertible corporate bonds	<u>-</u>	<u>4,053</u>	<u>-</u>	<u>4,053</u>
	<u>\$ -</u>	<u>\$ 8,719</u>	<u>\$ -</u>	<u>\$ 8,719</u>

There was no Level 1 or Level 2 consideration under fair value measurement in 2018 and 2017.

2. Reconciliation of financial instruments at Level 3 fair value measurement
2018

Financial assets	Measured at FVTPL			Financial assets Measured at fair value through other comprehensive income	
	Derivatives	Equity instruments	Total	Equity instruments	Total
Opening balance	\$ -	\$ -	\$ -	\$ 291,958	\$ 291,958
Business Combinations	-	301,596	301,596	-	301,596
Recognized in profit or loss (other gains and losses)	-	31,431	31,431	-	31,431
Recognized in other comprehensive income (unrealized gains and losses on financial assets at FVTOCI)	-	-	-	(49,400)	(49,400)
Purchase (including transfer of investment funds)	23,646	51,200	74,846	75,000	149,846
Disposal/settlement	-	(4,403)	(4,403)	-	(4,403)
Foreign currency translation differences	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,784</u>	<u>5,784</u>
Ending balance	<u>\$ 23,646</u>	<u>\$ 379,824</u>	<u>\$ 403,470</u>	<u>\$ 323,342</u>	<u>\$ 726,812</u>
Unrealized gain (loss) for the period	<u>\$ -</u>	<u>\$ 31,431</u>	<u>\$ 31,431</u>		<u>\$ 31,431</u>

3. Valuation techniques and inputs for Level 2 fair value measurement

Categories of financial instruments

Valuation techniques and inputs

Derivative instruments – swap contracts, forward foreign exchange contracts, foreign currency option contracts and interest rate swap contracts	Discounted cash flow method: Discounted forward exchange rate and the estimated future cash flows at the balance sheet date are discounted using a discount rate that reflects the credit risk of each counterparty.
Derivatives – repurchase and redemption option of convertible corporate bonds	The valuation model for convertible corporate bonds is assessed based on the conversion price, risk free rate, risk discount rate and remaining life of the binary tree.
Private equity securities in the domestic market	The fair value decision is based on the option's pricing model and the underlying observable market price.

4. Valuation techniques and inputs for Level 3 fair value measurements

The equity investment in domestic and overseas markets is the income approach, and is calculated using the discounted cash flow method for the present value of the expected proceeds from the investment.

(III) Classification of financial instruments

	December 31, 2018	December 31, 2017
<u>Financial assets</u>		
Measured at FVTPL		
Held for trading	\$ 6	\$ -
Forcibly measured at FVTPL	503,966	-
Loans and receivables (Note 1)	-	22,152,107
Available-for-sale financial assets (Note 2)	-	1,684,021
Financial assets measured at amortized cost (Note 3)	30,864,166	-
Financial assets at fair value through other comprehensive income (equity investments)	364,222	-
<u>Financial liabilities</u>		
Financial assets at fair value through profit or loss (held for trading)	16,609	4,053
Measured at amortized cost (Note 4)	40,536,336	23,887,301

Note 1: The balance includes cash and cash equivalents, debt instrument investment in non-active markets, bills receivable, accounts receivable, other receivables (excluding tax refund-business tax) and refundable deposits, such as tax receivable and refundable deposits.

Note 2: The balance includes the balance of financial assets classified as available-for-sale at cost.

Note 3: Balance included financial assets measured at amortized cost, including cash and cash equivalents, debt instrument investments, notes receivable, accounts receivable and other receivables.

Note 4: The balance includes financial liabilities measured at amortized cost, including long-term and short-term loans, accounts payable, other payables (excluding salaries and bonuses), corporate bonds payable and guarantee deposits.

(IV) Objectives and policy of financial risk management

The combined Company's major financial instruments include investments in equity and debt instruments, accounts receivable, accounts payable, corporate bonds payable and bank borrowings. The financial management department of the combined Company provides services to the business units, including cooperating operations of the domestic and international financial markets, and monitoring and managing financial risks relating to the operations based on the degree of risk and the degree of the breadth of the exposure. These risks include market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

1. Market risk

The combined Company's activities expose it primarily to the financial risks of changes in foreign exchange rates (see (1) and the changes in interest rates (see (2) below).

There has been no change in the financial instruments market risks in relation to the combined Company's financial instruments and the management and measurement methods for these exposures.

(1) Exchange rate risk

The combined Company is engaged in sales and purchases denominated in foreign currencies, resulting in the exposure to foreign exchange risk.

The monetary assets and liabilities of the combined Company denominated in non-functional currency at the balance sheet date (including monetary items denominated in a non-functional currency in the consolidated financial statements) are set out in Note 40.

Sensitivity analysis

The combined Company is mainly exposed to USD fluctuations.

The following table details the Company's sensitivity analysis for New Taiwan Dollar (functional currency) to each foreign currency where there is a 1% increase and decrease in the exchange rate of each relevant foreign currency. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable range of possible fluctuations in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and the adjustment of their translation at the end of the period for a 1% change in exchange rate. The amount in the table below indicates that when the NTD strengthens by 1% in relation to each currency, the impact on net profit before tax will be reduced. When NTD weakens by 1% against the relevant foreign currency, it will impact the net profit before tax for the same positive amount.

	Impact of US\$	
	2018	2017
Profit or loss	(\$ 31,135) (i)	(\$ 12,913) (i)

(i) Mainly derived from the net assets of US dollar-denominated cash, receivables and payables that are still in circulation at the balance sheet date and are not hedged by cash flows.

Due to the increase in net asset position, the combined Company's foreign exchange sensitivity in 2018 and two periods in 2017 increased.

(2) Interest rate risk

The combined Company has been exposed to interest rate risk through its fixed and floating-rate borrowings.

The carrying amounts of financial assets and financial liabilities of the combined Company at the balance sheet date are as follows:

	December 31, 2018	December 31, 2017
Fair value interest rate risk		
– Financial liabilities	\$ 7,354,532	\$ 7,584,544
Cash flow interest rate risk		
– Financial assets	12,089,086	10,212,956
– Financial liabilities	12,712,757	4,093,869

Sensitivity analysis

The following sensitivity analysis is according to the non-derivative instrument's interest risk at the balance sheet date. For floating rate assets and liabilities, the analysis is based on the assumption that the amount of assets and liabilities outstanding on the balance sheet date is circulated during the reporting period. The change in interest rates used for reporting to the combined Company's internal management is plus or minus 1%, which represents the assessment of the range of reasonable changes in interest rates.

If interest rates had been 1% higher/lower while all other variables were held constant, the combined Company's net profit before tax for 2018 would decrease/increase by NT\$ 6,193,000, due mainly to the net position of the combined Company's variable-rate bank deposits and variable-rate borrowings.

If interest rates had been 1% higher/lower while all other variables were held constant, the combined Company's net profit before tax for 2017 would increase/decrease by \$61,190,000, mainly due to the increase in the combined Company's interest rate on the consolidated financial statements.

The combined Company has increased the interest rate sensitivity in the current period due to the increase in bank borrowings at variable interest rate.

(3) Other price risk

The combined Company has equity price exposure arising from the holding of domestic listed and OTC stocks and funds. The combined Company appoints a specific team to monitor the price risk and assess the hedging positions that is necessary to increase the risk of hedging.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the balance sheet date.

If the equity price had been 1% higher/lower, the profit or loss before tax for 2018 would increase/decrease by NT\$ 5,040,000 from the financial assets at fair value through profit or loss. Other comprehensive income before tax for 2018 would increase/decrease by NT\$ 3,642,000 due to the increase/decrease in fair value of financial assets through other comprehensive income.

2. Credit risk

Credit risks refer to risks that cause financial loss to the combined Company due to the counterparty's delay in honoring contractual obligations. As at the balance sheet date, the combined Company's maximum exposure to credit risk which will cause a financial loss to the combined Company due to failure to discharge an obligation by the counterparties and financial loss to the combined Company arises mainly from:

- (1) The carrying amount of financial assets recognized in the consolidated balance sheet.
- (2) The maximum amount that may be paid to the combined Company for financial guarantee without considering the probability of occurrence.

To mitigate the credit risk, the management of the combined Company appoints a team responsible for determination of credit lines, credit approvals and other monitoring procedures to ensure that appropriate action has been taken for the collection of overdue receivables. In addition, the combined Company reviews the recoverable amount of each receivable one by one on the balance sheet date to ensure that the appropriate amount of impairment has been recognized in the receivables. Accordingly, the management believes that the combined Company's credit risk is significantly reduced.

The accounts receivable cover a number of customers in different industries and geographical areas. The combined Company's customer base is diversified and dispersed, and thus the concentration of credit risk is not high.

3. Liquidity risk

The combined Company is responsible for the management and maintenance of the cash and cash equivalents to support the combined Company's operations and mitigate the effects of fluctuations in cash flow. The management of the combined Company monitors the use of bank facilities and ensures compliance with the terms of the loan contract.

The bank borrowings are a significant source of liquidity for the combined Company. Please refer to (2) Financing line below for the unfunded financing amount of the combined Company as of 2018 and December 31, 2017.

(1) Liquidity and interest risk of non-derivative financial liabilities

The remaining contractual maturity analysis for non-derivative financial liabilities is prepared based on the undiscounted cash flows (including principal and estimated interest) of financial liabilities based on the earliest date on which the combined Company can be required to pay.

The undiscounted interest cash flows of interest-bearing borrowings are extrapolated using the interest rates at the balance sheet date.

December 31, 2018

	Within 6 months (inclusive)	Over 6 months Up to 1 year	Over 1 year
<u>Non-derivative</u> <u>financial</u> <u>liabilities</u>			
Non-interest-bearing liabilities	\$ 22,666,227	\$ 14,141	\$ 842
Variable interest rate instruments	9,201,965	2,915,666	1,864,255
Fixed interest rate instruments	7,354,532	-	-

December 31, 2017

	Within 6 months (inclusive)	Over 6 months Up to 1 year	Over 1 year
<u>Non-derivative</u> <u>financial</u> <u>liabilities</u>			
Non-interest-bearing liabilities	\$ 12,843,009	\$ 1,360	\$ 2,495
Variable interest rate instruments	916,957	776,764	2,552,598
Fixed interest rate instruments	533,550	-	7,584,544

(2) Liquidity and interest risk of derivative financial liabilities

For the liquidity analysis of derivative financial instruments, the derivatives are netted on the basis of undiscounted net cash inflows and outflows. For derivatives with total delivery, they are unfolded. The current total cash inflows and outflows are based total undiscounted cash inflow and outflow. When the amount due from or receivable is not fixed, the amount disclosed is determined by using the projected interest rates as illustrated by the yield curves adopted at the balance sheet date.

December 31, 2018

	Within 6 months (inclusive)	Over 6 months Up to 1 year	Over 1 year
<u>Net settlement</u>			
Foreign			
Currency			
Option			
Contracts	(\$ 245)	\$ -	\$ -
Forward			
exchange			
contracts	5,111	-	-
	<u>\$ 4,866</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2017

	Within 6 months (inclusive)	Over 6 months Up to 1 year	Over 1 year
<u>Net settlement</u>			
Foreign			
Currency			
Option			
Contracts	(\$ 328)	\$ -	\$ -
Forward			
exchange			
contracts	4,994	-	-
	<u>\$ 4,666</u>	<u>\$ -</u>	<u>\$ -</u>

(3) Financing credit

	<u>December 31, 2017</u>	<u>December 31, 2017</u>
Unsecured bank		
overdraft facilities		
– Utilized amount	\$ 12,261,655	\$ 4,055,791
– Unused amount	10,419,454	5,937,090
	<u>\$ 22,681,109</u>	<u>\$ 9,992,881</u>
Secured bank		
borrowing facilities		
– Utilized amount	\$ 451,102	\$ 571,628
– Unused amount	1,720,458	1,606,094
	<u>\$ 2,171,560</u>	<u>\$ 2,177,722</u>

XXXIX. Related party transactions

Transactions, balances, income and expenses between the Company and its subsidiaries (related parties of the Company) are eliminated in full on consolidation and therefore are not disclosed in this note.

Transactions between the combined Company and other related parties are as follows:

(I) Related parties' name and relationships

Name of related party	Relationship with the combined Company
Hon Hai Precision Industry Co., Ltd.	Associate
Hong Fujin Precision Industry (Chongqing) Limited Company	Associate
Hong Fujin Precision Industry (Shenzhen) Limited Company	Associate
Hong Fujin Precision Industry (Wuhan) Limited Company	Associate
Hong Fujin Precision Industry (Henyang) Limited Company	Associate
Hong Fujin Precision Industry (Zhengzhou) Limited Company	Associate
Hong Fujin Precision Industry (Guizhou) Limited Company	Associate
Hong Fujin Precision Industry (Guiyang) Limited Company	Associate
Hong Fu Sheng Precision Electronics (Zhengzhou) Co., Ltd.	Associate
Hong Fu Jin Precision Industry (Taiyuan) Co., Ltd.	Associate
Guizhou Fuzhikang Precision Electronics Co., Ltd.	Associate
Guizhou Funayuanhaung Science And Technology Co., Ltd.	Associate
Fuguikang Precision Electronics (Guizhou) Co., Ltd.	Associate
Fu Ding Precision Component (Shenzhen) Co., Ltd.	Associate
Futaihua Industry (Shenzhen) Co., Ltd.	Associate
Fujin Precision Industry (Jincheng) Co., Ltd.	Associate
Hengyang Futaihong Precision Co., Ltd.	Associate
Kang Zhun Electronic Technology (Kunshan) Co., Ltd.	Associate
British Cayman Islands Hong Teng Precision Technology Co., Ltd. Taiwan Branch	Associate
Anpinda Precision Industry (Huizhou) Co., Ltd.	Associate
Foxnum Technology Co., Ltd.	Associate
Foxconn CZ s.r.o.	Associate
eCMMS Precision Singapore Pte Ltd.	Associate
Hong Zhun Precision Industry Co., Ltd.	Associate
Hong Zhun Precision Tooling (Kunshan)	Associate

Name of related party	Relationship with the combined Company
Co., Ltd.	
Innolux Corporation	Associate
Tekcon Electronics Corporation	Associate
Macrotec Electronics Corp.	Associate
Chung-Hsin Electric and Machinery Manufacturing Corp.	Associate
Chung-Hsin Electric and Machinery Manufacturing Corp. (Jiangsu)	Associate
Ennopower Information Technology Co., Ltd. (Shenzhen)	Associate
Ennopower Information Technology Co., Ltd. (Hong Kong)	Associate
Kontron Europe GmbH	Subsidiary (changed from affiliated company to subsidiary as of the end of June 2017)
Kontron Canada Inc.	Subsidiary (changed from affiliated company to subsidiary as of the end of June 2017)
Kontron Asia Pacific Design Sdn.Bhd	Subsidiary (changed from affiliated company to subsidiary as of the end of June 2017)
Kontron America Inc.	Subsidiary (changed from affiliated company to subsidiary as of the end of June 2017)

(II) Operating Revenue Accounting items

	Category/name of related party	2018	2017
Sales revenue	<u>Associate</u>		
	Kontron Canada Inc.	\$	\$ 831,178
	Kontron Europe GmbH		424,688
	Futaihua Industry (Shenzhen) Co., Ltd.	1,196,938	798,748
	Hon Hai Precision Industry Co., Ltd.	589,997	2,257,114
	Hong Fujin Precision Industry (Shenzhen) Limited Company	831,878	237,970
	Others	357,334	165,118
Construction revenue	Associate	<u>175,854</u>	<u> </u>
		<u>\$ 3,151,990</u>	<u>\$ 4,714,818</u>

The sales transaction price charged by the combined Company is determined by both parties, and the collection policy is based on monthly payment for 2 months.

(III) Purchase and processing fees			
	<u>Category/name of related party</u>	<u>2018</u>	<u>2017</u>
	Associate		
	Hon Hai Precision Industry Co., Ltd.	\$ 7,038,364	\$ 7,706,668
	Others	<u>206,973</u>	<u>190,698</u>
		<u>\$ 7,245,337</u>	<u>\$ 7,897,366</u>

The purchase transaction price charged by the combined Company is determined by both parties, and the collection policy is based on monthly payment for one to two months.

(IV)	Receivables from related parties (excluding loans to related parties)			
			December 31,	December 31,
	<u>Accounting items</u>	<u>Category/name of related party</u>	<u>2018</u>	<u>2017</u>
	Accounts receivable	<u>Associate</u>		
	- related parties			
		Futaihua Industry (Shenzhen) Co., Ltd.	\$ 183,862	\$ 169,735
		Hon Hai Precision Industry Co., Ltd.	100,677	105,979
		Hong Fujin Precision Industry (Shenzhen) Limited Company	166,623	79,846
		Others	<u>110,704</u>	<u>30,536</u>
			\$ 561,866	\$ 386,096

Receivables from related parties outstanding are not guaranteed. For accounts receivable from related parties for 2018 and 2017, no bad debt has been recognized.

(V)	Accounts payable to related parties (excluding loans from related parties)			
	Accounting items	Category/name of related party	December 31, 2018	December 31, 2017
	Accounts payable	Associate		
		Hon Hai Precision Industry Co., Ltd.	\$ 1,576,404	\$ 2,193,206
		Others	106,672	23,108
			<u>\$ 1,683,076</u>	<u>\$ 2,216,314</u>
	Fees payable (shown as from associates)	other payables	<u>\$ 213,008</u>	<u>\$ -</u>

The balance of accounts payable to related parties outstanding are not guaranteed and will be settled in cash.

(VI) Endorsements and Guarantees
Endorsement/Guarantee for Others

<u>Category/name of related party</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Dexatek Technology Ltd.	254,144	205,000
Thecus Technology Corp.	100,000	100,000
HighAim Technology Inc.	706,445	238,080
Highaim Technology Inc.	92,145	-
S&T AG subsidiaries	5,108,896	4,224,803
Marketch International Corp. subsidiaries	4,236,980	-
	<u>\$ 10,498,610</u>	<u>\$ 4,767,883</u>

(VII) Remuneration of key management level

	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 228,792	\$ 152,962
Post-employment benefits	2,455	2,347
Other long-term employee benefits	-	-
Share-based payment	-	28
	<u>\$ 231,247</u>	<u>\$ 155,337</u>

The remuneration of directors and other members of key management is determined by the Remuneration Committee based on individual performance and market trends.

XL. Assets pledged as collateral

The following assets of the combined Company are the collateral for the financing loans and the guarantee deposits for the import tax of raw materials:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Pledged time deposits (recognized as debt instrument investments with non-active market)	\$ 4,374	\$ 29,145
Pledged demand deposits (recognized as other financial assets)	279,245	44,750
Accounts receivable	443,601	116,560
Inventories	-	58,718
Land	80,728	6,100
Buildings – net amount	540,383	324,784
Prepaid lease payments	84,829	44,577
Refundable deposits	68,834	-
Others	166,168	85,122
	<u>\$ 1,668,162</u>	<u>\$ 709,756</u>

XLI. Significant contingent liabilities and unrecognized commitments

The significant or contingent commitments at the balance sheet date are the total future minimum lease payments for the combined Company's non-cancellable operating leases. Please refer to Note 36.

XLII. Significant Subsequent Events

- (I) The Company's cash capital increase is NT\$60,000,000 with a par value of NT\$10 each and a total of 6,000 shares. The full amount of shares has been collected as of March 13, 2019. The subscription price was NT\$220 per share, and the total amount of paid-up shares was NT\$1,320,000,000. The date was set as the base date for cash increase.
- (II) The Company's affiliated company, Sunlit Precision Technology Co., Ltd. (Hong Kong), with transferred investment through its subsidiary Keenest Electronic Corp., held a temporary shareholders' meeting on January 15, 2019. Over half of the re-elected board seats were obtained by Keenest Electronic Corp. The Company gained substantial control.

XLIII. Information regarding the significant assets and liabilities denominated in foreign currencies

The following information is expressed in foreign currencies other than the functional currency of the combined Company. The exchange rate disclosed refers to the exchange rate of these foreign currencies to the functional currency. Foreign currency assets and liabilities with significant influence are as follows:

December 31, 2018

	Foreign currency	Exchange rate	Carrying Amount
Financial assets			
<u>Monetary item</u>			
US\$	\$ 215,814	30.715 (USD: New Taiwan Dollars)	\$ 6,628,736
US\$	70,266	1.146 (USD: EUR)	2,158,227
US\$	36,431	0.145 (USD: RMB)	1,118,973
Financial liabilities			
<u>Monetary item</u>			
US\$	\$ 137,530	30.715 (USD: New Taiwan Dollars)	\$ 4,224,234
US\$	72,614	1.146 (USD: EUR)	2,230,352
US\$	11,000	0.145 (USD: RMB)	337,865

December 31, 2017

	Foreign currency	Exchange rate	Carrying Amount
Financial assets			
<u>Monetary item</u>			
US\$	\$ 170,189	29.76 (USD: New Taiwan Dollars)	\$ 5,064,832
US\$	119,031	1.20 (USD: EUR)	3,542,363
Financial liabilities			
<u>Monetary item</u>			
US\$	131,191	29.76 (USD: New Taiwan Dollars)	3,904,244
US\$	58,786	1.20 (USD: EUR)	1,749,457

The combined Company's foreign currency exchange profit and loss (including realized and unrealized) for 2018 and 2017 were NT\$ 46,859,000 and NT\$ 45,098,000 respectively. Due to the various types of foreign currency transactions and the functional currency of the combined Company, the exchange profit and loss is not able to be disclosed in the foreign currency with significant influence.

XLIV. Other disclosures

- (I) Major transactions and
- (II) relevant information of reinvestments in subsidiaries:
 - 1. Loans to others (Table 1)
 - 2. Endorsements/guarantees to others (Table 2)
 - 3. Marketable Securities Held at the End of the Period (Excluding Equity in Subsidiaries, Associates and Joint Ventures). (Table 3)
 - 4. Accumulated purchase or disposal of the same securities at cost in excess of NT\$300 million or 20% of the paid-in capital. (Note 4)
 - 5. Acquisition of Real Estate at Cost in Excess of NT\$300 Million or 20% of the Paid-in Capital (N/A)
 - 6. Disposal of Real Estate at Cost in Excess of NT\$300 Million or 20% of the Paid-in Capital (N/A)
 - 7. Amount of purchases from and sales to related parties reaching NT\$100 million or 20% of its paid-in capital (Table 5)
 - 8. Accounts receivable from related parties reaching NT\$100 million or 20% of its paid-in capital (Note 6)
 - 9. Derivative financial instrument transactions (Notes 7 and 38)
 - 10. Others: business relationships, important transactions, and amount between the parent company and subsidiaries (Table 7)
 - 11. Investee company information. (Note 8)
- (III) Investment information in Mainland China:
 - 1. The Company's investee companies in Mainland China, the main operations, paid-in capital, investment method, capital outward remittance status, shareholding ratio, current profit and loss and recognized investment gains and losses, book value of the investment at the end of the period, repatriation of investment gains and losses and investment quotas for the Mainland. (Table 9)
 - 2. Significant transactions with investees in Mainland China, directly or indirectly via the third region, and the prices, payment terms, unrealized gains and losses: (Note 39 and Tables 1, 2, 5, 6, and 7)
 - (1) Purchase amount and percentage, and the ending balance and percentage of payables.
 - (2) Sales amount and percentage, and the ending balance and percentage of receivables.
 - (3) Property transaction amount and the resulting gain or loss.
 - (4) Ending balance of endorsement, guarantee or collateral provided and purposes.
 - (5) The maximum balance, ending balance, interest rate range and total amount of current interest of financing.
 - (6) Other transactions having a significant impact on profit or loss or financial status of the period, such as providing or receiving services.

XLV. Segment information

The combined Company provides information regarding the performance of the chief operating decision-maker to be used to allocate resources and assess the performance of the departments, focusing on the types of products provided. The combined Company was engaged in the manufacturing and sales of data storage, processing and industrial motherboards, network communication and factory systems services for 2018 and 2017.

(I) Segment revenue and results of operations

The combined Company's revenue and results of the operations for the segments are as follows:

	Segment revenue		Segment profit and loss	
	2018	2017	2018	2017
Sales of computer hardware and software	\$ 11,585,313	\$ 12,502,840	\$ 901,978	\$ 999,116
Information System	35,223,782	21,010,493	1,100,270	367,408
Manufacturing and sales of online communication equipment	4,575,070	4,229,515	373,471	292,802
Plant System and Electromechanical System Services	14,912,580	-	523,536	-
Other segments	<u>5,477,284</u>	<u>2,669,401</u>	71,271	4,975
Total	71,774,029	40,412,249		
Elimination of inter-segment transactions	(<u>2,811,570</u>)	(<u>5,508,185</u>)		
Total	<u>\$ 68,962,459</u>	<u>\$ 34,904,064</u>		
Other income			91,488	34,067
Miscellaneous income			1,068,528	1,239,653
Interest expenses			(485,009)	(308,252)
Miscellaneous expenses			(14,779)	(501,516)
Share of profits (losses) of associates accounted for using equity method			<u>16,942</u>	<u>101,942</u>
Profit before income tax			<u>\$ 3,647,696</u>	<u>\$ 2,230,195</u>

Revenue reported above is generated from transactions with external customers.

Segment profit and loss refers to the profit earned by each segment, excluding rental income, interest income, dividend income, disposal of investment gains and losses, impairment loss, miscellaneous expenses, interest expenses, and profits and losses of associates and income tax expenses using the equity method. The amount of the financial asset is determined based on the amount that is provided to the chief operating decision maker for the purpose of resource allocation and performance assessment.

(II) Segment assets and liabilities

The combined Company has not provided information regarding the assets and liabilities to operational decision-makers. Therefore, the amount of assets and liabilities that should be disclosed is zero.

(III) Revenue from major products and services

The analysis of the combined Company's revenue from major products and services is as follows:

	2018	2017
Manufacture and distribution of motherboard	\$ 11,561,874	\$ 12,419,525
Motherboard maintenance	16,700	60,919
Manufacturing and sales of online communication equipment	4,247,762	4,036,345
Integration service for information software and hardware	35,223,782	17,730,194
Plant and electrical system services	14,675,155	-
Others	<u>3,237,186</u>	<u>657,081</u>
	<u>\$ 68,962,459</u>	<u>\$ 34,904,064</u>

(IV) Geographic Information

The combined Company mainly operates in three geographical areas, including Taiwan, Mainland China and Europe.

The combined Company's revenue from external customers classified by the location of the business and the non-current assets is listed as follows:

	Revenue from external customers		Non-current assets	
	2018	2017	December 31, 2018	December 31, 2017
Taiwan	\$ 29,281,632	\$ 16,707,727	\$ 4,837,084	\$ 1,226,999
Mainland China	3,850,398	1,934,755	485,304	421,450
Europe	28,280,702	15,297,472	4,993,891	4,757,410
Others	<u>7,549,927</u>	<u>964,110</u>	<u>2,356,195</u>	<u>141,604</u>
Total	<u>\$ 68,962,459</u>	<u>\$ 34,904,064</u>	<u>\$ 12,672,474</u>	<u>\$ 6,547,463</u>

Non-current assets do not include financial assets measured at fair value through profit or loss, financial assets held for sale, investment using equity method, goodwill, prepaid investment, deposit of deposit, net defined benefit assets and deferred income tax assets.

(V) Information on major customers

The breakdown of the major customers accounted for more than 10% of the consolidated net revenue for 2018 and 2017 are as follows:

Customer Name	2018		2017	
	Amount	% of operating income	Amount	% of operating income
Company A	\$ 6,904,385	10.01%	\$ 5,372,308	15.14

Ennococon Corporation and Subsidiaries
A. Loans to others
January 1 to December 31, 2018

Table 1

Unit: NT\$ 1,000

Number (Note 1)	Grantor	Borrower	Transaction	Related party	Highest balance in the current period (Note 3)	Ending balance (Note 3)	Actual expenditure	Interest rate range %	Capital loans nature (Note 2)	Transaction amount	Reason for short-term financing	Recognition allowance Bad debt amount	Collateral		Individual object Limit on loans	Total limit on loans	Note
													Name	Value			
1	Caswell Inc.	Beijing Caswell Ltd.	Other accounts receivable - related parties	Yes	\$ 15,358	\$ 15,358	\$ 15,358	2	1	\$ 118,983	Not applicable	\$ -	None	\$ -	\$ 118,983	\$ 490,935	
2	AIS Cayman Technology combined Company	American Industrial Systems	Other receivables	Yes	5,897	-	-	-	2	-	Purchase of materials	-	None	-	100,830	100,830	
3	S&T AG, Austria	S&T embedded GmbH, Germany	Other accounts receivable - related parties	Yes	103,174	103,174	-	3-5	2	-	Operating turnover	-	None	-	12,530,075	12,530,075	
3	S&T AG, Austria	S&T Bulgaria EOOD, Bulgaria	Other accounts receivable - related parties	Yes	21,120	-	-	3	2	-	Operating turnover	-	None	-	12,530,075	12,530,075	
3	S&T AG, Austria	S&T ICB d.o.o., Serbia	Other accounts receivable - related parties	Yes	31,680	31,680	-	3	2	-	Operating turnover	-	None	-	12,530,075	12,530,075	
3	S&T AG, Austria	S&T Crna Gora d.o.o., Montenegro	Other accounts receivable - related parties	Yes	458	458	153	3	2	-	Operating turnover	-	None	-	12,530,075	12,530,075	
3	S&T AG, Austria	Dorobet Ltd., Malta	Other accounts receivable - related parties	Yes	14,080	14,080	12,320	5	2	-	Operating turnover	-	None	-	12,530,075	12,530,075	
3	S&T AG, Austria	S&T Services Bel LLC	Other accounts receivable - related parties	Yes	17,609	17,600	15,840	3	2	-	Operating turnover	-	None	-	12,530,075	12,530,075	
3	S&T AG, Austria	S&T Deutschland GmbH, Germany	Other accounts receivable - related parties	Yes	136,607	127,770	41,536	3	2	-	Operating turnover	-	None	-	12,530,075	12,530,075	
3	S&T AG, Austria	S&T Consulting Hungary Kft., Hungary	Other accounts receivable - related parties	Yes	100,320	73,920	59,136	3	2	-	Operating turnover	-	None	-	12,530,075	12,530,075	
3	S&T AG, Austria	Kontron Austria GmbH	Other accounts receivable - related parties	Yes	170,119	141,504	139,885	2-3	2	-	Operating turnover	-	None	-	12,530,075	12,530,075	
3	S&T AG, Austria	S&T CEE Holding s.r.o., Slowakei	Other accounts receivable - related parties	Yes	552,401	528,000	510,400	5	2	-	Operating turnover	-	None	-	12,530,075	12,530,075	
3	S&T AG, Austria	Kontron Modular Computers S.A.S.	Other accounts receivable - related parties	Yes	106,410	105,600	105,600	3	2	-	Operating turnover	-	None	-	5,012,030	12,530,075	
3	S&T AG, Austria	RTSoft, AO, Russia	Other accounts receivable - related parties	Yes	35,452	34,690	34,696	4-5	2	-	Operating turnover	-	None	-	5,012,030	12,530,075	
3	S&T AG, Austria	S&T Romania S.R.L., Romania	Other accounts receivable - related parties	Yes	98,240	90,957	90,957	3	2	-	Operating turnover	-	None	-	5,012,030	12,530,075	
3	S&T AG, Austria	S&T CZ S.r.o, Czech Republic	Other accounts receivable - related parties	Yes	28,188	28,160	-	3	2	-	Operating turnover	-	None	-	5,012,030	12,530,075	
3	S&T AG, Austria	funworld gmbh, Austria	Other long-term receivables - other investments	No	14,080	13,376	13,376	3-4	2	-	Operating turnover	-	None	-	5,012,030	12,530,075	

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Number (Note 1)	Grantor	Borrower	Transaction	Related party	Highest balance in the current period (Note 3)	Ending balance (Note 3)	Actual expenditure	Interest rate range %	Capital loans nature (Note 2)	Transaction amount	Reason for short-term financing	Recognition allowance Bad debt amount	Collateral		Individual object Limit on loans	Capital loans on loans	Note
													Name	Value			
3	S&T AG, Austria	S&T Serbia d.o.o.	Other accounts receivable - related parties	Yes	\$ 31,875	\$ 31,680	\$ 31,680	3	2	\$ -	Operating turnover	\$ -	None	\$ -	\$ 12,530,075	\$ 12,530,075	
3	S&T AG, Austria	S&T Smart Energy GebH	Other accounts receivable - related parties	Yes	24,640	-	-	3	2	-	Operating turnover	-	None	-	12,530,075	12,530,075	
4	S&T Mazedonien	S&T AG, Austria	Other accounts receivable - related parties	Yes	38,914	38,720	26,400	1	2	-	Operating turnover	-	None	-	127,439	127,439	
7	Kontron S&T AG	Kontron ECT design s.r.o.	Other accounts receivable - related parties	Yes	7,601	-	-	-	2	-	Operating turnover	-	None	-	1,785,455	4,463,637	
7	Kontron S&T AG	Kontron Modular Computers S.A.S.	Other accounts receivable - related parties	Yes	70,400	-	-	-	2	-	Operating turnover	-	None	-	1,785,455	4,463,637	
7	Kontron S&T AG	Kontron Technology A/S	Other accounts receivable - related parties	Yes	33,112	33,045	-	2	2	-	Operating turnover	-	None	-	1,785,455	4,463,637	
7	Kontron S&T AG	KONTRON EUROPE GMBH	Other accounts receivable - related parties	Yes	176,000	176,000	-	2	2	-	Operating turnover	-	None	-	1,785,455	4,463,637	
7	Kontron S&T AG	KONTRON AMERICA INC.	Other accounts receivable - related parties	Yes	608,155	608,155	-	4.13	2	-	Operating turnover	-	None	-	1,785,455	4,463,637	
7	Kontron S&T AG	KONTRON ASIA PACIFIC DESIGN SDN. BHD.	Other accounts receivable - related parties	Yes	584,041	584,041	578,787	3.808	2	578	Operating turnover	-	None	-	1,785,455	4,463,637	
8	KONTRON CANADA INC.	Kontron S&T AG	Other accounts receivable - related parties	Yes	301,939	-	-	-	2	-	Operating turnover	-	None	-	566,482	1,416,205	
8	KONTRON CANADA INC.	Inocybe Technologies Inc.	Other long-term receivables - other investments	No	99,922	99,922	-	15	1	-	Not applicable	-	None	-	141,621	1,416,205	
9	KONTRON EUROPE GMBH	Kontron S&T AG	Other accounts receivable - related parties	Yes	2,852,480	1,953,550	1,411,380	1.69-4.61	2	-	Operating turnover	-	None	-	1,813,925	4,534,811	
11	Kontron Technology A/S	Kontron S&T AG	Other accounts receivable - related parties	Yes	24,705	24,222	22,943	2.00-4.61	2	-	Operating turnover	-	None	-	9,573	23,933	
14	Kontron ECT design s.r.o.	Kontron S&T AG	Other accounts receivable - related parties	Yes	2,824	-	-	-	2	-	Operating turnover	-	None	-	7,774	19,435	
15	Goldtek Technology Co., Ltd.	Goldtek Technology Co., Ltd. (Shenzhen)	Other accounts receivable - related parties	Yes	30,715	-	-	As of date of grant TAIFX3+0.5	2	-	Operating turnover	-	None	-	123,592	617,959	
16	Marketech International Corp.	eZoom Information, Inc.	Other receivables	Yes	50,000	50,000	-	4.616	2	-	Operating turnover	-	None	-	2,266,694	2,266,694	
16	Marketech International Corp.	Marketech International Sdn. Bhd.	Other receivables	Yes	55,056	-	-	-	2	-	Operating turnover	-	None	-	2,266,694	2,266,694	
16	Marketech International Corp.	MIC-Tech (Wuxi) Co., Ltd.	Other receivables	Yes	107,503	-	-	-	2	-	Operating turnover	-	None	-	2,266,694	2,266,694	

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Number (Note 1)	Grantor	Borrower	Transaction	Related party	Highest balance in the current period (Note 3)	Ending balance (Note 3)	Actual expenditure	Interest rate range %	Capital loans nature (Note 2)	Transaction amount	Reason for short-term financing	Recognition allowance Bad debt amount	Collateral		Individual object Limit on loans	Capital loans on loans	Note
													Name	Value			
17	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Shanghai Chen Kao Engineering Design Co., Ltd.	Other receivables	Yes	\$ 2,109	\$	\$	-	2	\$ -	Operating turnover	\$ -	None	\$	\$ 334,194	\$ 334,194	
17	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Fuzhou Jiwei Electronic System Engineering Co., Ltd.	Other receivables	Yes	1,406	1,343	1,341	4.785	2	-	Operating turnover	-	None		334,194	334,194	
17	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Shanghai Maohua Electron Engineering Technology Limited Company	Other receivables	Yes	58,574	40,247	40,247	4.785	2	-	Operating turnover	-	None		167,097	334,194	
18	MIC-Tech Ventures Asia Pacific Inc.	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Other receivables	Yes	46,073			-	2	-	Operating turnover	-	None		855,003	817,273	
19	Huayou Chemical Industry International Trade (Shanghai) Limited Company	Shanghai Maohua Electron Engineering Technology Limited Company	Other receivables	Yes	18,588			-	2	-	Operating turnover	-	None		140,487	280,974	
19	Huayou Chemical Industry International Trade (Shanghai) Limited Company	Nantong Jianrui Optoelectronics Technology Co., Ltd.	Other receivables	Yes	17,097			-	2	-	Operating turnover	-	None		140,487	280,974	
19	Huayou Chemical Industry International Trade (Shanghai) Limited Company	Shanghai Fanya Trading Co., Ltd.	Other receivables	Yes	86,115	31,303	31,303	4.785	2	-	Operating turnover	-	None		280,974	280,974	
20	Marketch Integrated Manufacturing Co., Ltd.	Marketch Integrated Construction Co., Ltd.	Other receivables	Yes	6,191	6,143	6,143	5.000	2	-	Operating turnover	-	None		142,009	284,013	
21	MIC-TECH VIET NAM CO., LTD.	MARKETECH CO.,LTD	Other receivables	Yes	1,190			-	2	-	Operating turnover	-	None		22,049	22,049	

Note 1: (1) Issuer filled in 0.
(2) The investee company is numbered in sequence from 1.

Note 2: The nature of the capital loans and the nature of the funds are as follows:
(1) For business transactions, please fill in 1.
(2) For short-term financing, please fill in 2.

Note 3: Limit to loans is resolved by the Board of Directors.

Ennococon Corporation and Subsidiaries
Endorsement/Guarantee for Others
January 1st to December 31, 2018

Table 2

Unit: Foreign currency/NT\$ thousands

Number	Endorsement/Guarantee Company Name	Endorsed/guaranteed party		A single enterprise Endorsement/ Guarantee Quota	Highest endorsement for the period Guarantee balance	Endorsement at the end of the period Guarantee balance	Actual expenditure	Property-guaranteed Endorsement or guarantee amount	Ratio of accumulated endorsement and guarantee to net worth in the latest financial statements (%)	Endorsement/ Guarantee Highest limit	Parent company to subsidiary Endorsement/Guarantee	Subsidiary to parent company Endorsement/Guarantee	Endorsement / Guarantee for Mainland China	Note
		Company Name	Relationship											
0	Ennoconn Corporation	Ennoconn International Investment Co., Ltd.	Subsidiaries	NT\$9,934,950 (limited by 150% of the Company's net worth)	NT\$1,900,000	New Taiwan Dollars-	New Taiwan Dollars-	\$ -	-	NT\$13,246,600 (limited by 200% of the Company's net worth)	Y	N	N	3
0	Ennoconn Corporation	HIGHAIM TECHNOLOGY INC.	Subsidiaries	NT\$9,934,950 (limited by 150% of the Company's net worth)	NT\$92,145	NT\$92,145	New Taiwan Dollars-	-	1.26	NT\$13,246,600 (limited by 200% of the Company's net worth)	Y	N	N	
0	Ennoconn Corporation	HighAim Technology Inc.	Subsidiaries	NT\$9,934,950 (limited by 150% of the Company's net worth)	NT\$399,295	NT\$399,295	NT\$307,150	-	5.46	NT\$13,246,600 (limited by 200% of the Company's net worth)	Y	N	Y	
0	Ennoconn Corporation	Dexatek Technology Ltd.	Subsidiaries	NT\$9,934,950 (limited by 150% of the Company's net worth)	NT\$49,144	NT\$49,144	New Taiwan Dollars-	-	0.67	NT\$13,246,600 (limited by 200% of the Company's net worth)	Y	N	N	
0	Ennoconn Corporation	Thecus Technology Corp.	Subsidiaries	NT\$9,934,950 (limited by 150% of the Company's net worth)	NT\$100,000	NT\$100,000	NT\$100,000	-	1.37	NT\$13,246,600 (limited by 200% of the Company's net worth)	Y	N	N	
0	Ennoconn Corporation	Dexatek Technology Ltd.	Subsidiaries	NT\$9,934,950 (limited by 150% of the Company's net worth)	NT\$205,000	NT\$205,000	NT\$40,000	-	2.8	NT\$13,246,600 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Mold srl	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 15 NT\$543	Euro-New Taiwan Dollars-	Euro-NTD-	-	-	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Technologies GmbH	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 65 NT\$2,288	Euro 65 NT\$2,288	Euro-New Taiwan Dollars-	-	0.02	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Plus s.r.o.	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 198 NT\$6,964	Euro 194 NT\$6,842	Euro-New Taiwan Dollars-	-	0.05	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Albania Sh.p.k	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 205 NT\$7,216	Euro 205 NT\$7,216	Euro 138 NT\$4,849	-	0.05	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Services GmbH	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 5,300 NT\$168,560	Euro 300 NT\$10,560	Euro-New Taiwan Dollars-	-	0.08	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Deutschland GmbH	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 600 NT\$21,120	Euro 600 NT\$21,120	Euro 75 NT\$2,633	-	0.15	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T embedded GmbH	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 1,000 NT\$35,200	Euro-New Taiwan Dollars-	Euro-New Taiwan Dollars-	-	-	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	Kontron Europe GmbH	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 1,000 NT\$35,200	Euro 1,000 NT\$35,200	Euro-New Taiwan Dollars-	-	0.26	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T CZ s.r.o.	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 1,749 NT\$61,577	Euro 1,749 NT\$61,577	Euro-New Taiwan Dollars-	-	0.45	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	

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Number	Endorsement/ Guarantee Company Name	Endorsed/guaranteed party		A single enterprise Endorsement/ Guarantee Quota	Highest endorsement for the period Guarantee balance	Endorsement at the end of the period Guarantee balance	Actual expenditure	Property-guaranteed Endorsement or guarantee amount	Ratio of accumulated endorsement and guarantee to net worth in the latest financial statements (%)	Endorsement/ Guarantee Highest limit	Parent company to subsidiary Endorsement / Guarantee	Subsidiary to parent company Endorsement/Guarantee	Endorsement / Guarantee for Mainland China	Note
		Company Name	Relationship											
1	S&T AG, Austria	S&T Slovenija d.d.	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 2,000 NT\$70,400	Euro 2,000 NT\$70,400	Euro- New Taiwan Dollars-	\$ -	0.51	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Serbia d.o.o.	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 4,500 NT\$158,400	Euro- New Taiwan Dollars-	Euro- New Taiwan Dollars-	-	-	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Bulgaria e.o.o.d.	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 3,062 NT\$107,782	Euro 3,037 NT\$106,902	Euro 506 NT\$17,796	-	0.78	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Smart Energy GmbH	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 4,200 NT\$147,840	Euro 4,200 NT\$147,840	Euro 323 NT\$11,376	-	1.08	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Slovakia s.r.o.	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 4,000 NT\$140,800	Euro 4,000 NT\$140,800	Euro 1,321 NT\$46,483	-	1.03	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	diverse / Factoring CEE	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 20,000 NT\$704,000	Euro 20,000 NT\$704,000	Euro 4,934 NT\$173,683	-	5.13	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Poland Sp.z.o.o.	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 7,125 NT\$250,796	Euro 6,974 NT\$245,501	Euro- New Taiwan Dollars-	-	1.79	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Services Poland Sp.z.o.o.	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 9,638 NT\$339,253	Euro 9,299 NT\$327,335	Euro- New Taiwan Dollars-	-	2.39	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Consulting Hungary Kft.	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 8,723 NT\$307,060	Euro 8,723 NT\$307,060	Euro 6,224 NT\$219,087	-	2.24	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	Kontron S&T AG	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 17,000 NT\$598,400	Euro 8,000 NT\$281,600	Euro- New Taiwan Dollars-	-	2.05	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	Kontron America Inc.	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 17,671 NT\$622,018	Euro 17,467 NT\$614,847	Euro 7,885 NT\$277,555	-	4.48	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	Kontron Austria GmbH	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 348 NT\$12,264	Euro 250 NT\$8,800	Euro 197 NT\$6,923	-	0.06	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Romania SRL	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 6,200 NT\$218,240	Euro 6,200 NT\$218,240	Euro 589 NT\$20,745	-	1.59	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	GADA combined Company ROMANIA SRL	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 5,480 NT\$192,896	Euro 3,780 NT\$133,056	Euro 204 NT\$7,171	-	0.97	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	BIT IT Service GmbH	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 2,000 NT\$7,040	Euro- New Taiwan Dollars-	Euro- New Taiwan Dollars-	-	-	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	4
1	S&T AG, Austria	diverse / Factoring DACH	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 15,000 NT\$528,000	Euro 14,200 NT\$499,840	Euro 9,117 NT\$320,911	-	3.64	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	RT Soft Ao	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 1,366 NT\$48,081	Euro 640 NT\$22,520	Euro- New Taiwan Dollars-	-	0.16	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	

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Number	Endorsement/ Guarantee Company Name	Endorsed/guaranteed party		A single enterprise Endorsement/ Guarantee Quota	Highest endorsement for the period Guarantee balance	Endorsement at the end of the period Guarantee balance	Actual expenditure	Property-guaranteed Endorsement or guarantee amount	Ratio of accumulated endorsement and guarantee to net worth in the latest financial statements (%)	Endorsement/ Guarantee Highest limit	Parent company to subsidiary Endorsement / Guarantee	Subsidiary to parent company Endorsement/Guarantee	Endorsement / Guarantee for Mainland China	Note
		Company Name	Relationship											
1	S&T AG, Austria	RTSoft Project OOO	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 4,281 NT\$150,701	Euro 3,149 NT\$110,834	Euro- New Taiwan	-	0.81	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	Kontron electronics GmbH	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 300 NT\$10,560	Euro 300 NT\$10,560	Dollars- Euro- New Taiwan	-	0.08	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	diverse / Factoring Kontron EUR	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 30,000 NT\$1,056,000	Euro 30,000 NT\$1,056,000	Dollars- Euro 14,786 NT\$520,481	-	7.70	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
2	HIGHAIM TECHNOLOG Y INC.	HighAim Technology Inc.	Subsidiaries	NT\$471,073 (limited by 100% of the Company's net worth)	NT\$307,150	NT\$307,150	NT\$307,150	-	6.38	NT\$471,073 (limited by 100% of the Company's net worth)	Y	N	Y	
3	Marketech International Corp.	Marketech Integrated Pte Ltd.	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	NT\$56,525	NT\$56,338	NT\$3,027	-	0.99	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	N	
3	Marketech International Corp.	Marketech International Sdn. Bhd.	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	NT\$245,720	NT\$245,720	NT\$13,691	-	4.34	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	N	
3	Marketech International Corp.	Shanghai Fanya Trading Co., Ltd.	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	NT\$32,801	New Taiwan Dollars-	New Taiwan Dollars-	-	-	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	Y	
3	Marketech International Corp.	MIC-Tech (Wuxi) Co., Ltd.	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	NT\$411,581	NT\$411,581	NT\$304,079	-	7.26	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	Y	
3	Marketech International Corp.	Huayou Chemical Industry International Trade (Shanghai) Limited Company	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	New Taiwan Dollars 1,026,300	New Taiwan Dollars 977,875	New Taiwan Dollars 194,19	-	17.26	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	Y	
3	Marketech International Corp.	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	New Taiwan Dollars 1,531,207	New Taiwan Dollars 1,398,810	New Taiwan Dollars 652,48	-	24.68	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	Y	
3	Marketech International Corp.	Shanghai Maohua Electron Engineering Technology Limited Company	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	New Taiwan Dollars 198,223	New Taiwan Dollars 198,223	New Taiwan Dollars 117,37	-	3.50	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	Y	
3	Marketech International Corp.	Special Triumph Sdn. Bhd.	A company with contractual mutual-endorsement requirement for	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	NT\$40,431	NT\$27,092	New Taiwan Dollars-	-	0.48	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	N	N	N	
3	Marketech International Corp.	eZoom Information, Inc.	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	NT\$120,000	NT\$120,000	NT\$12,003	-	2.12	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	N	

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Number	Endorsement/ Guarantee Company Name	Endorsed/guaranteed party		A single enterprise Endorsement/ Guarantee Quota	Highest endorsement for the period Guarantee balance	Endorsement at the end of the period Guarantee balance	Actual expenditure	Property-guaranteed Endorsement or guarantee amount	Ratio of accumulated endorsement and guarantee to net worth in the latest financial statements (%)	Endorsement/ Guarantee Highest limit	Parent company to subsidiary Endorsement/ Guarantee	Subsidiary to parent company Endorsement/ Guarantee	Endorsement/ Guarantee for Mainland China	Note
		Company Name	Relationship											
4	Marketch Co., Ltd.	MIC-Tech Viet Nam Co., Ltd.	Among companies the Company directly and indirectly holds 90% or more of the voting shares	New Taiwan Dollars 110,879,390 (limited by 150% of the Company's net worth)	NT\$7,740	NT\$7,740	NT\$7,740	-	69.80	New Taiwan Dollars 110,879 (limited by 500% of the Company's net worth)	N	N	N	
5	Shanghai Jiwei Electronic System Engineering Co., Ltd.	MIC-Tech (Wuxi) Co., Ltd.	Among companies the Company directly and indirectly holds 90% or more of the voting shares	New Taiwan Dollars 1,253,227,971 (limited by 300% of the Company's net worth)	NT\$4,405	New Taiwan Dollars-	New Taiwan Dollars-	-	-	New Taiwan Dollars 2,088,713 (limited by 500% of the Company's net worth)	N	N	Y	
5	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Shanghai Maohua Electron Engineering Technology Limited Company	A company with contractual mutual-endorsement requirement for construction contracts	New Taiwan Dollars 1,253,227,971 (limited by 300% of the Company's net worth)	NT\$73,212	NT\$69,868	NT\$69,868	-	16.73	New Taiwan Dollars 2,088,713 (limited by 500% of the Company's net worth)	N	N	Y	
5	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Huayou Chemical Industry International Trade (Shanghai) Limited Company	Among companies the Company directly and indirectly holds 90% or more of the voting shares	New Taiwan Dollars 1,253,227,971 (limited by 300% of the Company's net worth)	NT\$112,412	NT\$107,278	NT\$107,278	-	25.68	New Taiwan Dollars 2,088,713 (limited by 500% of the Company's net worth)	N	N	Y	
6	Huayou Chemical Industry International Trade (Shanghai) Limited Company	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Among companies the Company directly and indirectly holds 90% or more of the voting shares	New Taiwan Dollars 1,053,653,961 (limited by 300% of the Company's net worth)	NT\$645,959	NT\$616,455	NT\$616,455	-	175.52	New Taiwan Dollars 1,756,090 (limited by 500% of the Company's net worth)	N	N	Y	

Note 1: The exchange rate is the average demand exchange rate of the Bank of Taiwan on December 28, 2007.

Note 2: diverse/Factoring CEE includes S&T CZ, S&C CZ+(S&T+CZ), S&T HR, S&T SK 及 S&T SI, diverse/ Factoring DACH includes S&T Smart Energy GmbH, S&T Distribution GmbH, S&T EPS GmbH, BIT IT GmbH, S&T embedded GmbH, S&T Deutschland GmbH, S&T Services GmbH.

Note 3: Due to the adjustment of the organizational structure during the 2nd quarter of 2018, Kontron Europe GmbH has been eliminated or liquidated.

Note 4: Due to the adjustment of the organizational structure during the 2nd quarter of 2018, S&T Deutschland GmbH has been eliminated or liquidated.

Ennoconn Corporation and Subsidiaries
Marketable Securities Held
December 31, 2018

Table 3

Unit: NT\$1,000

Holding Company	Type and Name of Marketable Securities	Relationship with the issuer	Financial statement item	End of Period				Note
				Number of Shares/Unit	Carrying Amount	Shareholding Percentage %	Fair value	
Ennoconn International Investment Co., Ltd.	<u>Stock</u> Winmate Inc.	None	Financial assets at fair value through other comprehensive income - current	800,000	\$ 40,000	-	<u>\$ 40,880</u>	
	Minus: Unrealized gains and losses on financial assets at fair value through other comprehensive income - current				880			
Goldtek Technology Co., Ltd.	Cloudtalk Inc.	None	Financial assets at fair value through other comprehensive income - non-current	484,260	\$ 123,501	12.81	\$ 74,101	
	Minus: Realized adjustment for financial assets at fair value through other comprehensive income				(49,400)			
Ennoconn (Foshan) Investment Co., Ltd.	Venture Capital Investment Fund for Tech Innovation Smart Industry of Foshan City	None	"	RMB36,902	165,094	18.57	165,09	
	Caswell Inc.	None	"	1,045,000	10,450	19	10,45	
HighAim Technology Inc.	Qingdao Bonin Fortune Access equipment Co., Ltd.	None	"	3,949,000	73,697	6.00	<u>73,69</u>	
					\$ 323,342		<u>\$ 323,34</u>	
Marketech International Corp.	Lasertec Corporation	None	Financial assets at fair value through profit or loss - current	20,000	\$ 15,590		\$ 15,59	
"	ACM Research Inc.	"	"	167,684	56,037		56,03	
"	Solar Applied Materials Technology Co., Ltd.	"	"	44,078	804		80	
"	Aerospace Industrial Development Corporation	"	"	25,925	796		79	
"	Calitech Co., Ltd.	"	"	645,199	17,711		<u>17,71</u>	
Marketech International Corp.	Taiwan Colour & Imaging Technology Corporation	None	Financial assets at fair value through profit or loss - non-current	1,700,000	\$ 1,300	13.03	<u>\$ 1,30</u>	
	Highlight Tech. Corporation	"	"	453,000	9,558	0.46	9,55	
"	ProMOS Technologies	"	"	250,331	-	0.56	-	
"	Taiwan Puritic Corp.	"	"	6,191,181	153,368	10.32	153,36	
"	SOPOWER Technology Corp.	"	"	189,223	-	12.61	-	
"	VEEV Interactive Pte. Ltd.	"	"	840,000	-	6.45	-	

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Holding Company	Type and Name of Marketable Securities	Relationship with the issuer	Financial statement item	End of Period				Note
				Number of Shares/Unit	Carrying Amount	Shareholding Percentage %	Fair value	
Marketech International Corp.	Taiwan Intelligent Fiber Optic Network Consortium	None	Financial assets at fair value through profit or loss - non-current	3,868,221	\$ 25,17	1.58	\$ 25,17	
"	Han Da Venture Capital Co., Ltd.	Entities controlled by the main management or significant influence	"	499,200	4,99	6.67	4,99	
"	Civil Tech Holdings Ltd.	None	"	336,374	11,84	0.58	11,84	
"	ProbeLeader Co., Ltd.	Entities controlled by the main management or significant influence	"	966,000	6,91	3.46	6,91	
"	T Energy Co., Ltd	None	"	1,111,111		0.89		
"	Chi Yuan Venture Capital Co., Ltd.	"	"	1,000,000	10,00	1.79	10,00	
"	Chun Shin Venture Capital Co., Ltd.	"	"	1,000,000	10,00	1.87	10,00	
"	Hua Tai Technology, Inc.	"	"	380,000	4,41	2.24	4,41	
"	Long Time Tech. Co., Ltd.	"	"	346,000	7,27	0.29	7,27	
"	Bon Dian Venture Capital Co., Ltd.	"	"	90,187	90	3.50	90	
"	Taiwan Specialty Chemical Corporation	"	"	4,201,333	60,21	1.44	60,21	
"	8Tech Totalsolution Co., Ltd.	"	"	128,000		0.23		
"	Dongfeng Life Sciences System Co., Ltd.	"	"	124,457		12.87		
"	Ecoland Corporation	"	"	310,715		13.51		
"	Radisen Co. Ltd	"	"	87,803	3,75	19.41	3,75	
"	Foresight Energy Technologies	"	"	1,350,000	10,58	4.50	10,58	
"	Yu Shan Bio Investment Co., Ltd. (formerly known as Bi Yi Biomedical Investment Co., Ltd.)	Entities controlled by the main management or significant influence	"	943,050	9,43	7.44	9,43	
"	Chi Yi Health Co., Ltd.	"	"	200,000	56	19.99	56	
"	Wings Global Technology Co., Ltd	"	"	750,000	15,00	18.75	15,00	
"	Forward Science Corporation	"	"	2,000,000	20,00	10.00	20,00	
					\$ 365,29		\$ 365,29	
Huayou Chemical Industry International Trade (Shanghai) Limited Company	Beijing Marketech Environmental Technology Co., Ltd.	Entities controlled by the main management or significant influence	Financial assets at fair value through profit or loss - non-current			19.00		
Marketech International Corp.	<u>Convertible corporate bonds</u> Nitride Solutions Inc.	None	Financial assets at fair value through profit or loss - non-current		\$ 2,91	-	\$ 2,91	
"	HALLY'S CORPORATION	"	"	-	20,73	-	20,73	
	<u>Preferred shares</u>				\$ 23,64		\$ 23,64	
Marketech International Corp.	Adant Technologies Inc.	None	Financial assets at fair value through profit or loss - non-current	174,520	\$	Note 3	\$	
"	Kinestral Technologies, Inc.	"	"	501,532	24,08	"	24,08	
					\$ 24,08		\$ 24,08	

- Note 1: The abovementioned securities have no guarantees, pledges or other agreed users as of the end of December, 2018.
- Note 2: For the information on investment in subsidiaries, please refer to Table 8 and 9.
- Note 3: Preferred shares held.

Ennoconn Corporation and Subsidiaries
Acquisition or Sale of the Same Securities with the Accumulated Cost Reaching NT\$300 Million or 20% of Paid-in capital or More
January 1st to December 31, 2018

Table 4

Unit: Foreign currency/NT\$ thousands

Buying/selling company	Type and Name of Marketable Securities	Financial statement item	Transaction counterparty	Relationship	Beginning of period		Buy		Sell				End of Period	
					Unit Count or Number of Shares	Amount	Unit Count or Number of Shares	Amount	Unit Count or Number of Shares	Selling price	Book cost	Loss disposal	Unit Count or Number of Shares	Amount
Ennoconn Corporation	Stock BNP Paribas Currency Market Fund	Financial assets at fair value through profit or loss - current	BNP Paribas Securities Investment Advisory Co., Ltd.	None	217,693	\$ 1,373,732	-	\$ -	217,693	\$ 1,359,582	\$ 1,373,732	(\$ 14,150)	\$ -	\$ -
Ennoconn International Investment Co., Ltd.	Marketech International Corp.	Investment using equity method	Marketech International Corp.	Subsidiaries	-	-	83,468,613	4,866,033	-	-	-	-	83,468,613	4,866,033 (Note 1)
Ennoconn International Investment Co., Ltd.	DIVA Laboratories. Ltd.	Investment using equity method	DIVA Laboratories. Ltd.	Associate	-	-	14,500,000	298,442	-	-	-	-	14,500,000	298,442 (Note 2)
Goldtek Technology Co., Ltd.	Keenest Electronic Corp.	Investment using equity method	Keenest Electronic Corp.	Subsidiaries	1,050,000	27,175	10,950,000	332,168	-	-	-	-	12,000,000	368,204 (Note 3)
Keenest Electronic Corp.	Sunlit Industry Co., Ltd.	Investment using equity method	Sunlit Industry Co., Ltd.	None	-	-	7,500,000	US\$10,212 NT\$309,793	-	-	-	-	7,500,000	US\$10,486 NT\$322,067 (Note 4 and 6)

Note 1: The original investment was NT\$4,924,648,000, the cash dividend gained was NT\$207,080,000, the recognized investment interest was NT\$184,558,000 (Note 4), other comprehensive profit and loss was NT\$26,398,000 (Note 4), and the changes in the subsidiaries' equity was NT\$9,695,000 (Note 4).

Note 2: The original investment was NT\$279,850,000, the control was deemed to be the disposal investment benefit of NT\$20,000,000, the recognized investment interest was NT\$4,034,000 (Note 4) and other comprehensive profit and loss was NT\$5,442,000 (Note 4).

Note 3: The opening balance of the period plus the original investment of the current period was NT\$332,168,000, the investment benefit recognized by the shareholding ratio was NT\$4,361,000 (Note 4), and other comprehensive profit and loss was NT\$4,500,000 (Note 4).

Note 4: The initial investment gain was US\$10,212,000, the recognized investment gain was US\$253,000 (Note 4) and other comprehensive income was US\$21,000 (Note 4).

Note 5: Calculated based on the audited financial statements and the percentage of shareholding of the investee companies in the same period as the invested company's accounting.

Note 6: The exchange rate is adopted as the average demand exchange rate of Bank of Taiwan on December 31, 2018.

Note 7: Transactions related to investments in this table are fully written off in the preparation of consolidated financial statements.

Ennococon Corporation and Subsidiaries
Amount of purchases from and sales to related parties reaching NT\$100 million or 20% of its paid-in capital
January 1st to December 31, 2018

Table 5

Unit: NT\$ 1,000

Company of purchase/sales	Name of transaction counterparty	Relationship	Transaction Status				Transactions with different transactions situations and reasons		Notes and accounts receivable (payable)		Note
			Purchase (sales)	Amount	% of total purchases Percentage of the goods	Credit period	Unit Price	Credit period	Balance	Accounts receivable (payable) notes and accounts Ratio of the Company's financial assets	
Ennoconn Corporation	Hon Hai Precision Industry Co., Ltd.	Associate	Procurement and processing fees	\$ 2,125,062	56.33%	Monthly payment over 60 days	No material discrepancy	No material discrepancy	(\$ 238,167)	(35.12%)	
Goldtek Technology Co., Ltd.	Hon Hai Precision Industry Co., Ltd.	Associate	Procurement and processing fees	3,852,173	66.03%	Monthly payment over 60 days	No material discrepancy	No material discrepancy	(1,018,862)	(90.30%)	
Caswell Inc.	Hon Hai Precision Industry Co., Ltd.	Associate	Procurement and processing fees	1,001,752	28.52%	Monthly payment over 90 days	No material discrepancy	No material discrepancy	(281,412)	(27.63%)	
HighAim Technology Inc.	Futaihua Industry (Shenzhen) Co., Ltd.	Associate	Sales	(645,472)	(29.48%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	140,179	18.97%	
HighAim Technology Inc.	Hong Fujin Precision Industry (Shenzhen) Limited Company	Associate	Sales	(211,637)	(9.67%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	119,924	16.23%	
Nanjing Asiatek Inc.	Futaihua Industry (Shenzhen) Co., Ltd.	Associate	Sales	(239,136)	(35.73%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	43,683	29.08%	
Nanjing Asiatek Inc.	Hong Fujin Precision Industry (Shenzhen) Limited Company	Associate	Sales	(283,965)	(42.43%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	46,699	31.09%	
Kontron Malaysia	Hon Hai Precision Industry Co., Ltd.	Associate	Sales	(439,617)	(1.25%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	70,962	0.99%	
Kontron Europe GmbH		Associate	Sales	(1,020,549)	(2.90%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	184,037	2.58%	
Kontron Europe GmbH	Kontron America Inc.	Subsidiaries	Procurement and processing fees	704,060	2.76%	Monthly payment over 90 days	No material discrepancy	No material discrepancy	(150,557)	(2.42%)	
	Ennoconn Corporation	Subsidiaries	Procurement and processing fees	1,095,805	4.30%	Monthly payment over 90 days	No material discrepancy	No material discrepancy	(134,553)	(2.16%)	
Kontron Canada Inc.		Subsidiaries	Procurement and processing fees	250,332	0.98%	Monthly payment over 90 days	No material discrepancy	No material discrepancy	(31,631)	(0.51%)	
Kontron America Inc.		Subsidiaries	Procurement and processing fees								
Kontron Europe GmbH	Kontron Technology Beijing Co. Ltd.	Associate	Sales	(162,192)	(0.46%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	52,130	0.73%	
S&T Services GmbH	S&T AG	Associate	Sales	(122,193)	(0.35%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	44,440	0.62%	
S&T Poland Sp.z.o.o.		Associate	Sales	(107,970)	(0.31%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	51,051	0.72%	
	S&T Services Polska Sp.z.o.o.	Associate	Sales								
Kontron Asia Pacific Design Sdn. Bhd.		Subsidiaries	Sales	(109,205)	(0.31%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	3,344	0.05%	
Kontron Europe GmbH	Kontron Europe GmbH	Subsidiaries	Sales	(137,909)	(0.39%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	44,473	0.62%	
	RTSoft Project OOO										

Ennococon Corporation and Subsidiaries
Accounts receivable from related parties reaching NT\$100 million or 20% of its paid-in capital
December 31, 2018

Table 6

Unit: NT\$ 1,000

Accounts receivable from companies	Relationship with	transaction party	Balance due from related party	Turnover rate	Overdue accounts receivable from related party		Accounts receivable from related party Amount recovered after period	Recognition allowance Bad debt amount
					Amount	Processing Method		
Ennoconn Corporation	Kontron Canada Inc.	Parent company to second-tier subsidiary	\$ 134,55	8.14	\$ -	-	\$ -	\$ -
"	Kontron Europe GmbH	Parent company to second-tier subsidiary	150,55	4.68	-	-	-	-
EnnoMech Precision (Cayman) Co., Ltd.	Hong Fujin Precision Industry (Shenzhen) Limited Company	Associate	119,92	-	-	-	-	-
"	Futaihua Industry (Shenzhen) Co., Ltd.	Associate	140,28	-	-	-	-	-
Kontron S&T AG	Kontron Europe GmbH	Second-tier subsidiary to second-tier subsidiary	379,10	-	-	-	-	-
Kontron Europe GmbH	Kontron S&T AG	Second-tier subsidiary to second-tier subsidiary	1,637,22	-	-	-	-	-
Kontron Canada Inc.	Kontron America Inc.	Second-tier subsidiary to second-tier subsidiary	294,00	-	-	-	-	-
Kontron S&T AG	Kontron Asia Pacific Design Sdn. Bhd.	Second-tier subsidiary to second-tier subsidiary	580,06	-	-	-	-	(578,787
S&T AG, Austria	S&T CEE Holding s.r.o., Slowakei	Second-tier subsidiary to second-tier subsidiary	516,83	-	-	-	-	-
"	Kontron Modular Computers S.A.S.	Second-tier subsidiary to second-tier subsidiary	109,59	-	-	-	-	-
"	S&T Romania srl	Second-tier subsidiary to second-tier subsidiary	103,12	-	-	-	-	-

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Accounts receivable from companies	Transaction counterparty	Relationship	Balance due from related party	Turnover rate	Overdue accounts receivable from related party		Accounts receivable from related party Amount recovered after period	Recognition allowance Bad debt amount
					Amount	Processing Method		
S&T AG, Austria	Kontron electronics GmbH	Second-tier subsidiary to second-tier subsidiary	\$ 344,968	-	\$ -	-	\$ -	(\$ 124,516
"	Kontron Austria GmbH	Second-tier subsidiary to second-tier subsidiary	135,569	-	-	-	-	-
"	Kontron Holding Austria GmbH	Second-tier subsidiary to second-tier subsidiary	184,242	-	-	-	-	(91,420
"	Kontron S&T AG	Second-tier subsidiary to second-tier subsidiary	1,805,799	-	-	-	-	-
Kontron Europe GmbH	Kontron America Inc.	Second-tier subsidiary to second-tier subsidiary	195,760	-	-	-	-	-
S&T Services GmbH	S&T AG, Austria	Second-tier subsidiary to second-tier subsidiary	153,214	-	-	-	-	-

Note: All transactions listed above have been written off in the preparation of the consolidated financial statements with the exception of Kontron Canada Inc.

Ennococon Corporation and Subsidiaries
Business relationships, important transactions, and amount between the parent company and subsidiaries
January 1st to December 31, 2018

Table 7

Unit: NT\$ 1,000

Number (Note 1)	Name of transaction counterparty	Transaction counterparty	Relationship with counterparty	Transaction Status			
				Accounts	Amount	Transaction Terms	Percentage of Consolidated Net Revenue or total assets %
0	The Company	SyS-P Co., Ltd.	Parent company to second-tier subsidiary	Sales	\$ 12,999	General terms and condition	0.02%
"	"	Kontron Europe GmbH, Germany	"	Sales	704,060	"	1.02%
"	"	"	"	Accounts receivable	150,557	"	0.20%
"	"	Kontron Canada Inc., Canada	"	Sales	1,095,805	"	1.59%
"	"	"	"	Accounts receivable	134,553	"	0.18%
"	"	Kontron America Inc.	"	Sales	250,332	"	0.36%
"	"	"	"	Accounts receivable	31,631	"	0.04%
"	"	Kontron Malaysia	"	Sales	3,534	"	0.01%
1	Caswell Inc.	Thecus NL B.V.	Subsidiary to second-tier subsidiary	Sales	24,379	"	0.04%
"	"	"	"	Accounts receivable	15,920	"	0.02%
"	"	Thecus Technology Corp.	"	Purchase	24,095	"	0.03%
2	HighAim Technology Inc.	Andrix International Ltd.	Second-tier subsidiary to second-tier subsidiary	Purchase	135,059	"	0.20%
"	"	"	"	Accounts payable	53,259	"	0.07%
"	"	Funology Investment Inc.	"	Purchase	136,652	"	0.20%
"	"	"	"	Accounts payable	35,356	"	0.05%
3	Funology Investment Inc.	HighAim Technology Inc.	"	Purchase	134,928	"	0.20%
"	"	"	"	Accounts payable	34,978	"	0.05%
4	Andrix International Ltd.	"	"	Purchase	133,502	"	0.19%
"	"	"	"	Accounts payable	52,573	"	0.07%
5	Kontron S&T AG	Kontron Asia Pacific Design Sdn. Bhd.	"	Accounts receivable	580,066	"	0.78%
6	Kontron Europe GmbH	Kontron S&T AG	"	Accounts receivable	1,637,221	"	2.19%
"	"	Kontron America Inc.	"	Accounts receivable	195,760	"	0.26%
7	Kontron Canada Inc.	Kontron America Inc.	"	Accounts receivable	294,000	"	0.39%
8	S&T AG, Austria	S&T CEE Holding s.r.o., Slowakei	"	Accounts receivable	516,832	"	0.69%
"	"	Kontron Modular Computers S.A.S.	"	Accounts receivable	109,597	"	0.15%
"	"	S&T Romania Srl	"	Accounts receivable	103,124	"	0.14%
"	"	Kontron electronics GmbH	"	Accounts receivable	344,968	"	0.46%
"	"	Kontrona Austria GmbH	"	Accounts receivable	135,569	"	0.18%
"	"	Kontron Holding Austria GmbH	"	Accounts receivable	184,242	"	0.25%
"	"	Kontron Europe GmbH	"	Accounts receivable	379,100	"	0.51%
"	"	Kontron S&T AG	"	Accounts receivable	1,805,799	"	2.41%
9	S&T Services GmbH	S&T AG, Austria	"	Accounts receivable	153,214	"	0.20%

Note 1: Business information between the parent company and subsidiaries shall be indicated in column number and filled in with the following methods:

1. Fill in 0 for the parent company.
2. The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: The transaction amount accounts for the calculation of the combined total revenue or total assets ratio. In the case of an asset-liability account, the ending balance is calculated as the total assets consolidated. In the case of profit or loss, the cumulative amount at the end of the period accounts for the total combined revenue calculation.

Note 3: All transactions listed above have been written off in the preparation of the consolidated financial statements.

Table 8

Ennococon Corporation and Subsidiaries
Name of investee, location, etc.
January 1st to December 31, 2018

Unit: Foreign currency/NT\$ thousands

Name of investor	Name of investee	Location	Main operations	Initial Investment Amount		Closing holding			Current Profit and Loss of Investee	Recognized investment gain (loss) for the current period	Note
				End of the current period	End of last year	Number of Shares	Percentage	Carrying Amount			
Ennoconn Corporation	The Innovation System Integration Limited	Hong Kong	Professional investment	HKD: 346,329 NTD: 1,340,135 NTD: 6,830,000	HKD: 125,135 NTD: 482,865 NTD: 1,870,000	166,221,030	100.00	HKD: 371,777 NTD: 1,457,739 NTD: 7,693,587	HKD: 13,678 NTD: 52,947 NTD: 625,549	HKD: 13,678 NTD: 52,947 NTD: 625,549	
"	Ennoconn International Investment Co., Ltd.	Taiwan	Professional investment			702,635,000	100.00	NTD: 7,693,587	NTD: 625,549	NTD: 625,549	
"	Caswell Inc.	Taiwan	Manufacturing of electronic parts, computer and peripheral devices, electronic material wholesale and software services	NTD: 1,031,800	NTD: 1,031,800	20,000,000	29.66	NTD: 1,042,012	NTD: 356,144	NTD: 86,372	Note 2
"	Ennoconn Investment Holdings Co.,Ltd	Samoa	Professional investment	USD: 239,360 NTD: 7,486,118 USD: 3,500	USD: 224,360 NTD: 7,045,855 USD: 3,500	239,360,000	100.00	US\$246,348 NTD: 7,566,593 HKD: 27,495	USD: 10,113 NTD: 305,913 HKD: 222	USD: 10,113 NTD: 305,913 HKD: 222	
The Innovation System Integration Limited	ENGA Technology Co., Ltd.	Hong Kong	Wholesale, manufacturing, service and import/export of industrial computer and industrial systems	USD: 105,683	NTD: 105,910	3,500,000	100.00	NTD: 107,809	NTD: 859	NTD: 859	
"	Shengli Holdings Co., Ltd	Seychelles	Import and export trading	USD: - NTD: -	USD: - NTD: -	500,000	100.00	HKD: - NTD: -	HKD: - NTD: -	HKD: - NTD: -	"
Ennoconn Investment Holdings Co.,Ltd	Kontron Canada Inc.	Canada	Communication products	USD: - NTD: -	USD: 57,300 NTD: 1,844,201	-	-	USD: - NTD: -	USD: 3,603 NTD: 108,012	USD: 1,766 NTD: 52,926	
"	AIS Cayman Technology	Cayman Islands	Professional investment	USD: 5,062 NTD: 155,000	USD: 5,062 NTD: 152,087	2,250,000	60.00	USD: 5,224 NTD: 160,464	US\$: 524 NTD: 15,866	USD: 314 NTD: 9,507	
"	S&T AG	Austria	Integration service for information software and hardware	EUR: 158,929 NTD: 5,594,301	EUR: 135,464 NTD: 4,818,460	16,835,000	25.47	EUR: 210,834 NTD: 7,421,343	EUR: 44,983 NTD: 1,596,852	EUR: 8,931 NTD: 317,035	Note 2
AIS Cayman	AIS	USA	Human machine interface and Industrial 4.0	USD: 1,500 NTD: 46,073	USD: 1,500 NTD: 45,390	1,500,000	100.00	USD: 6,168 NTD: 188,277	US\$ 137 NTD: 4,156	US\$ 137 NTD: 4,156	
"	Vecow Co., Ltd.	Taiwan	Manufacturing, processing, trading and import/export of communication machinery, electronic equipment and electronic devices	USD: 106 NTD: 3,256	USD: - NTD: -	20,000,000	100.00	USD: 3,229 NTD: 98,576	US\$: 431 NTD: 13,064	US\$: 431 New Taiwan Dollar: 13,064	
Ennoconn International Investment Co., Ltd.	Goldtek Technology Co., Ltd.	Taiwan	Import of telecommunications-based RF equipment and information software wholesale/retail	NTD: 492,221	NTD: 492,221	17,002,830	56.74	NTD: 930,855	NTD: 547,978	NTD: 310,938	
"	Caswell Inc.	Taiwan	Manufacturing of electronic parts, computer and peripheral devices, electronic material wholesale and software services	NTD: 149,500	NTD: 149,500	3,250,000	4.82	NTD: 138,297	NTD: 356,144	NTD: 14,063	Note 2
"	EnnoMech Precision (Cayman) Co., Ltd.	Cayman Islands	Professional investment	USD: 13,800 NTD: 423,867	USD: 13,800 NTD: 448,861	13,800,000	100.00	USD: 17,319 NTD: 531,945	USD: 809 NTD: 25,666	USD: 809 NTD: 25,666	
"	SyS-P Co., Ltd.	Taiwan	International trade, information software wholesale and services	NTD: 30,000	NTD: 30,000	-	100.00	NTD: 37,213	NTD: 11,592	NTD: 11,592	
"	Ennowyse Corporation	Taiwan	Research, design and sales of mobile payment, electronic signature and information security	NTD: 50,400	NTD: 50,400	5,040,000	60.00	NTD: 37,164	NTD: (968)	NTD: (1,379)	Note 2
"	Thecus Technology Corp.	Taiwan	Manufacturing of electronic parts, computer and peripheral devices, electronic material wholesale and software services	NTD: 102,000	NTD: 102,000	10,200,000	60.00	NTD: 22,957	NTD: (7,159)	NTD: (5,276)	Note 2
"	Dexatek Technology Ltd.	Taiwan	Multimedia products research, design and manufacturing	NTD: 236,862	NTD: 236,862	12,600,000	60.00	NTD: 262,627	NTD: 42,054	NTD: 17,517	Note 2
"	S&T AG	Austria	Integration service for information software and hardware	EUR: 7,523 NTD: 264,810	EUR: 7,523 NTD: 263,363	750,000	1.13	EUR: 11,517 NTD: 405,412	EUR: 44,983 NTD: 1,596,852	EUR: 423 NTD: 15,000	Note 2
"	Servtech Corporation	Taiwan	Wholesale of information software services	NTD: 10,000	NTD: -	400,000	7.23	NTD: 10,449	NTD: 6,204	NTD: 449	
"	Marketch International Corp.	Taiwan	Planning integration services for high-tech industrial plants and process systems	NTD: 4,924,648	NTD: -	83,468,610	45.21	NTD: 4,911,293	NTD: 792,582	NTD: 219,646	Note 2
"	DIVA Laboratories. Ltd.	Taiwan	Research and development, manufacturing and sales of medical equipment and computer peripherals	NTD: 279,850	NTD: -	14,500,000	20.04	NTD: 298,442	NTD: 52,154	NTD: 4,035	
EnnoMech Precision (Cayman) Co., Ltd.	HighAim Technology INC.	Brunei	Professional investment	USD: 10,843 NTD: 333,043	USD: 10,843 NTD: 350,997	3,302,610	66.05	USD: 11,846 NTD: 363,841	USD: 1,530 NTD: 48,568	USD: 814 NTD: 25,845	Note 2
"	DOMINATE UNITED ENTERPRISE LTD.	Samoa	Professional investment	USD: 2,100 NTD: 64,502	USD: 2,100 NTD: 63,546	2,100,000	100.00	USD: 2,146 NTD: 65,922	USD: 83 NTD: 2,650	USD: 83 NTD: 2,650	
"	EnnoMech Precision Co., Ltd.	Taiwan	Manufacturing of electronic parts, computer and peripheral devices, electronic material wholesale and software services	NTD: 10,000	NTD: 10,000	1,000,000	100.00	USD: 1,153 NTD: 35,422	USD: (105) NTD: (3,334)	USD: (105) NTD: (3,334)	
HighAim Technology INC.	FUNOLOGY INVESTMENT INC.	Samoa	Import and export trading	USD: 1 NTD: 31	USD: 1 NTD: 30	1,000	100.00	US\$ 799 NTD: 24,541	USD: 58 NTD: 1,851	USD: 58 NTD: 1,851	
"	ANDRIX INTERNATIONAL LIMITED	Anguilla	Import and export trading	USD: 1 NTD: 28	USD: 1 NTD: 27	900	100.00	USD: 307 NTD: 9,443	USD: 56 NTD: 1,763	USD: 56 NTD: 1,763	
Caswell Inc.	CASO Inc.	Japan	Sales of networking products	NTD: 27,063	NTD: 18,958	8,105,130	99.00	NTD: 33,486	NTD: 8,002	NTD: 7,922	
"	Caswell International Investment Co., Ltd.	SAMOA	Investment	NTD: 101,135	NTD: 101,135	-	100.00	NTD: 123,632	NTD: 29,409	NTD: 29,409	
"	Caswell Americas, Inc	USA	Sales of networking products	NTD: 92,460	NTD: 31,080	61,380,000	100.00	NTD: 65,486	NTD: (11,397)	New Taiwan Dollars: (11,397)	
Thecus Technology Corp.	Thecus NL B.V.	Netherlands	Network storage	NTD: 10,845	NTD: 10,845	2,600	100.00	NTD: -	NTD: (4,006)	NTD: (4,006)	Note 2
"	Tecas USA., Inc.	USA	Network storage	NTD: 23,367	NTD: 23,367	750,000	100.00	NTD: 5,058	NTD: (5,269)	NTD: (5,269)	Note 2
"	Thecus Technology Corp. (Delaware)	Delaware	Professional investment	NTD: 15,528	NTD: 15,528	500	100.00	NTD: 16	NTD: -	NTD: -	Note 2

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Name of investee	Name of investee	Location	Main operations	Initial Investment Amount		Closing holding			Current Profit and Loss of Investee	Recognized investment gain (loss) f for the current period	Note
				End of the current period	End of last year	Number of Shares	Percentage	Carrying Amount			
Goldtek Technology Co., Ltd.	Keenest Electronic Corp.	Samoa	Professional investment	USD 12,000 NTD: 365,040	USD: 1,050 NTD: 32,871	12,000,000	100.00	USD: 11,988 NTD: 368,204	USD: 142 NTD: 4,361	USD: 142 NTD: 4,361	
Keenest Electronic Corp.	Sunlit Industry Co., Ltd.	Hong Kong	Metal stamping and casting	USD: 10,212 NTD: 309,793	USD: - NTD: -	7,500,000	40.30	USD: 10,486 NTD: 322,067	USD: 3,891 NTD: 117,307	US: 253 NTD: 7,777	
Sunlit Industry Co., Ltd.	Tai Ron Precision Casting Corporation	Hong Kong	Finance/Logistics	HKD: 7,500 NTD: 29,408	HKD: - NTD: -	7,500,000	50.00	HKD: 27,178 NTD: 106,567	HKD: 37,733 NTD: 145,281	HKD: 18,871 NTD: 72,641	
SyS-P Co., Ltd.	SYS-P Corp	USA	International trade, information software wholesale and services	USD: 15 NTD: 461	USD: 15 NTD: 485	50,000	100.00	USD: 26 NTD: 796	USD: (2) NTD: (75)	USD: (2) NTD: (75)	
Ennowyse Corporation	Servtech Corporation	Taiwan	Wholesale of information software services	NTD: 28,125	NTD: -	1,125,000	20.34	NTD: 29,387	NTD: 6,204	NTD: 1,262	
S&T CEE Holding s.r.o., Slovakia	S&T CZ s.r.o., Czech Republic	Czech Republic	IT servers	EUR: 8,187 NTD: 288,182	EUR: 8,187 NTD: 49,500	49,500,000	99.00	EUR: 6,089 NTD: 214,433	EUR: 1,473 NTD: 52,454	EUR: 1,458 NTD: 51,919	
"	S&T Plus s.r.o., Czech Republic	Czech Republic	Manufacturing and marketing of industrial computers	EUR: 471 NTD: 16,579	EUR: 471 NTD: 16,758	9,900,000	99.00	EUR: 3,086 NTD: 108,627	EUR: 1,577 NTD: 56,157	EUR: 1,561 NTD: 55,587	
"	S&T Services Polska Sp.z.o.o., Poland	Poland	IT servers	EUR: 2,651 NTD: 93,315	EUR: 2,651 NTD: 94,309	2,120	100.00	EUR: 2,812 NTD: 98,982	EUR: 384 NTD: 13,674	EUR: 384 New Taiwan Dollar:	
"	S&T Crna Gora d.o.o., Montenegro	Montenegro	IT servers	EUR: 33 NTD: 1,162	EUR: 33 NTD: 1,178	25,000	100.00	EUR: 622 NTD: 21,894	EUR: 105 NTD: 3,739	EUR: 105 NTD: 3,739	
"	S&T Bulgaria e.o.o.d., Bulgaria	Bulgaria	Manufacturing and marketing of industrial computers	EUR: 1,271 NTD: 44,739	Euro: 770 NTD: 27,380	13,120	100.00	EUR: 2,015 NTD: 70,928	Euro: 273 NTD: 9,722	Euro: 273 NTD: 9,722	
"	Kapsch EOOD	Bulgaria	IT servers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
"	S&T Poland Sp.z.o.z., Poland	Poland	IT servers	EUR: 1 NTD: 35	EUR: 1 NTD: 36	26,974	100.00	EUR: 7,718 NTD: 271,674	EUR: 1,761 NTD: 62,709	EUR: 1,761 NTD: 62,709	
"	S&T Services s.r.o., Slovakia	Slovakia	IT servers	EUR: 1 NTD: 35	EUR: 1 NTD: 36	9,818	1.00	EUR: 2 NTD: 70	EUR: 94 NTD: 3,374	EUR: 1 NTD: 36	
"	S&T Slovenija d.d., Slovenia	Slovenia	IT servers	EUR: 15,516 NTD: 546,163	EUR: 15,516 New Taiwan Dollar: 551,914	1,310,710	100.00	EUR: 6,322 NTD: 222,534	EUR: 1,463 NTD: 52,097	EUR: 1,463 NTD: 52,097	
"	Foreign Trade Unitary Enterprise 'Kapsch'	Belarus	IT servers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
S&T Slovenija d.d., Slovenia	S&T Hrvatska d.o.o., Croatia	Croatia	IT servers	EUR: 1,094 NTD: 38,509	EUR: 1,094 NTD: 38,916	221,300	100.00	EUR: 11,588 NTD: 407,898	EUR: 1,098 NTD: 39,100	EUR: 1,098 NTD: 39,100	
"	S&T Macedonia d.o.o.e.l., Macedonia	Macedonia	IT servers	Euro: 85 NTD: 2,992	Euro: 85 NTD: 3,039	568,000	100.00	EUR: 3,739 NTD: 131,613	EUR: 346 NTD: 12,321	EUR: 346 NTD: 12,321	
"	Kapsch d.o.o.	Slovenia	IT servers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
S&T AG, Austria	S&T Plus s.r.o., Czech Republic	Czech Republic	Manufacturing and marketing of industrial computers	EUR: 92 NTD: 3,238	EUR: 92 NTD: 3,262	100,000	1.00	EUR: 31 NTD: 1,091	EUR: 1,577 NTD: 56,157	EUR: 16 NTD: 570	
"	S&T CZ s.r.o., Czech Republic	Czech Republic	IT servers	EUR: 61 NTD: 2,147	EUR: 61 NTD: 2,184	500,000	1.00	EUR: 62 NTD: 2,182	EUR: 1,473 NTD: 52,454	EUR: 15 NTD: 534	
"	S&T Romania S.R.L., Romania	Romania	IT servers	EUR: 3,227 NTD: 113,590	EUR: 1,227 NTD: 43,648	2,460	31.00	EUR: 1,999 NTD: 70,365	Euro: (844) NTD: (30,055)	EUR: (262) NTD: (9,330)	
"	S&T Serbia d.o.o., Serbia	Serbia	IT servers	EUR: 3,563 NTD: 125,418	EUR: 3,219 NTD: 114,504	8,780	100.00	EUR: 2,447 NTD: 86,134	EUR: 615 NTD: 21,900	EUR: 615 New Taiwan Dollar: 21,900	
"	Kapsch D.O.O.	Serbia	IT servers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
"	S&T Albania Sh.p.k., Albania	Albania	IT servers	EUR: 282 NTD: 9,926	EUR: 282 NTD: 10,018	100	100.00	EUR: 556 NTD: 19,571	EUR: 172 NTD: 6,125	EUR: 172 NTD: 6,125	
"	S&T Mold srl., Moldova	Moldova	IT servers	EUR: 1,800 NTD: 63,360	EUR: 1,800 NTD: 64,026	1,135,094	100.00	EUR: 2,105 NTD: 74,096	EUR: (16) NTD: (570)	EUR: (16) NTD: (570)	
"	S&T Consulting Hungary Kft., Hungary	Hungary	IT servers	EUR: 11,947 NTD: 420,534	EUR: 11,947 NTD: 424,943	100,000	100.00	EUR: 6,767 NTD: 238,198	EUR: 1,729 NTD: 61,570	EUR: 1,729 NTD: 61,570	
"	S&T Deutschland GmbH, Germany	Germany	IT servers	EUR: 8,470 NTD: 298,320	EUR: 7,240 NTD: 257,521	25,000	100.00	EUR: 7,701 NTD: 271,075	EUR: 2,465 NTD: 87,779	EUR: 2,465 NTD: 87,779	
"	Computer Betting Company GmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 37,738 NTD: 1,328,378	EUR 37,720 NTD: 1,341,686	36,330	100.00	EUR: 19,074 NTD: 671,405	EUR: 1,753 NTD: 62,424	EUR: 1,753 NTD: 62,424	
"	SecureGUARD GmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 2,371 NTD: 83,459	EUR: 2,371 NTD: 84,336	92,460	69.00	EUR: 1,377 NTD: 48,470	EUR: (118) NTD: (4,202)	EUR: (82) NTD: (2,920)	
"	S&T embedded GmbH, Germany	Germany	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: 1,467 NTD: 52,166	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	
"	Roding Embedded GmbH, Germany	Germany	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: 1,550 NTD: 55,134	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
"	S&T CEE Holding s.r.o., Slovakia	Slovakia	IT servers	EUR: (5,345) NTD: (188,144)	Euro: (5,345) NTD: (190,107)	1,881,565	100.00	EUR: 13,677 NTD: 481,430	EUR: 1,630 NTD: 58,044	EUR: 1,630 NTD: 58,044	Note 4

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Name of investee	Name of investee	Location	Main operations	Initial Investment Amount		Closing holding			Current Profit and Loss of Investee	Recognized investment gain (loss) for the current period	Note
				End of the current period	End of last year	Number of Shares	Percentage	Carrying Amount			
"	Dorobet Ltd., Malta	Malta	Manufacturing and marketing of industrial computers	EUR: 101 NTD: 3,555	EUR: 101 NTD: 3,593	198,000	99.00	EUR: (6) NTD: (211)	EUR: (206) NTD: (7,336)	EUR: (204) NTD: (7,264)	
"	S&T Smart Energy GmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 5,763 NTD: 202,858	EUR: 5,763 NTD: 204,987	36,000	100.00	EUR: 1,373 NTD: 48,330	EUR: (253) NTD: (9,009)	EUR: (253) New Taiwan Dollars: (9,009)	
"	Amanox Solutions AG; Switzerland	Switzerland	IT servers	EUR: 4,856 NTD: 170,931	EUR: 4,856 NTD: 172,717	53,760	51.00	EUR: 4,469 NTD: 157,309	EUR: 3,895 NTD: 138,701	EUR: 1,994 NTD: 71,006	
"	Hamcos IT Service GmbH, Germany	Germany	IT servers	EUR: 1,802 NTD: 63,430	EUR: 1,802 NTD: 64,104	98,000	49.00	EUR: 891 NTD: 31,363	EUR: 86 NTD: 3,062	EUR: 42 NTD: 1,496	
"	Kontron Austria GmbH, Austria (formerly S&T Electronics and Payment Systems GmbH, Austria)	Austria	Manufacturing and marketing of industrial computers	EUR: 4,222 NTD: 148,614	EUR: 695 NTD: 24,714	32,702	90.00	EUR: 3,567 NTD: 125,558	EUR: (377) NTD: (13,425)	EUR: (339) NTD: (12,072)	
"	S&T SME Distribution GmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 18 NTD: 634	EUR: 18 NTD: 635	17,850	51.00	EUR: 308 NTD: 10,842	EUR: 24 NTD: 855	EUR: 12 NTD: 427	
"	S&T Services GmbH, Austria	Austria	IT servers	EUR: 10,902 NTD: 383,750	EUR: 6,402 NTD: 227,715	35,000	100.00	EUR: 8,309 NTD: 292,477	EUR: (3,474) NTD: (123,709)	EUR: (3,474) NTD: (123,709)	
"	Active Internet Performance GmbH	Austria	IT servers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
"	S&T Technologies GmbH, Austria	Austria	IT servers	EUR: 3,773 NTD: 132,810	EUR: 3,773 NTD: 134,195	35,000	100.00	EUR: 6,123 NTD: 215,530	EUR: 1,003 NTD: 35,717	EUR: 1,003 NTD: 35,717	
"	Linforge Technologies GmbH, Austria	Austria	IT servers	EUR: 1,181 NTD: 41,571	EUR: 1,181 NTD: 41,992	35,000	100.00	EUR: 1,485 NTD: 52,272	Euro: 283 NTD: 10,078	Euro: 283 NTD: 10,078	
"	GADA combined Company ROMANIA SRL, Romania	Romania	Manufacturing and marketing of industrial computers	EUR: 11,675 NTD: 410,960	EUR: 11,675 NTD: 415,275	105,000	84.00	EUR 11,867 NTD: 417,718	EUR: 1,131 NTD: 40,275	EUR: 950 NTD: 33,830	
"	Affair OOO, Russia	Russia	Manufacturing and marketing of industrial computers	EUR: 5,870 NTD: 206,624	EUR: 5,870 NTD: 208,796	4,800,000	48.00	EUR: 3,212 NTD: 113,062	EUR: 14 NTD: 499	EUR: 7 NTD: 249	
"	Kontron S&T AG, Germany (原 Kontron AG)	Germany	Manufacturing and marketing of industrial computers	EUR: 191,550 NTD: 6,742,560	EUR: 183,158 NTD: 6,514,937	58,277,969	95.00	EUR: 122,059 NTD: 4,296,477	EUR: 6,114 NTD: 217,720	EUR: 5,817 NTD: 207,143	
"	funworld gmbh, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 330 NTD: 11,616	EUR: 330 NTD: 11,738	40,000	40.00	EUR: 308 NTD: 10,842	EUR: (20) NTD: (712)	EUR: (8) New Taiwan Dollars: (285)	
"	SnT Services Bel LCC, BLR	Belarus	IT servers	EUR: 538 NTD: 18,938	EUR: - NTD: -	113,267	100.00	EUR: 595 NTD: 20,944	EUR: 74 NTD: 2,635	EUR: 74 NTD: 2,635	
S&T Deutschland GmbH, Germany	BIT IT Services GmbH, Germany	Germany	IT servers	EUR: - NTD: -	EUR: 723 NTD: 25,705	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
"	S&T Asia Inc., Taiwan	Taiwan	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	
"	SteuDaTecc System-und Netzwerktechnik GmbH	Germany	IT servers	EUR: 494 NTD: 14,221	EUR: - NTD: -	25,000	100.00	EUR: 415 NTD: 14,608	EUR: 10 NTD: 356	EUR: 10 NTD: 356	
"	XTRO AG, Germany	Germany	IT servers	EUR: 2,500 NTD: 88,000	EUR: 2,500 NTD: 88,925	50,000	100.00	EUR: 3,236 NTD: 113,907	EUR: 610 NTD: 21,722	EUR: 610 NTD: 21,722	
"	CES-POS Anteile A GmbH, Germany	Germany	IT servers	EUR: - NTD: -	EUR: - NTD: 43,942	-	-	EUR NTD:	EUR: - NTD: -	EUR: - NTD: -	Note 4
Computer Betting Company GmbH, Austria	S&T Romania S.R.L., Romania	Romania	IT servers	EUR: 1,690 NTD: 59,488	EUR: 1,690 NTD: 60,105	5,460	69.00	EUR: 4,434 NTD: 156,077	Euro: (844) NTD: (30,055)	EUR: (582) NTD: (20,725)	
"	STS Sportwetten GmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 61 NTD: 2,147	EUR: 61 NTD: 2,182	36,400	100.00	EUR: 51 NTD: 1,795	EUR: 15 NTD: 534	EUR: 15 NTD: 534	
"	S&T Slovakia s.r.o., Slovakia	Slovakia	IT servers	EUR: 6,971 NTD: 245,379	EUR: 6,971 NTD: 247,948	1,659,690	100.00	EUR: 4,574 NTD: 161,005	EUR: 272 NTD: 9,686	EUR: 272 NTD: 9,686	
S&T Consulting Hungary Kft., Hungary	S&T Services Kft., Hungary	Hungary	IT servers	EUR: 3,627 NTD: 127,670	EUR: 3,627 NTD: 129,024	268,000	100.00	EUR: 2,643 NTD: 93,034	EUR: 663 NTD: 23,609	EUR: 663 NTD: 23,609	
Kontron S&T AG, Germany (原 Kontron AG)	KONTRON AMERICA INC.	USA	Communication products	EUR: 17,790 NTD: 626,208	EUR: 11,086 NTD: 394,315	2,036,040	100.00	EUR: 19,504 NTD: 686,541	EUR: 1,083 NTD: 38,566	EUR: 1,083 NTD: 38,566	
"	KONTRON CANADA INC.	Canada	Communication products	EUR: 60,213 NTD: 2,119,498	EUR: 8,981 NTD: 319,445	50,000,200	100.00	EUR: 40,233 NTD: 1,416,202	EUR: 3,572 NTD: 127,199	EUR: 3,572 NTD: 127,199	
"	KONTRON ASIA PACIFIC DESIGN SDN. BHD.	Malaysia	Manufacturing and marketing of industrial computers	EUR: 5,071 NTD: 178,499	EUR: 5,071 NTD: 180,386	44,581,102	100.00	EUR: (15,930) NTD: (560,736)	EUR: (1,108) NTD: (39,456)	EUR: (1,108) New Taiwan Dollars: (39,456)	
"	KONTRON (BEIJING) TECHNOLOGY CO. LTD.	China	Manufacturing and marketing of industrial computers	Euro: 918 NTD: 32,314	Euro: 918 NTD: 32,663	15,398,960	100.00	EUR: 9,247 NTD: 325,494	EUR: (442) NTD: (15,740)	EUR: (442) NTD: (15,740)	
"	KONTRON EUROPE GMBH	Germany	Manufacturing and marketing of industrial computers	EUR: 123,910 NTD: 4,361,632	EUR: 123,910 NTD: 4,407,476	23,600,000	100.00	EUR: 128,854 NTD: 4,535,661	EUR: 14,501 NTD: 516,381	EUR: 14,501 NTD: 516,381	
"	Kontron S&T AG, Germany	Germany	Manufacturing and marketing of industrial computers	EUR: 2,797 NTD: 98,454	EUR: 371 NTD: 13,196	13,000	100.00	EUR: 1,643 NTD: 57,834	EUR: 169 NTD: 6,018	EUR: 169 NTD: 6,018	

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Name of investee	Name of investee	Location	Main operations	Initial Investment Amount		Closing holding			Current Profit and Loss of Investee	Recognized investment gain (loss) for the current period	Note
				End of the current period	End of last year	Number of Shares	Percentage	Carrying Amount			
KONTRON EUROPE GMBH	Kontron ECT design s.r.o.	Czech Republic	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: - NTD: -	500,000	100.00	Euro: 552 NTD: 19,430	EUR: 240 NTD: 8,546	EUR: 240 NTD: 8,546	
"	Kontron UK Ltd.	UK	Manufacturing and marketing of industrial computers	EUR: 1,712 NTD: 60,262	EUR: 1,712 NTD: 60,884	172,550	100.00	EUR: 4,155 NTD: 146,256	EUR: 361 NTD: 12,855	EUR: 361 NTD: 12,855	
"	Kontron Modular Computers S.A.S.	France	Manufacturing and marketing of industrial computers	EUR: 5,158 NTD: 181,562	EUR: 4,780 NTD: 170,034	344,500	100.00	EUR: 6,239 NTD: 219,613	EUR: (604) NTD: (21,508)	EUR: (604) NTD: (21,508)	
"	Kontron Technology A/S	Denmark	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: - NTD: -	500,000	100.00	EUR: 680 NTD: 23,936	EUR: (52) NTD: (1,852)	EUR: (52) New Taiwan Dollars: (1,852)	
"	Industrial Computers France	France	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
"	Kontron electronics GmbH, Germany	Germany	Manufacturing and marketing of industrial computers	EUR: 19,262 NTD: 678,022	EUR: - NTD: -	102,150	100.00	EUR: 19,636 NTD: 691,187	Euro: 375 NTD: 13,354	EUR: 375 NTD: 13,354	Note 4
"	Kontron Austria GmbH, Austria (formerly S&T Electronics and Payment Systems GmbH, Austria)	Austria	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: 77 NTD: 2,753	-	10.00	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	
Kontron Holding Austria GmbH, Austria	Kontron Austria electronics GesmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 7,416 NTD: 261,043	EUR: - NTD: -	53,640	99.00	EUR: 597 NTD: 21,014	Euro: 585 NTD: 20,832	EUR: 581 NTD: 20,689	
Kontron Austria GmbH, Austria (formerly S&T Electronics and Payment Systems GmbH, Austria)	Kontron Austria electronics GesmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 17 NTD: 598	EUR: - NTD: -	350	1.00	EUR: 4 NTD: 141	Euro: 585 NTD: 20,832	EUR: 4 NTD: 142	
"	Kontron electronics AG, Switzerland	Switzerland	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: - NTD: -	1,000	100.00	EUR: (479) NTD: (16,861)	EUR: (468) NTD: (16,665)	EUR: (468) NTD: (16,665)	
"	Kontron Holding Austria GmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 2,484 NTD: 87,437	EUR: - NTD: -	35,000	100.00	EUR: 9,956 NTD: 350,451	EUR: 56 NTD: 1,994	EUR: 56 NTD: 1,994	
S&T Romania S.R.L., Romania	FAIR VALUE COM S.R.L., Romania	Romania	IT servers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
S&T CZ s.r.o., Czech Republic	Kapsch BusinessCom s.r.o., Czech Republic	Czech Republic	IT servers	EUR: - NTD: -	EUR: 420 NTD: 14,924	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
	S&T PilsCom s.r.o.	Czech Republic	IT servers	EUR: 1,874 NTD: 65,965	EUR: - NTD: -	100,000	100.00	EUR: 1,575 NTD: 55,440	EUR: 23 NTD: 819	EUR: 23 NTD: 819	
S&T Slovakia s.r.o., Slovakia	S&T Services s.r.o., Slovakia	Slovakia	IT Services	EUR: 36 NTD: 1,284	EUR: 36 NTD: 1,298	981,750	99	EUR: 149 NTD: 5,266	EUR: 94 NTD: 3,338	EUR: 93 New Taiwan Dollars:	Note 4
Affair OOO, Russia	RTSoft Project OOO, Russia	Russia	Manufacturing and marketing of industrial computers	EUR: 6,636 NTD: 233,587	EUR: 6,636 NTD: 236,030	372,500	75.00	EUR: 5,262 NTD: 185,222	EUR: 221 NTD: 7,870	EUR: 164 NTD: 5,840	
S&T Mold srl., Moldova	S&T IT Technologies srl., Moldova	Moldova	IT servers	EUR: 2 NTD: 70	EUR: - NTD: -	50,000	100.00	EUR: 15 NTD: 528	EUR: 12 NTD: 427	EUR: 12 NTD: 427	
S&T Hrvatska d.o.o., Croatia	Kapsch CarrierCom d.o.o.	Croatia	IT servers	EUR: 744 NTD: 26,189	EUR: - NTD: -	10,900,000	100.00	EUR: 712 NTD: 25,062	EUR: (34) NTD: (1,211)	EUR: (34) NTD: (1,211)	
S&T Macedonia d.o.o.e.l., Macedonia	Kapsch DOOEL Skopje	Macedonia	IT servers	EUR: 352 NTD: 12,390	EUR: - NTD: -	307,000	100.00	EUR: 361 NTD: 12,707	EUR: 10 NTD: 356	EUR: 10 NTD: 356	
Kontron UK Ltd.	Industrial Computers Ltd.	UK	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: 1,672 NTD: 59,473	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
Marketech International Corp.	Marketech Integrated Pte. Ltd.	Singapore	semiconductor industry automation supply system	NTD: 215,087	NTD: 192,522	9,235,678	100.00	NTD: 15,095	NTD: (288)	NTD: (288)	
"	Market Go Profits Ltd.	British Virgin Islands	Investment holding and reinvestment	NTD: 1,282,562	NTD: 1,245,570	39,569,100	100.00	NTD: 1,070,484	NTD: 36,179	NTD: 36,179	
"	MIC-Tech Global Corp.	South Korea	General International Trade	NTD: 19,147	NTD: 19,147	131,560	100.00	NTD: 6,607	NTD: (993)	NTD: (993)	
"	Headquarter International Ltd.	British Virgin Islands	Investment holding and reinvestment	NTD: 42,475	NTD: 42,475	1,289,360	100.00	NTD: 38,864	NTD: (307)	NTD: (307)	
"	Tiger United Finance Ltd.	British Virgin Islands	Investment holding and reinvestment	NTD: 46,475	NTD: 46,475	1,410,360	100.00	NTD: 37,813	NTD: (476)	NTD: (476)	
"	Marketech Engineering Pte. Ltd.	Singapore	Contracting of Engineering Business	NTD: 10,129	NTD: 10,129	421,080	100.00	NTD: 15,239	NTD: 13,794	NTD: 13,794	
"	Marketech Integrated Manufacturing Company Limited	Myanmar	Design, manufacture and assembly of automated production machines and components	NTD: 438,298	NTD: 438,298	1,400,000	100.00	NTD: 355,022	NTD: (3,532)	NTD: (3,532)	
"	MIC-Tech Viet Nam Co., Ltd.	Vietnam	Trading, installation and maintenance of various machinery and equipment	NTD: 39,345	NTD: 39,345	-	100.00	NTD: 27,561	NTD: (3,471)	NTD: (3,471)	
"	Marketech Co., Ltd.	Vietnam	Engineering contracting and related maintenance services	NTD: 45,246	NTD: 29,922	-	100.00	NTD: 11,088	NTD: (6,843)	NTD: (6,843)	
"	eZoom Information, Inc.	Taiwan	Research and development, trading, sales, consulting services, and consulting services	NTD: 195,737	NTD: 67,737	20,000,000	100.00	NTD: 152,947	NTD: (6,743)	NTD: (6,743)	

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Name of investee	Name of investee	Location	Main operations	Initial Investment Amount		Closing holding			Current Profit and Loss of Investee	Recognized investment gain (loss) f for the current period	Note
				End of the current period	End of last year	Number of Shares	Percentage	Carrying Amount			
"	PT Marketch International Indonesia	Indonesia	Trading of machinery and accessories	NTD: 38,042	NTD: 38,042	1,199,000	99.92	NTD: 36,670	NTD: 2,622	NTD: 2,622	
	Glory Technology Service Inc.	Taiwan	Trading and installation of telecommunications equipment	NTD: 42,713	NTD: 31,019	5,510,305	29.24	NTD: 61,236	NTD: 13,881	NTD: 4,105	
	Hua Shuan Technology, Inc.	Taiwan	Sales of panel equipment and materials	NTD: 2,000	NTD: 2,000	200,000	20.00	NTD: 1,842	NTD: (36)	NTD: (7)	
	Ya Da Technology Co., Ltd.	Taiwan	Trading of information software and supply and installation of electronic information equipment	NTD: 20,000	NTD: 10,000	2,000,000	30.30	NTD: 13,034	NTD: (18,217)	NTD: (10,904)	
"	Marketch Netherlands B.V.	Netherlands	International trade and technical services for machinery and equipment and components	NTD: 10,671	NTD: 10,671	300,000	100.00	NTD: 6,339	NTD: (4,051)	NTD: (4,051)	
	Marketch International Sdn. Bhd.	Malaysia	Engineering contracting and related maintenance services	NTD: 87,070	NTD: 44,431	12,242,750	100.00	NTD: 65,645	NTD: 6,481	NTD: 3,013	
Market Go Profits Ltd.	MIC-Tech Ventures Asia Pacific Inc.	British Virgin Islands	Investment holding and reinvestment	NTD: 1,240,073	NTD: 1,240,073	39,466,604	100.00	NTD: 1,068,756	NTD: 36,252	NTD: -	
Marketch Engineering Pte Ltd.	Marketch Integrated Construction Co., Ltd.	Myanmar	Contracting of Engineering Business	NTD: 8,569	NTD: 8,569	28,500	95.00	NTD: 14,844	NTD: 14,688	NTD: -	
MIC-Tech Ventures Asia Pacific Inc.	Rusky H.K. Limited	Hong Kong	Investment holding and reinvestment	NTD: 34,551	NTD: 34,551	833,000	100.00	NTD: (10,296)	NTD: 4,156	NTD: -	
"	Frontken MIC Co. Limited	Hong Kong	Investment holding and reinvestment	NTD: 31,422	NTD: 31,422	2,337,608	100.00	NTD: 5,414	NTD: (110)	NTD: -	
"	Rui Shuan International Co., Ltd.	Hong Kong	Investment holding and reinvestment	NTD: 132,282	NTD: 95,290	5,400,000	60.00	NTD: 63,213	NTD: (10,126)	NTD: -	
"	Leader Fortune Enterprise Co., Ltd.	Samoa	Investment holding and reinvestment	NTD: 8,990	NTD: 8,990	303,000	31.43	NTD: (4,638)	NTD: (28,455)	NTD: -	
Rusky H.K. Limited	PT Marketch International Indonesia	Indonesia	Trading of machinery and accessories	NTD: 32	NTD: 32	1,000	0.08	NTD: 31	NTD: 2,622	NTD: -	

- Note 1: Based on the audited financial statements and the percentage of shareholding of the investee companies in the same period as the invested company's accounting.
- Note 2: Investment gain and loss recognized in the current period include the difference between the investment cost and net equity.
- Note 3: The Company's net worth, long-term equity and net value of the investee's equity interests in the investee are fully written off in the preparation of the consolidated financial statements.
- Note 4: In 2018, S&T AG was eliminated or dissolved and liquidated due to the adjustment of the organizational structure.

Ennococon Corporation and Subsidiaries
Investment information in Mainland China
January 1st to December 31, 2018

Table 9

Unit: Foreign currency/NT\$ thousands

Investee in Mainland China Company Name	Main operations	Paid-in Capital	Investment method	Aggregated from the beginning of the current period Accumulated remitted from Taiwan Investment Amount	Outward remittance or collection Investment Amount		Aggregated amount of current period Accumulated remitted from Taiwan Investment Amount	Investee (Loss) gain for the current period	Shareholding Percentage of the Company's Direct or Indirect Investment	Current recognition Investment gain (loss)	Investment at end of period Carrying Amount	Up to the end of the year Remitted back Investment income
					Export	Recovery						
Nanjing Asiatek Inc.	Research, development, sales of software and hardware products, and provision of its installation, addition and technical consulting.	US\$3,000,000 NT\$92,145	The Company obtained the 100% equity interest in the third region, namely Hong Kong Innovation (Hong Kong) Limited (the “Hong Kong Innovation”) (the “Hong Kong Innovation”) (the “Hong Kong Innovation”), and indirectly obtained the 100% equity interest in South Asia Technology Limited (paid-up capital reaches USD 2,600,000), which is engaged in the business of the region of the PRC, and is then re-invested in the Mainland China region of the Company. Note 1 (2)	HK\$5,000,000 and US\$400,000 NTD 31,891 Note 3	-	-	HK\$5,000,000 and US\$400 thousand NTD 31,891 Note 3	RMB13,454 NTD 61,864	100%	RMB13,454 NTD 61,864 Note 2(2) B	RMB 33,097 NTD 148,073	-
Shenzhen xiangxing Technology Co., Ltd.	Sales of machinery and accessories and moulds.	US\$1,500,000 NTD 46,073	Re-investment from the sub-subsidiary of Nanjing Asiatek Inc. Note 1 (3)	-	-	-	-	RMB11,488 NTD 52,821	20%	RMB 2,298 NTD 10,564 Note 4	RMB6,848 NTD 30,625	-
Ennoconn (Foshan) Investment Co., Ltd.	Professional investment	US\$9,800,000 NTD 294,599	Re-investment through the third-region subsidiary, Hong Kong Innovation Note 1 (2)	US\$9,500,000 NTD 285,855 Note 3	US\$300 thousand NTD 8,744	-	US\$9,800,000 NTD 294,599 Note 3	RMB 319 NTD 1,457	100%	RMB 319 NTD 1,457 Note 2(2) B	RMB 66,769 NTD 298,715	-
Beijing Caswell Ltd.	Production of electronic monitoring products and online communication products.	US\$3,800,000 NTD 115,995	Re-investment through CASWELL INTERNATIONAL INVESTMENT CO., LTD. in the third region Note 1 (1)	US\$3,116,000 NTD 95,116 Note 3	-	-	US\$3,116 thousand New Taiwan Dollar 95,116 Note 3	RMB 5,363 NTD 24,637	28.03%	RMB1,503 NTD 6,905 Note 2(2) A	RMB10,103 NTD 44,817	-
HighAim Technology Inc.	Design and development and production of various models, servers and communication devices.	USD10,000,000 NT\$307,150	Through the third regional company, second-tier subsidiary EnnoMech Precision (Shenzhen) Co., Ltd. invested in HighAim Technology Inc. and indirectly obtained the equity of its subsidiaries. Note 1 (2)	US\$10,843,000 NTD 330,423 Note 3	-	-	US\$10,843,000 NTD 330,423 Note 3	RMB 8,477 NTD 36,509	66.05%	RMB 5,599 NTD 24,110 Note 2(2) B	RMB 67,947 NTD 304,084	-
EnnoMech Precision (Shenzhen) Co., Ltd.	Machinery components	US\$1,530,000 NTD 46,994	Re-investment in the third region, DOMINATE UNITED ENTERPRISE LTD. Note 1 (2)	US\$1,530,000 NTD 46,994 Note 3	-	-	US\$1,530,000 NTD 46,994 Note 3	RMB 494 NTD 2,334	100%	RMB 494 NTD 2,334 Note 2(2) B	RMB10,745 NTD 48,089	-
Goldtek Technology Co., Ltd. (Shenzhen)	Research, design and sales of electronic products, communication devices and accessories, and after-sales services for the above products.	US\$1,000,000	Re-investment through Keenest Electronic Corp. in the third region. Note 1 (2)	US\$1,000,000 NTD 30,715 Note 3	-	-	US\$1,000,000 NTD 30,715 Note 3	RMB (69) NTD (3,215)	56.74%	RMB (392) NTD (1,824) Note 2(2) B	RMB 2,823 NTD 11,497	-
Rirong (Shenzhen) Co., Ltd.	Stamping/assembly	RMB10,309 NTD 46,102	Indirectly acquired the equity interests of its subsidiaries through the investment in Hong Kong Ri Rong Industry Co., Ltd. in the third region Note 1 (3)	-	-	-	-	RMB1,161 NTD 5,292	22.87%	RMB 89 NTD 403 Note 2(2) A	RMB 3,382 NTD 15,125	-
Tairuon (Shenzhen) Co., Ltd.	Zinc/Aluminum Alloy Pressure Casting	RMB 4,095 NTD 18,313	Indirectly acquired the equity interests of its subsidiaries through the investment in Hong Kong Ri Rong Industry Co., Ltd. in the third region Note 1 (3)	-	-	-	-	RMB16,293 NTD 74,234	11.43%	RMB 621 NTD 2,829 Note 2(2) A	RMB16,897 NTD 75,564	-
Shengrong Plastic Co., Ltd. (Shenzhen)	Manufacturing and sales of plastic and hardware	RMB 3,600 NTD 16,099	Indirectly acquired the equity interests of its subsidiaries through the investment in Hong Kong Ri Rong Industry Co., Ltd. in the third region Note 1 (3)	-	-	-	-	RMB (108) NTD (491)	12.58%	Renminbi (9) NTD (41) Note 2(2) A	RMB1,981 NTD 8,861	-
Thecus Technology Co., Ltd. (Nanjing)	Sales of network storage devices and maintenance services	US\$510,000 NTD 15,665	Re-investment through the third region, Thecus Technology Corp. Note 1 (1)	US\$510,000 NTD 15,665 Note 3	-	US\$510,000 NTD 15,665	-	RMB- NTD-	-	RMB- New Taiwan Dollars- Note 2(2) A	RMB- New Taiwan Dollars- Note 2(2) B	(Note 5)
Ennoconn (Suzhou) Technology Co., Ltd.	Research and development, production and sales of industrial computers	US\$30,000,000 NTD 909,016	Re-investment through the third-region subsidiary, Hong Kong Innovation Note 1 (2)	US\$2,000,000 NTD 60,490 Note 3	USD 28,000,000 NTD 848,526	-	US\$30,000,000 NTD 909,016 Note 3	RMB (2,267) NTD (11,233)	100%	RMB (2,267) NTD (11,233) Note 2(2) B	RMB201,871 NTD 903,143	-
Ennoconn (Kunshan) Technology Co., Ltd.	Smart technology development and sales of hardware	US\$- NTD-	Re-investment through a second-tier subsidiary, Ennoconn (Suzhou) Technology Co., Ltd., in a third region Note 1 (3)	US\$- NTD-	-	-	US\$- NTD-	RMB (16) NTD (61)	100%	RMB (16) NTD (61) Note 2(2) B	RMB (16) NTD (80)	-

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Investee in Mainland China Company Name	Main operations	Paid-in Capital	Investment method	Aggregated from the beginning of the current period Accumulated remitted from Taiwan Investment Amount	Outward remittance or collection Investment Amount		Aggregated amount of current period Accumulated remitted from Taiwan Investment Amount	Investee (Loss) gain for the current period	Shareholding Percentage of the Company's Direct or Indirect Investment	Current recognition Investment gain (loss)	Investment at end of period Carrying Amount	Up to the end of the year Remitted back Investment income
					Export	Recovery						
MIC-Tech (Wuxi) Co., Ltd.	Design, manufacture, installation and maintenance of semiconductor components and IC devices, electronic components, and environmental pollution prevention equipment; packaging of special equipment, refrigeration equipment assembly; barbecue furnace assembly; engagement in the above products and parts, textiles, daily necessities, chemical products, cosmetics wholesale, commission agents, import and export business; own factory lease; automated storage equipment and accessories, design, manufacture, sale and installation of automatic conveying logistics equipment and accessories, logistics deployment, computer aided engineering system development, sales and installation	NTD 783,233	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 629,658	New Taiwan Dollars-	New Taiwan Dollars-	NTD 629,658	NTD 28,697	45.21%	NTD 13,230 Note 2(2) A	NTD 16,115	-
Huayou Chemical Industry International Trade (Shanghai) Limited Company	Semiconductor production, maintenance of semiconductor equipment, testing equipment and consumables, wholesale of boilers for power generation, commission agents, import and export and other related supporting services; warehousing and distribution services mainly for chemical and boiler products; international trade, entrepot trade and trade agency between enterprises in the bonded area; business consulting services in the area	NTD 253,122	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 15,358	New Taiwan Dollars-	New Taiwan Dollars-	NTD 15,358	NTD 25,652	45.21%	NTD 11,597 Note 2(2) A	NTD 158,786	-
Fuzhou Jiwei Electronic System Engineering Co., Ltd.	Dust-free room and power system equipment, piping system equipment installation and related supporting services	NTD 9,215	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	New Taiwan Dollars	New Taiwan Dollars-	New Taiwan Dollars-	NTD 9,215	NTD 695	45.21%	NTD 314 Note 2(2) A	NTD (459)	-
Shanghai Maohua Electron Engineering Technology Limited Company	Design, installation, commissioning and technical services, piping systems and related facilities for the semiconductor manufacturing industry, equipment maintenance for the semiconductor manufacturing industry, electronics, medical equipment technical consulting, electronic products, mechanical equipment, chemical products (except hazardous materials), communications products, metal products, wholesale of manufactured products, commission agents (excluding auctions), import and export and related ancillary services.	NTD 18,429	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 18,521	New Taiwan Dollars-New Taiwan Dollars-	New Taiwan Dollars-	NTD 18,521	NTD 2,424	39.33%	NTD 953 Note 2(2) A	NTD (5,716)	-
Shanghai Jiwei Electronic System Engineering Co., Ltd.	Mechanical and electrical installation, engineering construction general contracting, electrical engineering professional contracting, chemical petroleum equipment pipeline installation, pipeline professional contracting and post-engineering warranty services, relevant engineering and technical consulting services	NTD 541,168	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 261,692	New Taiwan Dollars-	New Taiwan Dollars-	NTD 261,692	NTD (27,348)	45.21%	NTD (12,364) Note 2(2) A	NTD 188,862	-
Wuxi Hanhua Electronic Technology Co., Ltd.	Equipment installation and maintenance of semiconductor components and crystal special equipment, electronic components special equipment, environmental pollution prevention equipment; engaged in the abovementioned product wholesale, commission agent, import and export business; industrial equipment cleaning and maintenance.	NTD 9,368	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 1,505	New Taiwan Dollars-	New Taiwan Dollars-	NTD 1,505	NTD (204)	22.15%	NTD (45) Note 2(2) A	NTD 27	-
Shanghai Chen Kao Engineering Design Co., Ltd.	Design of micro-electronic products, project design and display components project design, related technologies and management consulting services	NTD 6,143	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 6,143	New Taiwan Dollars-	New Taiwan Dollars-	NTD 6,143	NTD 2,056	45.21%	NTD 930 Note 2(2) A	NTD (266)	-

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Investee in Mainland China Company Name	Main operations	Paid-in Capital	Investment method	Aggregated from the beginning of the current period Accumulated remitted from Taiwan Investment Amount	Outward remittance or collection Investment Amount		Aggregated amount of current period Accumulated remitted from Taiwan Investment Amount	Investee (Loss) gain for the current period	Shareholding Percentage of the Company's Direct or Indirect Investment	Current recognition Investment gain (loss)	Investment at end of period Carrying Amount	Up to the end of the year Remitted back Investment income
					Export	Recovery						
Wuxi Advanced Semiconductor Technology	Special cleaning of semiconductor components and integrated circuits; parts for semiconductor devices, parts for integrated circuits and micro-components, wafer cleaning; development of semiconductor cleaning technology; assembly, installation and maintenance of refrigeration equipment; automated storage equipment and accessories, automatic design, manufacture, sales and installation of transportation logistics equipment and accessories; development, sales and installation of computer-aided engineering systems for logistics deployment; wholesale and commission agents for these abovementioned products and their parts, import and export business, etc.	NTD 70,890	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 28,356	New Taiwan Dollars-	New Taiwan Dollars-	NTD 28,356	NTD (110)	45.21%	NTD (50) Note 2(2) A	NTD 2,438	-
Nantong Jianrui Optoelectronics Technology Co., Ltd.	Development and production of special equipment for solar cell production, large-screen color projection display with optical engine, light source, projection screen, high-definition projection tube and micro-projection device module and other key components manufacturing, new electronic components manufacturing, cleaning and recycling services	NTD 153,575	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 82,931	New Taiwan Dollars-	New Taiwan Dollars-	NTD 82,931	NTD (10,154)	27.13%	NTD (2,755) Note 2(2) A	NTD 11,561	-
Shanghai Fanya Trading Co., Ltd.	Chemical products (excluding hazardous chemicals, precursor chemicals, special chemicals), semiconductors, testing equipment and consumables, solar equipment consumables, power generation boilers, machinery and accessories, wholesale, commission agents, import and export, and others related supporting business, international trade, entrepot trade, trade and trade agency between enterprises in the bonded area, trade consulting services, installation and maintenance of semiconductor equipment, automation equipment, electronic equipment and spare parts	NTD 46,073	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 46,073	New Taiwan Dollars-	New Taiwan Dollars-	NTD 46,073	NTD (7,308)	45.21%	NTD (3,304) Note 2(2) A	NTD 8,377	-
Shanghai Jimao Trading Co., Ltd.	Electronic products, food, textiles, daily necessities, cosmetics, valve switches, instrumentation, metal products, wholesale of mechanical and electrical equipment, commission agents, import and export and related ancillary services; international trade, entrepot trade, trade between bonded areas and intra-regional trade agent; commercial simple processing in bonded area; trade advisory service in bonded area	NTD 29,391	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 9,237	New Taiwan Dollars-	New Taiwan Dollars-	NTD 9,237	NTD (28,434)	14.21%	NTD (4,040) Note 2(2) A	NTD (2,099)	-

Name of investee	Accumulated investment in Mainland China from Taiwan as of the end of the year	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling for investment in Mainland China in accordance with the Investment Commission of the Ministry of Economic Affairs
Ennoconn Corporation	HK\$5,000,000 and US\$40,146,000 NT\$ 1,244,962 (Note 3)	HK\$5,000,000 and US\$65,746,000 NT\$ 2,026,402 (Note 3)	NT\$ 3,973,980
Goldtek Technology Co., Ltd.	US\$1,000,000 and HK\$80,100,000 NT\$ 344,787 (Note 3)	US\$1,000,000 and HK\$80,100,000 NT\$ 344,787 (Note 3)	NTD 958,607
Caswell Inc.	US\$3,116,000 NT\$ 95,116 (Note 3)	US\$3,116,000 NT\$ 95,116 (Note 3)	NT\$ 1,459,072
Ennoconn International Investment Co., Ltd.	US\$12,373,000 NT\$ 377,686 (Note 3)	US\$12,373,000 NT\$ 377,686 (Note 3)	NT\$ 4,618,253
Marketech International Corp.	NT\$ 1,113,851 (Note 3)	NT\$1,957,170 (Note 3)	NT\$ 3,347,386

Note 1: Investment is classified as the following three types:

- (1) Direct investment in the Mainland China.
- (2) Investment in Mainland China through a third-region company (please specify the investment companies in the third area).
- (3) Others.

Note 2: Investment gain and loss recognized in the current period:

- (1) If the company is in preparation status and no investment loss and profit occur, it shall be noted.
- (2) The three types of recognized investment loss and profit as follows shall be noted.
 - A. The financial statements certified by international accounting firms that has relations with accounting firms in Taiwan.
 - B. The financial statements are certified by CPA through the parent company in Taiwan.
 - C. Others.

Note 3: The exchange rate adopted is the average demand exchange rate of Bank of Taiwan on December 28, 2018.

Note 4: It is a non-significant related enterprise, and its financial report without the audit of the accountant shall not have a significant impact.

Note 5: Registration for liquidation completed in early 2018.

CPA Report

To: Ennoconn Corporation

Audit Opinion

We have audited the individual balance sheet of Ennoconn Corporation. as of December 31, 2017 and 2018, individual statements of comprehensive income for 2017 and 2018, individual statements of changes in equity, individual statements of cash flows, and notes to individual financial statements (including summary of significant accounting policies).

Based on our opinions, audit results, and other CPA reports (see Others), all material aspects of the individual financial statements above were prepared in accordance with the Regulations Governing Preparation of Financial Reports by Security Issuers. They reflect the individual financial position of Ennoconn Corporation as of December 31, 2017 and 2018, as well as individual financial performance and cash flows in the same period.

Basis for Audit Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by CPAs and Generally Accepted Auditing Standards (GAAS). Our responsibilities under these standards are further explained in Responsibilities of CPA Audit on Individual Financial Statements. The independently regulated personnel of our firm has also maintained its independence with Ennoconn Corporation in accordance with CPA's professional code ethics and fulfilled other responsibilities under the code. Based on our audit results and other CPA reports, we believe to have obtained sufficient and appropriate audit evidence to serve as the basis of our audit opinion.

Key Audit Matters

Key audit matters refer to the most significant matters in the audit of individual financial statements from Ennoconn Corporation in 2018 based on our professional judgment. These matters have already been covered in the audit of individual financial statements and formulation of audit opinion. Therefore, we will not give a separate opinion on them.

The following are details on the key audit matters in the individual financial statements of Ennoconn Corporation for 2018:

Recognition and Cutoff of Export Revenue

Transactions of Ennoconn Corporation are mainly delivered to buyers directly from processing plants in third region Mainland China, and recognized as sales revenue when control of the goods are transferred (meeting performance obligations). Due to material transaction amounts, different transactions terms from buyers, and different timing of control transfer, revenue recognition at the

right period will have material effects. Therefore, recognition of this type of sales revenue for the right period is a key audit matter for the current year.

For this key matter, we have considered the Company's policies for sales revenue recognition, assessed internal control design for sales revenue and its implementation. We have also sampled sales transactions at around year-end, verified documents and appropriate timing of sales recognition, inspected external delivery files and customer signatures, in order to ensure appropriate control, transfer timing based on the contract.

Assessment of Investment Impairment Under Equity Method

Ennoconn Corporation's investments using equity method as of December 31, 2018 is NT\$17,759,932,000, which is 88% of total assets. Material goodwill has resulted from acquisition, and management has tested for impairment based on IFRS 36 "Impairment of Assets" to estimate future cash flows expected from the asset's cash-generating unit. Calculation of future cash flows involve several assumptions and estimates, and has a high level of uncertainty. Therefore, assessing investment impairment using equity method is listed as a key audit matter.

Our audit procedures for this matter include obtaining the assessment report on goodwill impairment from independent specialists entrusted by management. We studied and verified the assumptions used in its assessment model, covering estimation of future operation cash flows, rates of growth, profit, and discount, etc. Then, goodwill impairment is assessed for its appropriateness using these criteria.

Other Matters

In the individual financial statements above, certain statements on investee companies were audited by other CPAs using equity method. Therefore, our opinions on the parts related to the Company's investments using equity method and recognized loss and profit are based on other CPA reports. As of December 31, 2017 and 2018, investments on the investee companies using equity method were NT\$ 8,349,122,000 and NT\$8,385,864,000 respectively, or 41.33% and 52.63% of total assets. These companies' recognized comprehensive income using equity method were NT\$421,262,000 and NT\$ 318,082,000 respectively, or 35.21% and 28.24% of total comprehensive income.

Responsibility of Management and Governing Bodies on Individual Financial Statements

It is the management's responsibility to present individual financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and maintain necessary internal control in order to avoid material misstatements due to fraud or errors.

In preparing for the individual financial statements, it is also management's responsibility to assess the ability of Ennoconn Corporation to continue as a going concern, its related disclosures, as well as its going concern accounting basis. The exception is if management intends to liquidate or cease operations of Ennoconn Corporation, or when no other practicable measures can be taken.

The governing bodies of Ennoconn Corporation (including audit committee) have the responsibility of overseeing financial reporting procedures.

Responsibilities of CPA Audit on Individual Financial Statements

The purpose of our audit of individual financial statements is to provide reasonable assurance that they contain no material misstatements as a whole which could lead to fraud or errors, and to issue an audit report. Reasonable assurance is a high level of assurance, but not a guarantee that audit conducted in accordance with GAAS will detect material misstatements in individual financial reports. Misstatements could lead to fraud or errors. If misstated individual amounts or aggregated sums can reasonably be expected to have an influence on economic decisions from the users of individual financial statements, they will be deemed as material.

We have exercised professional judgment and maintained professional skepticism for our audit using GAAS. We also implemented the following:

1. Identified and assessed the risks of material misstatements from fraud or errors in individual financial statements; design and implement appropriate countermeasures for the risks; and obtain sufficient and appropriate audit evidence to serve as audit opinion basis. Fraud is likely to involve collusion, forgery, deliberate omission, false declarations, or violations of internal control. Therefore, the risks of failing to detect material misstatements caused by fraud are higher than the causes.
2. Understood internal control relevant to audit in order to design appropriate audit procedures under the circumstances, but not for the purpose of expressing an opinion on effectiveness of internal control at Ennoconn Corporation.
3. Evaluated appropriateness of accounting policies adopted by management, its accounting assessment, and reasonableness of related disclosures.
4. Concluded on appropriateness of going concern accounting basis adopted by management, events that could lead to material doubts over Ennoconn Corporation 's ability to continue as a going concern, and whether material uncertainty exists under the condition using audit evidence obtained. If we believe material uncertainty to exist in such events or conditions, users of individual financial statements will be reminded in the audit report about related disclosures, or audit opinion will be modified if such disclosures are no longer appropriate. Our conclusion is based on audit evidence obtained up to the date of our audit report. However, future events or conditions may cause Ennoconn Corporation to lose its ability to continue as a going concern.
5. Evaluated overall presentation, structure, content of individual financial statements (including related notes), and whether the statements present related transactions and events fairly.

6. Obtained sufficient and appropriate audit evidence regarding financial information of entities within Ennoconn Corporation in order to express opinions on individual financial statements. We are responsible for direction, supervision and implementation of the audit, as well as forming an audit opinion on Ennoconn Corporation.

Communications between the governance units and us include scope and timing of planned audit in addition to material audit findings (including significant deviations in internal control identified during audit).

We have also provided a declaration to the governing bodies stating that the personnel of our accounting firm has followed the item on independence in the CPA professional code of ethics. We have also communicated with the governing bodies on all matters that could affect CPA independence and other items (including relevant protective measures).

From our communication with the governing bodies, we have decided on the key audit matters in the 2018 individual financial statements for Ennoconn Corporation. We have explained these matters in the audit report. Unless prohibited by law or CPA stated that, unless the law or in rare instances, we shall not disclose these key matters in an audit report if we can reasonably expect the subsequent negative impact to be greater than public interests.

Deloitte & Touche

CPA Liu, Shui-En

CPA Yang, Ching-Chen

March 29, 2019

Ennoconn Corporation
Individual Balance Sheet
December 31, 2017 and 2018

Unit: NT\$ 1,000

Code	Assets	December 31, 2018		December 31, 2017 (audited after restatement)	
		Amount	%	Amount	%
	Current Assets				
1100	Cash and cash equivalents (note 4 and 6)	\$ 369,455	2	\$ 383,831	2
1125	Available-for-sale on financial assets - current (note 4 and 9)	-	-	1,351,423	9
1136	Financial assets at amortized cost - current (note 4, 8 and 32)	2,156	-	-	-
1147	Debt instrument investment with no active market - current (note 4, 10 and 32)	-	-	2,136	-
1172	Accounts receivable - net (note 4, 5, and 11)	494,226	2	694,905	4
1180	Accounts receivable - related parties (note 4, 5, 11, and 31)	317,765	2	592,773	4
130X	Inventories (note 4, 5, and 12)	602,244	3	489,824	3
1470	Other current assets (note 4, 16 and 31)	50,808	-	54,092	-
11XX	Total Current Assets	<u>1,836,654</u>	<u>9</u>	<u>3,568,984</u>	<u>22</u>
	Non-Current Assets				
1550	Investment accounted for using equity method (note 4, 5, 13, 26 and 31)	17,759,932	88	11,779,227	74
1600	Property, plant & equipment (note 4, 5 and 14)	531,697	3	544,645	4
1821	Intangible assets (note 4 and 15)	1,724	-	2,715	-
1840	Deferred income tax assets (note 4 and 24)	69,711	-	35,742	-
1990	Other non-current assets (note 4, 16, 20, and 31)	796	-	2,235	-
15XX	Total Non-Current Assets	<u>18,363,860</u>	<u>91</u>	<u>12,364,564</u>	<u>78</u>
1XXX	Total Assets	<u>\$ 20,200,514</u>	<u>100</u>	<u>\$ 15,933,548</u>	<u>100</u>
	Liabilities and Equity				
	Current Liabilities				
2120	Financial liabilities at fair value through profit or loss - current (note 4, 7 and 18)	\$ 11,743	-	\$ -	-
2100	Short-term loans (note 4 and 17)	5,330,000	27	250,000	2
2170	Accounts payable (note 4)	428,058	2	381,788	2
2180	Accounts payable - related parties (note 4 and 31)	250,121	1	746,395	5
2200	Other payables (note 4, 19 and 31)	173,296	1	195,205	1
2230	Current income tax liabilities (note 4)	-	-	6,081	-
2320	Long-term liabilities due within one year or one business cycle (note 4 and 18)	7,342,766	36	-	-
2399	Other current liabilities (note 4 and 19)	40,400	-	12,461	-
21XX	Total Current Liabilities	<u>13,576,384</u>	<u>67</u>	<u>1,591,930</u>	<u>10</u>
	Non-Current Liabilities				
2500	Financial liabilities at fair value through profit or loss (note 4, 7 and 18)	-	-	4,053	-
2530	Corporate bonds payable (note 4 and 18)	-	-	7,584,544	48
2570	Deferred income tax liabilities (note 4 and 24)	618	-	616	-
2670	Other non-current liabilities (note 4 and 19)	212	-	212	-
25XX	Total Non-Current Liabilities	<u>830</u>	<u>-</u>	<u>7,589,425</u>	<u>48</u>
2XXX	Total Liabilities	<u>13,577,214</u>	<u>67</u>	<u>9,181,355</u>	<u>58</u>
	Equity (note 4, 18, 21, 27 and 29)				
3110	Common stock	775,745	4	765,288	5
3200	Capital reserve	4,728,440	23	5,050,172	32
	Retained earnings				
3310	Legal reserve	425,018	2	312,681	2
3320	Special reserve	495,665	3	41,036	-
3350	Unappropriated retained earnings	818,932	4	1,312,289	8
3300	Total Retained Earnings	<u>1,739,615</u>	<u>9</u>	<u>1,666,006</u>	<u>10</u>
3490	Other equity	(384,452)	(2)	(495,665)	(3)
3500	Treasury stock	(236,048)	(1)	(233,608)	(2)
3XXX	Total Equity	<u>6,623,300</u>	<u>33</u>	<u>6,752,193</u>	<u>42</u>
	Total Liabilities and Equity	<u>\$ 20,200,514</u>	<u>100</u>	<u>\$ 15,933,548</u>	<u>100</u>

The accompanying notes are an integral part of these financial statements.
(Please refer to audit report of Deloitte & Touche on March 29, 2019)

Chairman: Chu, Fu-Chuan;

President: Deng, Chin-Tai;

Accounting Officer: Wu, You-Mei

Ennoconn Corporation
Individual Comprehensive Income Statement
January 1 to December 31, 2017 and 2018

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

Code		2018		2017 (audited after restatement)	
		Amount	%	Amount	%
4100	Net operating Revenue (note 4, 22 and 31)	\$ 4,256,456	100	\$ 6,914,022	100
5110	Operating Costs (note 12, 23, 28 and 31)	(<u>3,713,021</u>)	(<u>87</u>)	(<u>6,016,713</u>)	(<u>87</u>)
5900	Gross profit	<u>543,435</u>	<u>13</u>	<u>897,309</u>	<u>13</u>
5910	Unrealized gain from sales	(<u>29,694</u>)	(<u>1</u>)	(<u>29,694</u>)	(<u>1</u>)
5920	Realized gain from sales	<u>29,694</u>	<u>1</u>	<u>-</u>	<u>-</u>
	Operating expenses (note 11, 19, 23, 28 and 31)				
6100	Selling Expenses	(113,673)	(3)	(94,177)	(1)
6200	General and administrative expenses	(95,571)	(2)	(115,807)	(2)
6300	Research and development expenses	(116,798)	(3)	(153,433)	(2)
6450	Expected credit impairment loss	(<u>12,058</u>)	<u>-</u>	<u>-</u>	<u>-</u>
6000	Total Operating Expenses	(<u>338,100</u>)	(<u>8</u>)	(<u>363,417</u>)	(<u>5</u>)
6900	Operating Profit	<u>205,335</u>	<u>5</u>	<u>504,198</u>	<u>7</u>
	Non-Operating Income and Expenses (note 4, 13, 18 and 23)				
7010	Other income	13,801	-	4,194	-
7020	Other gains and losses	37,594	1	(241,259)	(3)
7050	Financial costs	(217,339)	(5)	(177,048)	(3)
7070	Loss and profit of subsidiaries accounted for under equity method	<u>1,070,781</u>	<u>25</u>	<u>1,036,238</u>	<u>15</u>
7000	Total Non-Operating Income and Expenses	<u>904,837</u>	<u>21</u>	<u>622,125</u>	<u>9</u>

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Code		2018		2017 (audited after restatement)	
		Amount	%	Amount	%
7900	Pre-tax profit	\$ 1,110,172	26	\$ 1,126,323	16
7950	Income tax expenses (note 4 and 24)	(2,055)	-	(43,076)	-
8200	Net profit	<u>1,108,117</u>	<u>26</u>	<u>1,083,247</u>	<u>16</u>
	Other comprehensive income (note 4, 20, 21 and 24)				
	Items that will not be reclassified to profit or loss				
8311	Remeasurement of defined benefit plans	10	-	178	-
8330	Share of other comprehensive income from subsidiaries accounted for using equity method	(22,939)	(1)	2,418	-
8349	Income tax expenses related to items not reclassified to profit or loss	(2)	-	(31)	-
8310		(<u>22,931</u>)	(<u>1</u>)	(<u>2,565</u>)	(<u>-</u>)
	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences in financial statements from foreign operations	134,264	3	(415,582)	(6)
8362	Unrealized loss from available-for-sale financial assets	-	-	(22,309)	(1)
8370	Share of other comprehensive income from subsidiaries accounted for using equity method	(23,176)	-	(16,738)	-
8360		<u>111,088</u>	<u>3</u>	(<u>454,629</u>)	(<u>7</u>)
8300	Other comprehensive income (net amount after tax)	<u>88,157</u>	<u>2</u>	(<u>452,064</u>)	(<u>7</u>)
8500	Total comprehensive income	<u>\$ 1,196,274</u>	<u>28</u>	<u>\$ 631,183</u>	<u>9</u>
	Earnings per share (note 25)				
9750	Basic	\$ 14.45		\$ 14.28	
9850	Diluted	\$ 13.45		\$ 12.88	

The accompanying notes are an integral part of these financial statements.

(Please refer to audit report of Deloitte & Touche on March 29, 2019)

Chairman: Chu, Fu-Chuan;

President: Deng, Chin-Tai;

Accounting Officer: Wu, You-Mei

Ennoconn Corporation
Individual Statements of Changes in Equity
January 1 to December 31, 2017 and 2018

Unit: NT\$ 1,000

		Capital of common shares		Capital Reserve					Retained earnings				Other Equity Interest					
Code		Shares (thousand shares)	Capital stock	Share premium	Conversion premium of converted into corporate bonds	Share options of Convertible corporate bonds	Changes in ownership interests of Subsidiary	Total	Legal reserve	Special reserve	Undistributed earnings	Total	Exchange differences of financial statements Foreign operations	Unrealized gain (loss) of Financial assets Available-for-sale	Unrealized gain (loss) of Financial assets measured at fair value Through other Comprehensive Income	Total	Treasury stock	Total equity
A1	Balance on January 1, 2017	76,300	\$ 763,008	\$ 2,878,259	\$ 932,414	\$ 89,210	\$ -	\$ 3,899,883	\$ 210,406	\$ 6,312	\$ 1,126,484	\$ 1,343,202	(\$ 20,582)	(\$ 20,454)	\$ -	(\$ 41,036)	\$ -	\$ 5,965,057
B1	Surplus allocation and distribution in 2016																	
B1	Legal reserve	-	-	-	-	-	-	-	102,275	-	(102,275)	-	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	-	-	-	-	34,724	(34,724)	-	-	-	-	-	-	-
B5	Cash dividends from shareholders	-	-	-	-	-	-	-	-	-	(763,008)	(763,008)	-	-	-	-	-	(763,008)
	Subtotal	-	-	-	-	-	-	-	102,275	34,724	(900,007)	(763,008)	-	-	-	-	-	(763,008)
C5	Changes in other capital surplus: Convertible bonds issued by the Company recognized as equity components	-	-	-	-	322,635	-	322,635	-	-	-	-	-	-	-	-	-	322,635
M7	Effect of changes in subsidiary equity recognized using equity method	-	-	-	-	-	734,913	734,913	-	-	-	-	-	-	-	-	-	734,913
D1	Net profit in 2017	-	-	-	-	-	-	-	-	-	1,123,374	1,123,374	-	-	-	-	-	1,123,374
D3	Other comprehensive income after tax in 2017	-	-	-	-	-	-	-	-	-	2,565	2,565	(435,668)	(18,961)	-	(454,629)	-	(452,064)
D5	Total comprehensive income for 2017	-	-	-	-	-	-	-	-	-	1,125,939	1,125,939	(435,668)	(18,961)	-	(454,629)	-	671,310
I1	Corporate bonds converted into common shares	228	2,280	-	72,821	(3,316)	-	69,505	-	-	-	-	-	-	-	-	-	71,785
T1	Transferred to Employees	-	-	23,236	-	-	-	23,236	-	-	-	-	-	-	-	-	123,045	146,281
L1	Treasury stock purchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(356,653)	(356,653)
Z1	Balance on December 31, 2017	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
A3	Effect of retrospective application and restatement (note 3 and 13)	-	-	-	-	-	-	-	-	-	(62,436)	(62,436)	-	39,415	(17,106)	22,309	-	(40,127)
A5	Balance after retrospective application and restatement on January 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
	Earnings allocation and distribution in 2017																	
B1	Legal reserve	-	-	-	-	-	-	-	112,337	-	(112,337)	-	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	-	-	-	-	454,629	(454,629)	-	-	-	-	-	-	-
B5	Cash dividends from 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: Effect of changes in subsidiary equity recognized using 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
I1	Corporate bonds converted into common shares	1,046	10,457	-	437,216	(24,035)	-	413,181	-	-	-	-	-	-	-	-	-	423,638
L1	Treasury stock purchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,440)	(2,440)
Z1	Balance on December 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

The accompanying notes are an integral part of these financial statements.
(Please refer to audit report of Deloitte & Touche on March 29, 2019)

Chairman: Chu, Fu-Chuan;

President: Deng, Chin-Tai;

Accounting Officer: Wu, You-Mei

Ennoconn Corporation
Individual Statements of Cash Flows
January 1 to December 31, 2017 and 2018

Unit: NT\$ 1,000

Code		2018	2017 (audited after restatement)
	Cash Flows from Operating Activities		
A10000	Profit before tax	\$ 1,110,172	\$ 1,126,323
A20010	Income expense		
A20100	Depreciation expense	14,450	15,332
A20200	Amortization expense	1,785	1,511
A20300	Expected credit loss	12,058	-
A20300	Bad debt expense	-	5,607
A21900	Share-based payment costs	-	23,236
A22400	Loss and profit of subsidiaries accounted for under equity method	(1,070,781)	(1,036,238)
A21200	Interest revenue	(13,017)	(3,992)
A20900	Financial cost	217,339	177,048
A23700	(Gain) loss on inventories	(34,475)	105,601
A22500	Disposal of property, plant and equipment	(200)	-
A20400	Net profit of financial liabilities measured at fair value through profit or loss	(6,728)	(12,788)
A23100	Net loss from disposal of available-for-sale financial assets	-	293,489
A23900	Unrealized loss from subsidiary	-	29,694
A24100	Net loss from foreign exchange	745	4,790
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets forcibly measured at fair value through profit or loss	1,365,573	-
A31150	Accounts receivable	462,276	192,542
A31200	Inventory	(77,945)	(160,459)
A31240	Other current assets	13,662	13,273
A32150	Accounts payable	(448,074)	275,372
A32180	Other receivables	(23,861)	42,206
A32230	Other current liabilities	27,939	(8,948)
A32990	Others	(17)	(7)
A33000	Cash inflow from operations	1,550,901	1,083,592
A33100	Interest received	12,517	3,972
A33300	Interest paid	(32,590)	(35,962)
A33500	Income tax paid	(51,983)	(132,963)
AAAA	Net cash inflow from operating activities	<u>1,478,845</u>	<u>918,639</u>

(continued on next page)

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Code		2018	2017 (audited after restatement)
	Cash flows from investment activities		
B00040	Acquisition of financial assets measured at amortized cost	(\$ 20)	\$ -
B00300	Acquisition of available-for-sale financial assets	-	(10,550,835)
B00400	Proceeds from disposal of available-for-sale financial assets	-	8,883,614
B00600	Acquisition of debt instrument investment in non-active market	-	(19)
B02200	Net cash outflow from subsidiary acquisition	(6,257,503)	(3,226,027)
B02700	Acquisition of property, plant and equipment	(2,477)	(3,711)
B02800	Proceeds from disposal of property, plant and equipment	505	-
B04500	Acquisition of intangible assets	(794)	(1,335)
B07600	Dividends received from subsidiaries	369,788	100,000
B03800	Increase (decrease) in refundable deposits	<u>1,466</u>	(<u>1,518</u>)
BBBB	Net cash outflow from investment activities	(<u>5,889,035</u>)	(<u>4,799,831</u>)
	Cash flows from financing activities		
C00100	Increase (decrease) in short-term loans	5,080,000	(1,737,650)
C01200	Issuance of convertible corporate bonds	-	6,301,458
C03000	Guarantee deposits received	-	(1,199)
C04900	Treasury stock	-	(356,653)
C05000	Proceeds from disposal of treasury stock	-	123,045
C04500	Distribution of cash dividends	(<u>682,864</u>)	(<u>763,008</u>)
CCCC	Net cash flow from financing activities	<u>4,397,136</u>	<u>3,565,993</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	(<u>1,322</u>)	(<u>1,670</u>)
EEEE	Net decrease in cash and cash equivalents	(14,376)	(316,869)
E00100	Cash and cash equivalents at beginning of period	<u>383,831</u>	<u>700,700</u>
E00200	Cash and cash equivalents at end of year	<u>\$ 369,455</u>	<u>\$ 383,831</u>

The accompanying notes are an integral part of these financial statements.

(Please refer to audit report of Deloitte & Touche on March 29, 2019)

Chairman: Chu, Fu-chuan;

President: Deng, Chin-Tai;

Accounting Officer: Wu, You-Mei

Ennoconn Corporation
Notes on Individual Financial Statements
January 1 to December 31, 2017 and 2018
(expressed in thousands of New Taiwan dollars unless otherwise stated)

I. Company History

Ennoconn Corporation (hereinafter referred to as "the Company") was established on July 12, 1999 with main business operations in data storage, processing equipment, along with manufacturing and sales of industrial motherboards. The Company is registered at and operates from 3-6F, No. 10, Jiankang Road, Zhonghe District, New Taipei City.

The Company first went public on November 21, 2012. On December 18 of the same year, the Company started trading emerging stocks at Taipei Exchange. In addition, the Company was listed in TWSE stock exchange on March 28, 2014.

The individual financial statements are presented in New Taiwan dollars, the functional currency of the Company.

II. Approval Date and Procedures of Financial Statements

The individual financial statements were approved by the board of directors on March 29, 2019.

III. Application of New and Revised Standards and Interpretations

- (I) Regulations Governing the Preparation of Financial Reports by Securities Issuers after first applicable amending, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standard Interpretations Committee (SIC) (hereinafter referred to as "IFRSs") endorsed by Financial Supervisory Commission (hereinafter referred to as "FSC").

With the exception of the following, applicability of amended Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as IFRSs endorsed and announced by FSC should not result in major changes in the Company's accounting policies:

1. IFRS 9 "Financial Instruments" and Related Amendments

IFRS 9 - "Financial Instruments" supersedes IAS 39 "Financial Instruments: Recognition and Measurement", and amended other standards such as IFRS 7 "Financial Instruments: Disclosures". New requirements of IFRS 9 cover financial asset classification, measurement, impairment, and general hedge accounting. For related accounting policies, please refer to note 4.

Classification, Measurement and Impairment of Financial Assets

Based on existing financial assets and conditions on January 1, 2018, the Company made assessments on its financial asset classification and made retrospective adjustments. The Company has chosen not to adjust for comparison periods. As of January 1, 2018, the summary of measurement types, carrying amounts, and relevant changes based on IAS 39 and IFRS 9 is as follows:

Financial Asset Category	Measurement type		carrying amount		Description
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash	Loans and receivables	Measured at amortized cost	\$ 383,831	\$ 383,831	(1)
Fund beneficiary voucher	Available-for-sale financial assets	Measured at fair value through profit or loss	1,351,423	1,351,423	(2)
Fixed deposits with original maturity of over three months	Loans and receivables	Measured at amortized cost	2,136	2,136	(3)
Accounts receivable (including related parties) and other receivables	Loans and receivables	Measured at amortized cost	1,318,734	1,318,734	(1)

	carrying amount on January 1, 2018		carrying amount on January 1, 2018		Retained earnings effect on January 1, 2018	Other equity effect on January 1, 2018	Details
	(IAS 39)	Reclassification	Remeasurement	(IFRS 9)			
Financial assets measured at fair value through profit or loss	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Add: available-for-sale reclassification (IAS 39)	-	1,351,423	-	1,351,423	(22,309)	22,309	(2)
Financial assets measured at amortized cost	-	-	-	-	-	-	
Add: Reclassification of loans and receivables (IAS 39)	-	1,320,870	-	1,320,870	-	-	(1) and (3)
Total	\$ -	\$ 2,672,293	\$ -	\$ 2,672,293	(\$ 22,309)	\$ 22,309	

- (1) Cash and cash equivalents, accounts receivable (including related parties), and other receivables classified as loans and receivables based on IAS 39 are classified as financial assets measured at amortized cost based on IFRS 9, and assessed for expected credit loss.
- (2) Fund beneficiary vouchers are classified as available-for-sale financial assets based on IAS 39. As cash flow does not fully pay for the principal and its outstanding interests, it does not belong to equity instruments and is forcibly classified at fair value through profit or loss based on IFRS 9. As a result of retrospective application, unrealized gain or loss from other equity - available-for-sale financial assets increased by NT\$22,309,000 while retained earnings decreased by NT\$ 22,309,000.
- (3) For classified debt instrument investments with no active markets and bond investments bond investments measured at amortized cost based on IAS 39, the contractual cash flow was recognized for full principle payment and outstanding principle interests. The business model related to contractual cash flow is assessed based on facts and conditions as of January 1, 2018, measured at amortized cost based on IFRS 9, and assessed for expected credit loss.

2. IFRS 15 "Revenue from Contracts with Customers" and Related Amendments

IFRS 15 are principles for recognizing revenue from contracts with customers. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts", and relevant interpretations. Please refer to note 4 for related accounting policies.

When identifying performance obligations, IFRS 15 and related amendments, if the product or service can be separated (product or service often sold at a single units) and its contract commitment can be separated (contract commitment for transfer of each product or service and not the combination), then the product or service can be separated.

The net result of recognized revenue, amounts received, and receivables are recognized as contract assets (liabilities). Prior to the application of IFRS 15, contracts under IAS 18 recognized decrease in receivables or revenues collected in advance.

When the Company has sold a product and not provided service, the service shall be treated as a performance obligation per IFRS 15. For transactions with no combined products or service, no transactions have been authorized. Therefore, no major difference exists after the Company's application of IFRS 15 and related amendments.

(II) Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by FSC applicable for 2019

New, Revised, Amended Standards and Interpretations	Effective Date Announced by IASB (note 1)
Annual Improvements in 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (note 3)
Amendments to IAS 28 "Long-Term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

Note 1: unless otherwise noted, the aforementioned new announcements/amendments/amended standards and Interpretations will take effect in the fiscal year after their respective dates.

Note 2: FSC has allowed the Company to apply these amendments earlier on January 1, 2018.

Note 3: these amendments apply to plan amendments, curtailment, or settlement occurring after January 1, 2019.

1. IFRS 16 "Leases"

IFRS 16 regulates the recognition of lease agreements, as well as lessor and lessee accounting. The standard supersedes IAS 17 "Leases" and IFRIC 4 "Determining Whether an Arrangement Contains a Lease".

Definition of "Leases"

For the first IFRS 16 application, the Company will only choose contracts signed (or altered) after January 1, 2019 and determine whether they are (or include) leases based on IFRS 16. Current lease contracts based on IAS 17 and IFRIC 4 will not be reassessed, and will be processed in accordance with the transitional provisions in IFRS 16.

The Company as the Lessee

For the first IFRS 16 application, asset leases with low-value bids and short-term leases are recognized as expense on a straight-line basis. Other leases are recognized as right-of-use assets and lease liabilities on the individual balance sheet. The individual statements of comprehensive income will list separately the depreciation expense under right of use, and interest expense accrued from lease liabilities using effective interest method. In individual statements of cash flows, the principle of lease liability payments is classified under financing activities, whereas debt service is classified under operating activities. Prior to the application of IFRS 16, expense for operating lease contracts were recognized as expense on a straight-line basis. Cash flow from operating leases is classified under operating activities in the individual statements of cash flows. Contracts classified as financing leases are recognized as lease assets and lease payables in the individual balance sheet.

Based on current operating lease agreements under IAS 17, remaining lease payments will be discounted at the lessee's incremental borrowing rate on January 1, 2019. All right-of-use assets will be measured as lease liabilities on that day. IAS 36 is applicable for impairment assessment of the recognized right-of-use assets.

The Company is expected to apply the following expedients:

- (1) A single discount rate is used to measure lease liability combination with reasonably similar characteristics.
- (2) Lease terms that end before December 31, 2019, will be treated as short-term leases.
- (3) Original direct cost is not included in right-of-use asset measurement on January 1, 2019.
- (4) When measuring lease liabilities, decisions on lease terms are clarified after use.

The Company as the Lessor

No adjustments will be made to lessor's leases during the transition, and IFRS 16 will be applied starting from January 1, 2019.

2. IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 states that when uncertainty exists for tax treatments, the Company shall assume tax authority to have all relevant information for review. If tax treatment declaration is deemed likely to be accepted by tax authority, the Company's decisions on taxable income, tax basis, unused tax losses, unused tax deductions, and tax rates must be consistent with tax treatments adopted during income tax declaration. If tax authority is not likely to accept tax treatment declaration, the Company shall adopt the most likely amount or expected value for assessment (whichever method is more likely to predict the ultimate outcome of uncertainty). If facts or conditions change, the Company shall reassess its judgment and estimates.

3. IAS 19 Amendments "Plan Amendment, Curtailment or Settlement"

In case of plan amendment, curtailment, or settlement, current service cost and net interests for the remainder of the year will be determined under the actuarial assumptions for remeasured net defined benefit liabilities (assets) at the time. In addition, the amendment clarifies the effects of plan amendment, curtailment, or settlement on asset cap regulations. The Company will defer the application of the aforementioned amendments.

Besides the effects mentioned and up until the publishing date of the individual financial statements, the Company is continuing to assess the amendment effects from other standards and interpretations on financial status and performance. Relevant effects shall be disclosed when assessment is completed.

(III) IFRSs Announced by IASB but Not Approved by FSC nor in Effect	
New, Revised, Amended Standards and Interpretations	Effective Date Announced by IASB (note 1)
IFRS 3 Amendments "Definition of a Business"	January 1, 2020 (note 2)
IFRS 10 and IAS 28 Amendments "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2021
IAS 1 and IAS 8 Amendments "Definition of Material"	January 1, 2020 (note 3)
Note 1: unless otherwise noted, the aforementioned new announcements/amendments/amendment standards and Interpretations will take effect in the fiscal year after their respective dates.	
Note 2: this amendment applies to business combinations, as well as other subsequent asset acquisitions, with acquisition dates after January 1, 2020 or the start of annual reporting period.	
Note 3: application of this amendment is postponed to the fiscal year after January 1, 2020.	

The Company is continuing to assess the effects of the amended standards and interpretations above on financial condition and performance. Relevant effects will be disclosed after assessment is completed.

IV. Summary of Significant Accounting Policies

(I) Statement of Compliance

The individual financial statements were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of Preparation

The individual financial statements were prepared based on historical cost, except for financial instruments measured at fair value and net defined benefit liabilities from its present value minus recognized fair value of plan assets.

Fair value measurement is divided into three levels based on observable input and materiality:

1. Level 1 Input: offer price of comparable assets or liabilities in active market on day of measurement (unadjusted).
2. Level 2 Input: assets, input of directly observable (the price) and indirectly observable (deduced from price) liabilities, with the exception of level 1 offer price.
3. Level 3 Input: unobservable input of assets or liabilities.

When preparing for the individual financial statements, the Company adopted the equity method for investment subsidiaries. In order to align loss and profit, other

comprehensive income and equity from the current year in individual financial statements with those attributable to the Company's owners, the differences in accounting treatment with individual and consolidated basis have led to adjustments in "investment under equity method", "subsidiary loss and profit under equity method", "other comprehensive income of subsidiary under equity method" and related equity items.

(III) Classification of Current and Non-current Assets and Liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months of the balance sheet date; and
3. Cash and cash Equivalent (excluding those restricted from trading or settlement 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities with settlement in the 12 months after the balance sheet date (long-term refinancing and repayment agreements completed after balance sheet date and before publishing of financial reporting are treated as current liabilities), and;
3. Liabilities for which settlement date cannot be extended unconditionally to more than 12 months after the balance sheet date. The issuance of equity instruments for settlement, based on transaction party's choice on liability terms, does not affect the classification.

Other types of assets or liabilities are classified as non-current.

(IV) Foreign Currency

In preparing for financial statements, transactions denominated in another currency (foreign currency) other than the Company's functional currency are converted using the exchange rate on date of transaction.

Monetary items denominated in foreign currencies are converted using the closing rates on balance sheet date. Differences in exchange amount arising from settlement or conversion of monetary items are recognized in profit or loss in its period of occurrence.

Non-monetary items denominated in foreign currencies measured at fair value are converted using exchange rate on date of fair value determination. The differences are recognized under loss and gain of the period. For changes in fair value from other comprehensive income, the differences arising from exchange are recognized under other comprehensive income.

Non-monetary items denominated in foreign currencies and measured at historical cost are converted using exchange rates on date of transaction, and are not re-converted.

When preparing for consolidated financial statements, assets and liabilities of overseas entities (including currency of the country or subsidiaries with different currency and associates) are converted into New Taiwan Dollars with the exchange rates on each balance sheet date. Income and expense items are converted at the average exchange rate for the period. The exchange differences are recognized in other comprehensive income (and attributed to the owners of the Company and non-controlling interests respectively).

(V) Inventories

Inventories include raw materials, work in progress, semi-finished goods, finished goods and commodity inventory. Inventories are measured by taking the lower value of cost and net realizable value. When comparing the two, individual items are used as the basis except for same-category inventory. NRV is the estimated selling price less estimated costs for completion and estimated costs necessary to make the sale. Cost of inventory is calculated using the monthly weighted-average method.

(VI) Investment in Subsidiaries

The Company has adopted the equity method for investment in subsidiaries. Subsidiaries refer to entities controlled by the Company.

Under equity method, the carrying amount of investments recognized at cost will increase or decrease according to the Company's share of subsidiary profit or loss, other comprehensive income, as well as earnings allocation after acquisition date. In addition, changes in other subsidiary equity are recognized based on the Company's shares.

Changes in the Company's ownership interests of a subsidiary that do not result in loss of control are treated as equity transactions. The difference between investment carrying amount and fair value of consideration paid or received is recognized directly in equity.

Acquisition cost in excess of net fair value of the Company's share of subsidiary's identifiable assets and liabilities on acquisition date is listed as goodwill. The goodwill includes carrying amount of the investment and is not amortized. Acquisition cost in excess of net fair value of the Company's share of identifiable assets and liabilities on acquisition date is listed as revenue of the same period.

When assessing impairment, the overall financial statements are used for cash-generating unit consideration and compared for its recoverable amount and carrying amount. If asset recoverable amount increases subsequently, recovered impairment loss is recognized as loss and profit. The carrying amount shall not exceed carrying amount of asset unrecognized for impairment loss less listed amortization. Impairment loss of goodwill cannot be reversed subsequently.

Unrealized gains and losses from downstream transactions between the Company and subsidiaries are written off in the individual financial statements. Gains and losses from upstream and side stream transactions between the Company and subsidiaries are only recognized in the individual financial statements when they are not within the scope of the Company's subsidiary equity.

(VII) Property, Plant and Equipment

Property, plant and equipment are recognized at cost, and subsequently at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in construction is recognized at cost less accumulated impairment loss. The cost includes professional service expenses and borrowing costs eligible for capitalization. When these assets are completed and ready for use, they are classified as property, plant or equipment, and start to be listed as depreciation.

Property, plant and equipment are listed as depreciated on a straight-line basis over useful life. The Company reviews estimated useful life, residual value, and depreciation methods at least on each year's end date, and postpones treatment.

When derecognizing property, plant and equipment, the difference between net disposal proceeds and asset carrying amount is recognized under loss and gain.

(VIII) Intangible Assets

1. Separate Acquisition

Individually acquired intangible assets with limited useful life are measured at cost, and subsequently at cost less accumulated amortization and impairment loss. Intangible assets are amortized on a straight-line basis over their useful life. They are reviewed at least on each annual end date to assess the useful life, residual value, amortization methods, and to postpone the effects of changes in accounting estimates.

2. Derecognition

When derecognizing intangible assets, the difference between net disposal proceeds and asset's carrying amount is recognized under loss and gain of the period.

(IX) Impairment of Tangible and Intangible Assets

The Company assesses on each balance sheet date for any signs of possible impairment of tangible and intangible assets. If there are any signs of impairment, the asset's recoverable amount is estimated. If the recoverable amount for an individual asset cannot be determined, the Company will estimate the recoverable amount from its cash-generating unit. If shared assets can be allocated to cash-generating units with a reasonable and consistent basis, then they are allocated to their individual cash-generating units. Otherwise they are allocated to the smallest group of cash-generating units with a reasonable and consistent basis.

For intangible assets with no defined useful life and are not yet available for use, they are tested for impairment at least annually and whenever there are signs of impairment.

The recoverable amount is defined as the higher value between "fair value less costs to sell" and "value in use." If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount with impairment loss recognized in loss and profit.

When impairment loss is reversed subsequently, the asset or carrying amount of cash-generating unit is increased to the recoverable amount after amendment, provided the carrying amount is less than the one recognized in impairment loss from previous years (less amortization or depreciation). Reversed impairment loss is recognized under loss and profit.

(X) Financial Instruments

Financial assets and liabilities are recognized in the balance sheet, when they become part of the instrument contract clauses in the Company.

While recognizing financial assets and liabilities, if not measured at fair value through loss and profit, they are measured at fair value plus the transaction costs of directly attributable acquired or issued assets or liabilities. Transaction costs directly attributable to acquired or issued financial assets or liabilities at fair value through loss and profit are recognized as loss and profit.

1. Financial Assets

Transaction date accounting and derecognition apply to regular financial asset transactions.

(1) Measurement Types

2018

Financial assets held by the Company are those measured at fair value through other profit and loss, and those measured at amortized cost.

A. Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include financial assets forcibly measured at FVTPL, and financial assets designated at FVTPL. Financial assets forcibly measured at FVTPL include undesignated equity instrument investment measured at fair value through other comprehensive income, as well as unclassified debt instrument investments measured at amortized cost or at fair value through other comprehensive income.

Financial assets at FVTPL are measured at fair value, and the gains or losses from remeasurement are recognized in profit or loss (including any dividends or interests earned from the financial assets). Please refer to note 29 for the methods in determining fair values.

B. Financial assets measured at amortized cost

When the Company's investments in financial assets satisfy the following two conditions simultaneously, they are classified as financial assets measured at amortized cost:

- a. Held under a certain business model of which the objective of holding financial assets is to collect contractual cash flow and
- b. Cash flow generated on specific dates of contractual terms, that are solely payments of principal and interests on principal amount outstanding.

After initial recognition, financial assets measured at amortized cost (including cash and cash equivalents, receivables and other financial assets) are from the total carrying amount of effective interest method less any impairment loss at amortized cost. Any loss and profit from foreign currency exchange are recognized under loss and profit.

Except for the following two circumstances, interest revenue is calculated by multiplying effective interest rates and total carrying amount of financial assets:

- a. For credit-impaired financial assets from purchase or founding, interest revenue is calculated by multiplying credit-adjusted effective rates by financial assets at amortized cost.
- b. For credit impairment not from purchase or founding, but becomes credit impaired financial assets subsequently, interest revenue is calculated by multiplying effective rates by financial assets at amortized cost.

Cash equivalents include fixed deposits acquired for less than 3 months, high liquidity, easily converted into fixed cash amount at any time, and minimum price fluctuation. They are used for satisfying short-term cash commitments.

2017

Financial assets held by the Company are financial assets measured at fair value through profit or loss, available-for-sale financial assets, loans and receivables.

A. Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are financial assets held for trading.

Financial assets at FVTPL are measured at fair value, and the gains or losses from remeasurement are recognized in profit or loss (including any dividends or interests earned from the financial assets).

B. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets designated as available for sale, unclassified loans and receivables, held-to-maturity investments, or financial assets measured at fair value through loss and profit.

Available-for-sale financial assets are measured at fair value. Changes in currency carrying amount of these assets come under loss and profit of foreign currencies, and interest revenue calculated using effective interest method. Dividends from available-for-sale equity investments are recognized under loss and profit. Changes in the carrying amount of other available-for-sale financial assets are recognized in other comprehensive income, and reclassified as loss and profit during investment disposal or confirmation of impairment.

Dividends from available-for-sale equity investments are recognized when receivable rights of the Company are established.

If available-for-sale financial assets are equity instrument investments not quoted in the active market, and if these unquoted equity instruments require payment of settlement derivatives, they are measured by cost less amount after impairment loss and listed as "financial assets measured at cost". When these assets can be reliably measured at fair value later, they are remeasured at fair value. The differences between carrying amount and fair value are recognized under other comprehensive income. In case of impairment, they are recognized under loss and profit.

C. Loans and Receivables

Loans and receivables (including accounts receivable, cash and cash equivalents, debt instrument investments with no active market, and other receivables) are measured at amortized cost less impairment loss using effective interest methods, except when recognized interests of short-term accounts receivable are not material.

Cash equivalents include repurchased bonds acquired for less than 3 months, high liquidity, easily converted into fixed cash amount at

any time, and minimum price fluctuation. Along with bank acceptances, they are used for satisfying short-term cash commitments.

(2) Impairment of Financial Assets

2018

The Company assesses on every balance sheet date, based on estimated credit loss, the impairment loss of financial assets measured at amortized cost (including accounts receivable), debt instrument investments measured at fair value through other comprehensive income, lease receivables and contract assets.

Accounts receivable and leases receivable are both recognized as allowance loss based on expected credit loss during period of existence. Other assets are assessed for significantly increased credit risk since initial recognition. If credit risk has not significantly increased, they are recognized for 12-month loss allowance from expected credit loss. If credit risk has significantly increased, they are recognized for loss allowance from expected credit loss during its period of existence.

Expected credit loss uses weighted average of credit loss with risk of default as weight. The 12-month expected credit loss represents possible credit loss from breach of contract within 12 months of reporting date. Lifetime expected credit loss represents expected credit loss from breach of contract of financial instruments during period of existence.

All impairment loss of financial assets is reduced to carrying amount by its allowance account, provided that loss allowance for debt instrument investments measured at FVTOCI is recognized under other comprehensive income and does not reduce its carrying amount.

2017

In addition to financial assets measured at FVTOCI, the Company assesses on each balance sheet date whether there is any objective evidence of impairment for other financial assets. If single or multiple events occur after recognition of financial assets that lead to the loss of estimated future cash flow, the financial assets are deemed to be impaired.

Financial assets measured at amortized cost, such as accounts receivable, are collectively assessed for impairment if no objective impairment evidence exists after individual assessment. Objective impairment evidence for collective existence of receivables can include the Company's past experience with receivables, increase in deferred payments over average credit period.

Impairment loss of financial assets amortized at cost is the difference between asset carrying amount and discounted present value of estimated future cash flow based on original effective interest rate of financial assets.

Subsequent decrease in impairment loss of financial assets amortized at cost, objectively determined to be related to events after impairment recognition, is directly or by adjusting account allowance recovered as loss and profit. This should not make the carrying amount of financial

assets exceed amortized cost on date of reversal if loss were unrecognized.

For available-for-sale equity investments, a significant or prolonged decline in fair value below its cost is an objective impairment evidence.

Objective impairment evidence of other financial assets includes material financial difficulties from issuer or debtor, breach of contract (e.g. delay or non-payment of interest or principal), increased likelihood of debtor going bankrupt or other financial adjustment, disappearance of active market for financial assets due to financial difficulties.

In the event of impairment loss in available-for-sale financial assets, accumulated loss previously recognized in other comprehensive income will be reclassified in loss and profit.

Impairment loss of available-for-sale equity instrument investments recognized in loss or profit cannot be reversed through loss or profit. Any increase in fair value after recognition of impairment loss is recognized in other comprehensive income. If the fair value of available-for-sale debt instrument increases in subsequent periods, and the increase can be objectively linked to events after impairment loss had been recognized under loss and profit, then the impairment loss is reversed and recognized under loss and profit.

Impairment loss of financial assets measured at cost is the difference between asset carrying amount and discounted present value of estimated future cash flow based on present market rate of return from similar financial assets. Such impairment loss cannot be reversed in subsequent periods.

All impairment loss of financial assets is directly deducted from the carrying amount. However, the carrying amount of accounts receivable is adjusted through an allowance account. When a receivable is determined to be not collectible, it is written off via allowance account. Sums that had been written off and subsequently collected are credited to allowance account. Except when receivables are not collectible and written off in allowance accounts, changes in the latter's carrying amount is recognized in loss and profit.

(3) Derecognition of Financial Assets

The Company only starts derecognition when contractual rights to cash flow of financial assets expire, or when the assets have been transferred along with all risks and rewards of ownership to other entities.

Until 2017, when derecognizing entire financial assets, any difference in accumulated interest or loss between carrying amount and additional consideration collected that had been recognized under other comprehensive income was recognized under loss and profit. Since 2018, for derecognition of entire financial assets amortized at cost, the difference between carrying amount and consideration received is recognized under loss and profit. For derecognition of entire debt instrument investments measured at FVTOCI, any accumulated gains or losses between carrying amount and consideration received that had been recognized in other comprehensive income are recognized under loss and profit. For derecognition of entire equity instrument investments measured at FVTOCI, accumulated loss and profit is transferred directly to retained earnings and not reclassified under loss and profit.

2. Equity Instruments

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with their definitions as well as contractual agreement type.

Equity instruments issued by the Company are recognized as the amount of acquisition proceeds minus direct issuance costs.

Equity instruments reacquired by the Company are recognized and deducted under equity. Purchase, sale, issuance or write-off of the Company's own equity instruments are not recognized under loss and profit.

3. Financial Liabilities

(1) Subsequent Measurement

Financial liabilities are measured at amortized cost by effective interest methods, except for:

Financial liabilities measured at fair value through profit and loss

Financial liabilities measured at FVTPL are financial liabilities held for trading.

Financial liabilities held for trading shall be measured at fair value. Gains and losses incurred from remeasurement (excluding any dividends or interests paid from financial liabilities) are recognized under loss and profit. Please refer to note 30 for the methods in determining fair values.

(2) Derecognition of Financial Liabilities

When derecognizing financial liabilities, the difference between its carrying amount and paid consideration (including any transferred non-cash assets or liabilities assumed) is recognized under loss and profit.

4. Convertible Corporate Bonds

For compound financial instruments issued by the Company (convertible corporate bonds), their components at initial recognition are classified respectively as financial liabilities and equity in accordance with the latter's definitions and content of contractual arrangements.

At the time of initial recognition, the fair value of liability components is estimated using prevailing market rate for similar non-convertible instruments. They are measured at amortized cost using effective interest method until conversion or date of maturity. Liability components embedded in non-equity derivatives is measured at fair value.

Conversion options classified as equity is equal to the remaining amount after subtracting fair value of liability components from fair value of compound instrument as a whole. It is then recognized as equity after subtracting income tax effects, and not remeasured subsequently. When conversion options are exercised, related liability components and amount recognized in equity will be transferred to principle and capital surplus – issuance premium. If the conversion option of corporate bonds is not exercised on maturity date, the amount recognized in equity will be transferred to capital surplus – issuance premium.

Transaction costs related to issuance of convertible bonds are allocated to instrument liabilities based on ratio of total proceeds (listed under carrying amount of liability) and equity components (listed under equity).

5. Derivatives

The Company's derivatives include forward exchange contracts and foreign currency option contracts. They are used to manage the Company's risks of exchange rate.

Derivatives are initially recognized at fair value at contract signing, and subsequently remeasured at fair value on balance sheet date. Any gains and losses after that are recognized under income. For designated derivatives of hedging instruments, the timing of its recognition under income depends on the hedge relationship. When the fair value of derivative is positive, it is recognized as a financial asset. When it is negative, it is recognized as a financial liability.

Up until 2017, if embedded derivative satisfied the definition of a derivative, its risks and characteristics are not closely related to the host contract. Also when the mixed contract does not belong to financial assets and liabilities measured at FVTPL, its derivative is classified as a separate derivative. Since 2018, derivatives embedded in financial assets of host contracts in the scope of IFRS 9 are classified using the overall contract. For derivatives embedded in host contract of financial assets outside the scope of IFRS 9 (i.e. embedded in host contract of financial liabilities), they are treated as separate derivatives if they satisfy the derivative definition, their risks and characteristics are not closely related to the host contract, and when the mixed contract is not measured at FVTPL.

(XI) Revenue Recognition

2018

The Company first identifies performance obligations in customer's contract, then distributes transaction price to each obligation and recognizes revenue when obligations are met.

The transaction price of material financial components is not adjusted when contract time interval of merchandise or service transfer and acquired consideration is within one year.

1. Merchandise Sales Revenue

1. Merchandise sales revenue is derived from industrial motherboards, integrated information system products, network communication and others. The products above are delivered to locations designated by the customer, who has the right to set price and use the merchandise, in addition to the responsibility of reselling and assuming risk of obsolescence. The Company will recognize revenue and accounts receivable at each point of time.

2. During material processing, the control of processed products is not transferred and material is not recognized under revenue.

2. Service Revenue

3. Service income is derived from product maintenance, and relevant revenue is recognized when service is rendered.

2017

Revenue is measured at fair value of consideration received or receivable, and excludes estimated customer returns, discounts and other similar allowances.

1. Merchandise Sales

4. Sales of merchandise are recognized as revenue when the following conditions have been fully satisfied:

- (1) The Company has transferred material risks and rewards of merchandise ownership to the customer;
- (2) The Company does not maintain management nor effective control over merchandise sold;
- (3) Revenue amount can be reliably measured
- (4) Economic benefits related to the transactions have a high chance of flowing into the Company and;
- (5) Costs related to transactions, whether incurred or anticipated, can be reliably measured.

2. Offer of Service

5. Service income (such as commission) is recognized when the service is rendered.

3. Dividend and Interest Revenue

6. Dividend revenue from investments is recognized when shareholders' rights to collect payments are established, provided that economic effects of transactions are likely to flow into the company and the revenue can be reliably measured.

7. Interest revenue of financial assets is recognized the economic benefits are likely to flow into the Company, and revenue is recognized when it can be reliably measured. Interest revenue is recognized on an accrual basis according to outstanding principal with passing of time and applicable effective interest rates.

(XII) Leases

Whenever lease terms transfer most risks and rewards of asset ownership to the lessee, they are classified as finance leases. All other leases are classified as operating leases.

1. Company as the Lessor

Revenue from operating leases is recognized as revenue on a straight-line basis over relevant lease terms.

2. Company as the lessee

Operating lease payments are recognized as expense on a straight-line basis over the lease terms.

(XIII) Borrowing Costs

Borrowing costs of assets directly attributable to requirements of acquisition, construction, or production are considered part of the asset's cost until completion of all necessary activities for the assets expected use or sales.

Certain loans such as revenue from temporary investment prior to eligible capital expenditure are deducted from borrowing costs for meeting capitalization conditions.

Except for the above, all other borrowing costs are recognized under loss and profit during period of incurrence.

(XIV) Employee Benefits

1. Short-Term Employee Benefits

8. Liabilities related to short-term employee benefits are measured by undiscounted cash payment of exchanging for employee service.

2. Post-Employment Benefits

9. Pension from defined contribution plans is listed as expense for pension during periods of employee service.

10. Benefit cost (including service cost, net interest and remeasurements) of defined pension plans is determined using projected unit credit method. Service cost and net interests from net defined benefit liabilities (assets) are recognized as employee benefit expense when they incur. Remeasurement (including actuarial loss and profit, changes in maximum asset effects, plan asset rewards after interest deduction) is recognized under other comprehensive income and listed in retained earnings. It is not reclassified under loss and profit in subsequent periods.

11. Net defined benefit liabilities (assets) are shortfall (surplus) of defined benefit pension plans. Net defined benefit assets cannot exceed present value of the plan's returned contributions or possible decrease in future contributions.

(XV) Income Tax

Income tax expense is the sum of current income tax and deferred tax.

1. Current Income Tax

Surplus on unappropriated earnings calculated in accordance with Income Tax Act is recognized annually at shareholder's meeting.

Adjustments to income tax payable in prior years are listed under current income tax.

2. Deferred Tax

Deferred tax is calculated from temporary differences between carrying amount of assets and liabilities, and tax base for determining taxable income. For assets and liabilities that did not affect taxable income or accounting profit during initial recognition, their temporary differences are not recognized under deferred tax assets and liabilities.

Deferred tax liabilities are generally recognized for taxable temporary differences. Deferred tax assets are recognized when income tax is likely available for deducting temporary differences.

Taxable temporary differences from investment subsidiaries are recognized under deferred tax liabilities, except when the Company is able to control reversal of temporary difference which is likely to not reverse in the foreseeable future. Deferred tax assets from deductible temporary differences in these types of investments and equity are recognized under deferred tax assets only to the extent that it is likely that sufficient taxable income will be

used to achieve such temporary differences in the scope of foreseeable future reversal.

carrying amount of deferred tax assets is reviewed on each balance sheet date, and reduced when taxable income is not likely to be sufficient to recover all or part of the assets. Unrecognized deferred tax assets are reviewed on each balance sheet date, and carrying amount is adjusted when taxable income is likely to be sufficient to recover all or part of the assets.

Deferred tax assets and liabilities are measured at tax rates expected for liability settlement or asset realization in the same period. Tax rates are based on tax laws enacted or substantively enacted by balance sheet date. Measurement of deferred tax liabilities and assets reflects tax results on balance sheet date when the Company is expected to recover or settle carrying amount of its assets and liabilities.

3. Current and Deferred Tax

Current and deferred tax is recognized under loss and profit, except when the same terms and deferred tax had already been recognized in other comprehensive income or directly in equity.

V. Sources of Significant Accounting Judgments, Estimates, and Uncertainty Assumptions

When the Company adopts accounting policies, management must make judgments, estimates, and assumptions based on past experience and other relevant factors from sources that are not readily accessible. Actual results might be different from estimates.

Management will continue to review estimates and basic assumptions. If estimate amendments only affect current period, then it is recognized in current period. If accounting amendments affects both current and future periods, then it is recognized in current and future periods.

(I) Estimated Impairment of Financial Assets (for 2018)

Estimated impairment of accounts receivable, debt instrument investments and financial guarantee contracts is based on the Company's assumptions for default rate and expected loss rate. The Company considers historical experience, current market conditions and forward-looking information in order to make assumptions and select input value for impairment. Please refer to note 11 for significant assumptions and input values used. If actual future cash flows are less than expected, material impairment loss may occur.

(II) Estimated Impairment of Accounts Receivable (for 2017)

When there is objective evidence for signs of impairment loss, the Company will consider estimated future cash flows. The amount of impairment loss is measured from the difference between the asset's carrying amount, estimated future cash flows (excluding future credit loss that has yet to incur), and present value discounted from financial asset using original effective interest rate. If actual future cash flows are less than expected, material impairment loss may occur.

(III) Impairment of Inventory

The net realizable value of inventories is derived by subtracting estimated costs necessary to make the sale and costs to completion from estimated selling price in ordinary course of business. These estimates are based on current market conditions

and historical experience of selling similar products. Changes in the market could have a significant effect on these estimates.

(IV) Impairment of Goodwill including Investment Subsidiaries

Investment subsidiary goodwill impairment is determined by allocating acquired goodwill to the Company's cash-generating units expected to benefit from the combination on acquisition date, and estimating value in use of cash-generating units to which goodwill is allocated. For value in use calculations, management should estimate future cash flows expected from the cash-generating units after goodwill allocation and decide on a suitable discount rate for calculating present value. If actual cash flows are less than expected, material impairment loss may occur.

VI. Cash and Cash Equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash on hand	\$ 1,775	\$ 1,674
Bank cheques and demand deposits	104,452	248,237
Cash equivalents		
Fixed deposits with original maturity date within three months	<u>263,228</u>	<u>133,920</u>
	<u>\$369,455</u>	<u>\$383,831</u>

Market rate intervals for bank deposits on balance sheet date are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Demand deposits	0.01%~0.06%	0.01%~0.08%
Fixed deposits	2.90%~3.20%	1.90%

VII. Financial Assets Measured at FVTOCI

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial liabilities – current</u>		
Held for trading		
Derivatives (not designated for hedging)		
– Domestic convertible corporate bonds (note 18)	<u>\$ 11,743</u>	<u>\$ -</u>
	<u>\$ 11,743</u>	<u>\$ -</u>
<u>Financial liabilities – non-current</u>		
Held for trading		
Derivatives (not designated for hedging)		
– Domestic convertible corporate bonds (note 18)	\$ -	\$ 4,053
	\$ -	\$ 4,053

VIII. Financial Assets Measured at Amortized Cost - 2018

December 31, 2018

Current

Domestic investment

Fixed deposits with original
maturity date over 3 months

\$ 2,156

As at 31 December 2018, the interest rate intervals of fixed deposits range with original maturity date over 3 months are between 0.77% - 1.045% per annum. These types of deposits were classified as debt instrument investments with no active markets per IAS 39, for its reclassification and information for 2017, please refer to note 3 and 10.

Please refer to note 32 for pledged financial assets measured at amortized cost.

IX. Available-for-Sale Financial Assets - 2017

December 31, 2017

Domestic investment

Fund beneficiary certificate

\$ 1,351,423

X. Debt Instrument Investments with No Active Market - 2017

December 31, 2017

Fixed deposits with original
maturity over 3 months

\$ 2,136

Deposit interest rate

0.77%~1.05%

Please refer to note 32 for information on pledged debt instrument investments with no active market.

XI. Notes and Accounts Receivable

December 31, 2018

December 31, 2017

Accounts receivable

Total carrying amount measured at
amortized cost

\$ 547,579

\$ 736,200

Less: loss allowance

(53,353)

(41,295)

\$ 494,226

\$ 694,905

Accounts receivable - related
parties

\$ 317,765

\$ 592,773

2018

Accounts receivable measured at amortized cost

Average credit period for merchandise sales from the Company ranges from 30 to 75 days. Interest is not calculated for accounts receivable. The Company adopts the policy of only conducting transactions with those who have good credit ratings, and where necessary obtains sufficient collateral to mitigate the risks of financial losses from default. Credit rating is provided by independent credit rating agencies. If the information cannot be obtained, the Company will use other publicly available financial information and transaction records to assess its major customers. The Company continues to monitor credit

exposure and creditworthiness of counterparty. It reviews and approves the counterparty's line of credit from time to time during the year in order to manage credit exposure.

The Company adopts a simplified approach of IFRS 9 to recognize loss allowance for accounts receivable based on lifetime expected credit loss. Lifetime expected credit loss is calculated using provision matrix. It takes into consideration the customer's default history, current financial position, industry economic condition, as well as GDP forecast and industry outlook. The Company's credit loss experience indicates no significant difference in loss patterns of various customer types. Therefore, the Company has not further divided customers into other segments and only determines expected credit loss rate based on number of days overdue from accounts receivable.

If evidence indicates that the counterparty is facing severe financial difficulty and recoverable amounts cannot be reliably anticipated, as in the case of the counterparty undergoing liquidation or has loans overdue for more than 1 year, the Company will directly write off relevant accounts receivable. Nevertheless, recourse will continue and recovered amounts will be recognized under loss and profit.

The Company's allowance loss for accounts receivable measured using provision matrix is as follows:

December 31, 2018

	Not overdue	1 - 30 days overdue	31 - 150 days overdue	151 - 270 days overdue	271 - 365 days overdue	More than 1 year overdue	Total
Expected credit loss rate	0%	0%	0%~30%	50%	75%	100%	
Total carrying amount	\$ 659,065	\$ 117,584	\$ 31,500	\$ 1,147	\$ 13,075	\$ 42,973	\$ 865,344
Loss allowance (expected lifetime credit loss)	-	-	-	(574)	(9,806)	(42,973)	(53,353)
Amortized cost	<u>\$ 659,065</u>	<u>\$ 117,584</u>	<u>\$ 31,500</u>	<u>\$ 573</u>	<u>\$ 3,269</u>	<u>\$ -</u>	<u>\$ 811,991</u>

Changes in loss allowance of accounts receivable are as follows:

	2018
Opening balance (IAS 39)	\$ 41,295
Retrospective application of IFRS 9 adjustments	-
Opening balance (IFRS 9)	41,295
Add: impairment loss listed in the current period	12,058
Ending balance	<u>\$ 53,353</u>

2017

The credit policy of the Company in 2017 is the same as 2018. In determining whether accounts receivable can be recovered, the Company takes into consideration any changes in credit quality of accounts receivable from original credit date to date of balance sheet. Since past experience shows that accounts receivable overdue for more than 360 days are not recoverable, the Company will recognize these accounts as 100% bad debts. For accounts receivable with overdue days within 360, the bad debt is assessed for its unrecoverable amount based on the counterparty's past default record and analysis of current financial position.

Before accepting new customers, the Company assesses their credit quality and sets up line of credit using the customer's net asset value, business conditions, credit guarantee, pledged amount, etc. Credit rating agencies are asked to assist in credit check when necessary. For customers without credit, transactions shall be settled in cash. The line of credit and rating of customers are adjusted from time to time in accordance with changes in transaction status and financial position. Accounts receivable that are neither overdue nor impaired are determined from the Company's performance, past payments, profitability, and industry rating.

Accounts receivable aging analysis is as follows:

	<u>December 31, 2017</u>
Not overdue	\$ 1,151,594
Within 30 days	114,848
31 - 150 days	22,515
151 - 270 days	4,328
271 - 360 days	-
Over 361 days	<u>35,688</u>
Total	<u>\$ 1,328,973</u>

Aging analysis above uses the number of days overdue as the basis.

Aging analysis of overdue but not yet impaired accounts receivable is as follows:

	<u>December 31, 2017</u>
Within 30 days	\$ 114,848
31 - 150 days	11,039
151 - 270 days	-
271 - 360 days	-
Over 361 days	-
Total	<u>\$ 125,887</u>

Aging analysis above uses the number of days overdue as the basis.

Changes in bad debt of accounts receivable are as follows:

	Individually impairment loss	Group impairment loss	Total
Balance on January 1, 2017	\$ 35,688	\$ -	\$ 35,688
Add: bad debt expense listed in current period	<u>-</u>	<u>5,607</u>	<u>5,607</u>
Balance on December 31, 2017	<u>\$ 35,688</u>	<u>\$ 5,607</u>	<u>\$ 41,295</u>

XII. Inventory

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Raw materials	\$594,646	\$527,101
Semi-finished products	5,564	1,677
Finished goods	114,380	107,857
Commodity inventory	9	19
Less: allowance falling price loss	(<u>112,355</u>)	(<u>146,830</u>)
	<u>\$602,244</u>	<u>\$489,824</u>

The cost of sales for 2017 and 2018 included inventory falling price loss (recovery gains) of NT\$ 34,475,000 and NT\$105,601,000 respectively. This was mainly attributable to the listing of inventory falling price loss.

XIII. Investment Using Equity Method

Investment Subsidiaries

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Innovative Systems Integration Ltd	\$ 1,457,740	\$ 548,271
Ennoconn International Investment Co., Ltd.	7,693,587	2,429,939
Caswell Inc.	1,042,012	821,722
Ennoconn Investment Holdings Co., Ltd (EIH)	<u>7,566,593</u>	<u>7,979,295</u>
	<u>\$ 17,759,932</u>	<u>\$ 11,779,227</u>

<u>Name of Subsidiary</u>	<u>Ownership interests and voting rights percentage</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Innovative Systems Integration Ltd	100%	100%
Ennoconn International Investment Co., Ltd.	100%	100%
Caswell Inc.	29.66%	33.32%
Ennoconn Investment Holdings Co., Ltd	100%	100%

Please refer to note 35 for details on investment subsidiaries indirectly held by the Company.

Purchase Price Allocation (PPA) of the Company's subsidiary EIH from the acquisition date of S&T AG in the 2nd season of 2018, is used to measure fair value of S&T AG's intangible assets on the same date. The PPA is used to adjust initial accounting treatment, temporary amounts, and comparative restatements since acquisition date. Please refer to note 18 in the Company's consolidated financial statements from 2018.

Increase (decrease) of related items in individual balance sheet is as follows:

	<u>December 31, 2017</u>		
	<u>Before restatement</u>	<u>Adjustment</u>	<u>After restatement</u>
Investment using equity method	<u>\$11,819,354</u>	<u>(\$ 40,127)</u>	<u>\$11,779,227</u>

Increase (decrease) of related items in individual statement of comprehensive income is as follows:

	<u>2017</u>		
	<u>Before restatement</u>	<u>Adjustment</u>	<u>After restatement</u>
Loss and profit of subsidiaries accounted for under equity method	<u>\$ 1,076,365</u>	<u>(\$ 40,127)</u>	<u>\$ 1,036,238</u>

The Company did not subscribe to seasoned equity offering of Caswell Inc. in April 2018, decreasing shareholding ratio from 33.32% to 29.40%. Caswell Inc. repurchased treasury stock from October to December 2018, resulting in changes in shareholding ratio to 29.66%.

The Company has a 29.66% shareholding ratio for Caswell Inc. If the board of directors obtains majority voting rights, the Company can dictate its personnel, financial and operational decisions. Therefore, Caswell Inc. was listed as a subsidiary.

Subsidiary shares of loss and profit and other comprehensive income were accounted for using equity method for 2017 and 2018. They were recognized in CPA-audited financial statements in the same period.

XIV. Property, Plant, and Equipment

	<u>Land owned</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Total</u>
<u>Cost</u>					
Balance as of January 1, 2018	\$ 251,536	\$ 287,996	\$ 316	\$ 58,394	\$ 598,242
Additions	-	-	-	1,807	1,807
Reclassification	-	-	-	-	-
Disposal	-	-	-	(871)	(871)
Balance on December 31, 2018	<u>\$ 251,536</u>	<u>\$ 287,996</u>	<u>\$ 316</u>	<u>\$ 59,330</u>	<u>\$ 599,178</u>
<u>Accumulated depreciation and impairment</u>					
Balance as of January 1, 2018	\$ -	\$ 17,103	\$ 158	\$ 36,336	\$ 53,597
Disposal	-	-	-	(566)	(566)
Depreciation expense	-	5,889	35	8,526	14,450
Balance on December 31, 2018	<u>\$ -</u>	<u>\$ 22,992</u>	<u>\$ 193</u>	<u>\$ 44,296</u>	<u>\$ 67,481</u>
Net amount on December 31, 2018	<u>\$ 251,536</u>	<u>\$ 265,004</u>	<u>\$ 123</u>	<u>\$ 15,034</u>	<u>\$ 531,697</u>
<u>Cost</u>					
Balance on January 1, 2017	\$ 251,536	\$ 287,996	\$ 316	\$ 54,011	\$ 593,859
Additions	-	-	-	4,507	4,507
Reclassification	-	-	-	-	-
Disposal	-	-	-	(124)	(124)
Balance on December 31, 2017	<u>\$ 251,536</u>	<u>\$ 287,996</u>	<u>\$ 316</u>	<u>\$ 58,394</u>	<u>\$ 598,242</u>
<u>Accumulated depreciation and impairment</u>					
Balance on January 1, 2017	\$ -	\$ 11,213	\$ 123	\$ 27,053	\$ 38,389
Disposal	-	-	-	(124)	(124)
Depreciation expense	-	5,890	35	9,407	15,332
Balance on December 31, 2017	<u>\$ -</u>	<u>\$ 17,103</u>	<u>\$ 158</u>	<u>\$ 36,336</u>	<u>\$ 53,597</u>
Net amount on December 31, 2017	<u>\$ 251,536</u>	<u>\$ 270,893</u>	<u>\$ 158</u>	<u>\$ 22,058</u>	<u>\$ 544,645</u>

The Company's property, plant and equipment are depreciated on a straight-line basis over the following service life:

Buildings	5 - 50 years
Machinery	2 - 15 years
Other equipment	3 - 15 years

XV. Intangible Assets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Computer software	<u>\$ 1,724</u>	<u>\$ 2,715</u>

The above intangible assets have definite service life. Their amortization expense is calculated on a straight-line basis using 3 to 5 years of service life.

XVI. Other Assets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other receivables (note 31)	\$ 27,214	\$ 31,056
Current income tax assets	9,878	-
Advance payments	3,582	7,416
Refundable deposits	54	1,520
Defined benefit asset (note 20)	742	715
Others	<u>10,134</u>	<u>15,620</u>
	<u>\$ 51,604</u>	<u>\$ 56,327</u>
Current	\$ 50,808	\$ 54,092
Non-current	<u>796</u>	<u>2,235</u>
	<u>\$ 51,604</u>	<u>\$ 56,327</u>

XVII. Loans

Short-term loans

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Unsecured loans</u>		
Bank notes	<u>\$ 5,330,000</u>	<u>\$ 250,000</u>
<u>Interest rate interval</u>		
Bank notes	0.90%~1.20%	1.00%

XVIII. Convertible Corporate Bonds

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
First domestic unsecured convertible corporate bonds	\$ -	\$ -
Second domestic unsecured convertible corporate bonds	1,170,468	1,486,059
First overseas unsecured convertible corporate bonds	<u>6,172,298</u>	<u>6,098,485</u>
	7,342,766	7,584,544
Less: repurchase rights executable within one year	(<u>7,342,766</u>)	-
	<u>\$ -</u>	<u>\$ 7,584,544</u>

(I) To repay bank notes and diversify working capital, the Company first issued domestic unsecured convertible corporate bonds on May 5, 2015. Details of the issuance are as follows:

1. Issuance amount: NT\$800,000,000
2. Face value: NT\$100,000 each
3. Coupon rate: 0%
4. Effective interest rate: 1.7447%
5. Book value at issuance: NT\$ 759,547,000
6. Duration: May 5, 2015 - May 5, 2018
7. Conversion period:

Except for suspension of conversion period, the creditor may request the conversion of corporate bonds into ordinary shares of the Company in accordance with regulations on corporate bond conversion. The creditor can make the request at any time from the date after two months of bond issuance (July 6, 2015) to the date of maturity (May 5, 2018). Suspension of conversion period is as follows:

- (1) Periods of stock transfer suspension (temporary or permanent) by law.
- (2) Date on which the Company requests suspension of stock dividend transfer from Taipei Exchange, from fifteen business days prior to suspension date of cash dividend transfer or cash capital increase subscription until date of equity allocation.
- (3) From date of capital reduction to one day prior to transaction date of exchanged shares.
- (4) Other periods of stock transfer suspension by law.

8. Conversion price and adjustment:

The conversion price at the time of issuance was at NT\$295. After increased issuance of ordinary shares, the Company adjusted conversion price in accordance with article 12 in the domestic regulations on issuance and conversion of unsecured convertible corporate bonds. The conversion price after final adjustment is \$274.

9. Creditor resale option:

Thirty days prior to two years after the issuance of corporate bonds (May 5, 2017), bond holders may notify the Company in writing (based on regulations on conversion) to request the addition of interest charges to face value (102.01% of bond face value after two years) and redeem convertible corporate bonds in cash.

10. The Company's redemption options:

From 2 months after corporate bond issuance (July 6, 2015) to 40 days before maturity, if closing price of the Company's ordinary shares are more than 30% of conversion price for 30 consecutive days, or if outstanding balance of original company liabilities is 10% lower than original issue price, the Company is obliged to notify bond holders and redeem bonds in cash at face value according to regulations on conversion.

The convertible corporate bonds are comprised of liabilities and equity components. The equity components are presented in capital surplus - stock option under equity. Liability components are classified as embedded derivative financial instruments and non-derivative product liabilities. Embedded derivative financial instruments were assessed for fair value at NT\$ 0 thousand on December 31, 2018, while non-derivative product liabilities were measured at amortized cost at NT\$ 0 thousand on December 31, 2018. Its effective interest rate at initial recognition is 1.7447%.

Issue price (less transaction costs of NT\$ 5,578,000)	\$ 794,422
Equity component	(<u>29,155</u>)
Liability components on date of issuance (including corporate bonds payable of NT\$759,547,000 and financial liabilities measured at FVTPL - non-current 5,720,000)	765,267
Interest calculated at effective interest rate of 1.7447%	11,456
Profit from financial instrument valuation	(8,527)
Corporate bonds converted into ordinary shares	(<u>768,196</u>)
Liability component as of December 31, 2018	<u>\$ -</u>

(II) To diversify working capital and satisfy needs of joint venture, the Company issued the second domestic unsecured convertible corporate bonds on May 13, 2016. The issuance is as follows:

1. Issuance amount: NT\$1,800,000,000
2. Face value: NT\$100,000 each
3. Coupon rate: 0%
4. Effective interest rate: 1.4306%
5. Book value at issuance: NT\$1,676,592,000
6. Duration: May 14, 2016 - November 13, 2021
7. Conversion period:

Except for suspension of conversion period, creditors may request conversion of corporate bonds into ordinary shares of the Company. Using regulations on conversion of corporate bonds, they may do so the day after two months of issuance (July 14, 2016) until date of maturity (May 13, 2021). Suspension of conversion period is as follows:

- (1) Periods of stock transfer suspension (temporary or permanent) by law.
 - (2) Date on which the Company requests suspension of stock dividend transfer from Taipei Exchange, from fifteen business days prior to suspension date of cash dividend transfer or cash capital increase subscription until date of equity allocation.
 - (3) From date of capital reduction to one day prior to transaction date of exchanged shares.
 - (4) Other periods of stock transfer suspension by law.
8. Conversion price and adjustment:

Conversion price at the time of issuance was set at NT\$435. After increased issuance of ordinary shares by the Company, conversion price was adjusted in accordance with article 12 of the domestic Regulations on issuance and conversion of unsecured corporate bonds. As of December 31, 2018, conversion price was adjusted to NT\$ 403.

9. Creditor resale option:

Thirty days prior to three years after the issuance of corporate bonds (May 13, 2019), bond holders may notify the Company in writing (based on regulations on conversion) to request the addition of interest charges to face value (103.0301% of bond face value after three years) and redeem convertible corporate bonds in cash.

10. The Company's redemption options:

From 2 months after corporate bond issuance (July 14, 2016) to 40 days before maturity, if closing price of the Company's ordinary shares are more than 30% of conversion price for 30 consecutive business days, or if outstanding balance of original company liabilities is 10% lower than original issue price, the Company is obliged to notify bond holders and redeem bonds in cash at face value according to regulations on conversion.

The convertible corporate bonds are comprised of liabilities and equity components. The equity components are presented in capital surplus - stock option under equity. Liability components are classified as embedded derivative financial instruments and non-derivative product liabilities. Embedded derivative financial instruments were assessed for fair value at NT\$11,743,000 on December 31, 2018, while non-derivative product liabilities were measured at amortized cost at NT\$1,170,468,000 on December 31, 2018. Its effective interest rate at initial recognition is 1.4306%.

Issue price (less transaction costs of NT\$3,395,000)	\$ 1,796,605
Equity component	(99,172)
Liability components on date of issuance (including corporate bonds payable of NT\$1,679,592,000 and financial liabilities measured at FVTPL - non-current 20,841,000)	1,697,433
Interest calculated at effective interest rate of 1.4306%	52,684
Profit from financial instrument valuation	(7,018)
Corporate bonds converted into ordinary shares	(560,888)
Liability component as of December 31, 2018	<u>\$ 1,182,211</u>

(III) To diversify working capital and satisfy needs of joint venture, the Company issued the first overseas unsecured convertible corporate bonds on March 10, 2017. It was declared effective by FSC and listed in Singapore Exchange. The issuance is as follows:

1. Total amount: US\$200,000,000 The convertible corporate bonds will be repaid, resold, redeemed in USD at a fixed exchange rate of NT\$31.653 to US\$1.
2. Face value: US\$200,000 each
3. Coupon rate: 0%
4. Effective interest rate: 2.4144%
5. Book value at issuance: NT\$5,978,823,000
6. Duration: March 10, 2017 - March 10, 2022
7. Conversion period:

Except for suspension of conversion period, creditors may request conversion of corporate bonds into ordinary shares of the Company. Using regulations on conversion of corporate bonds, they may do so the day after 30 days of issuance (April 10, 2017) until 10 days before date of maturity (February 28, 2022).

8. Conversion price:

Creditors may use the exchange rate of NT\$31.653 to US\$1 and conversion price of NT\$488 per share to request the conversion of corporate bonds in the Company's ordinary shares. After increased issuance of ordinary shares by the Company, conversion price was adjusted in accordance with article 13 of the overseas Regulations on issuance and conversion of unsecured corporate bonds. As of December 31, 2018, conversion price was adjusted to NT\$ 463.94.

9. Repayment of bonds due:

Except for redemption, repurchase and write-off or exercise of conversion option by bondholder, the issuing company will repay the bonds in full on maturity date at face value plus 1.25% coupon rate.

10. Creditor resale option:

From 2 years after corporate bond issuance (March 10, 2019) to 4 years, bond holders may notify the Company in writing (based on regulations on conversion) to request the addition of interest charges to face value (bond face value plus 1.25% APR) and redeem convertible corporate bonds in cash.

11. The Company's redemption option:

Two years after corporate bond issuance (March 10, 2019), if for 20 transaction days out of 30 consecutive business days the closing price at Taipei Exchange converted to USD at exchange rate of the moment is more than 130% of advance redeemed price times conversion price divided by face value, the issuing company may redeem all or part of the bonds in advance at face value plus 1.25% APR. If more than 90% of bonds have been redeemed, converted, repurchased and written off, the issuing company may redeem all outstanding bonds in advance at previous redemption price.

The convertible corporate bonds are comprised of liabilities and equity components. The equity components are presented in capital surplus - stock option under equity. Liabilities with components of non-derivative financial products were measured for amortized cost at NT\$6,172,298,000 on December 31, 2018. Its effective interest rate at initial recognition is 2.4144%.

Issue price (less transaction costs of

NT\$29,142,000)	\$ 6,301,458
Equity component	(<u>322,635</u>)
Liability components on date of issuance	5,978,823
Interest calculated at effective rate of 2.4144%	284,316
Corporate bonds converted into ordinary shares	(<u>90,841</u>)
Liability component as of December 31, 2018	<u>\$ 6,172,298</u>

XIX. Other Liabilities

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Other payables - current</u>		
Salary and bonus payable	\$ 33,471	\$ 74,620
Employee remuneration payable	56,038	50,703
Remuneration payable to directors and supervisors	3,060	2,780
Payables	126	796
Others (note 1)	<u>80,601</u>	<u>66,306</u>
	<u>\$ 173,296</u>	<u>\$ 195,205</u>
 <u>Other liabilities</u>		
Contract liabilities	\$ 20,909	\$ -
Cash with order	-	3,221
All collections	19,491	9,240
Others (note 2)	<u>212</u>	<u>212</u>
	<u>\$ 40,612</u>	<u>\$ 12,673</u>
 Current	\$ 40,400	\$ 12,461
Non-current	<u>212</u>	<u>212</u>
	<u>\$ 40,612</u>	<u>\$ 12,673</u>

Note 1: others under other payables include insurance premium payable, consumable expense, maintenance fees, export fees and labor expense.

Note 2: others under other liabilities (current and non-current) include temporary credit and guarantee deposits.

XX. Post-Retirement Benefit Plan

(I) Defined Contribution Plans

The pension system from "Labor Pension Act" applicable to the Company is a defined contribution plan under government administration. The Company contributes 6% of the employee's monthly salary to his or her personal account at Bureau of Labor Insurance.

(II) Defined Benefit Plans

The Company's pension system conducted in accordance with "Labor Standards Act" is a defined benefit under government administration. Employee pension payments are based on years of service and average salary for the six months prior to retirement. The Company contributes 2% of total employee salary to the pension fund at the end of each month. The pension fund committee makes deposits in its name to the designated account at Bank of Taiwan. Before year-end, for employees whose account balance is not sufficient for payments until reaching retirement within the following year, contribution for the difference will be allocated in the following end of March. The Bureau of Labor Funds under Ministry of Labor is assigned to administer the account. The Company retains no rights that may influence its investment and administration strategies.

Amounts included in defined benefit plans listed in the individual balance sheet are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Present value of defined benefit obligations	\$ 1,128	\$ 1,074
Fair value of plan assets	(<u>1,870</u>)	(<u>1,789</u>)
Net defined benefit assets	(<u>\$ 742</u>)	(<u>\$ 715</u>)

Changes in net defined benefit liabilities (assets) are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities (assets)</u>
January 1, 2017	\$ 1,242	(\$ 1,772)	(\$ 530)
Service cost			
Current service cost	-	-	-
Interest expense (income)	<u>17</u>	(<u>24</u>)	(<u>7</u>)
Recognized in impairment	<u>17</u>	(<u>24</u>)	(<u>7</u>)
Remeasurement			
Return on plan assets (excluding amount with net interest)	-	7	7
Actuarial (gains) losses – changes in financial assumptions	43	-	43
Actuarial (gain) losses – experience adjustments	(<u>228</u>)	<u>-</u>	(<u>228</u>)
Recognized in other comprehensive income	(<u>185</u>)	<u>7</u>	(<u>178</u>)
December 31, 2017	1,074	(1,789)	(715)
Service cost			
Current service cost	-	-	-
Interest expense (income)	<u>12</u>	(<u>21</u>)	(<u>9</u>)
Recognized in impairment	<u>12</u>	(<u>21</u>)	(<u>9</u>)
Remeasurement			
Return on plan assets (excluding amount with net interest)	-	(52)	(52)
Actuarial (gains) losses – changes in financial assumptions	21	-	21
Actuarial (gain) losses – experience adjustments	<u>21</u>	<u>-</u>	<u>21</u>
Recognized in other comprehensive income	<u>42</u>	(<u>52</u>)	(<u>10</u>)
Employer contributions	<u>-</u>	(<u>8</u>)	(<u>8</u>)
December 31, 2018	<u>\$ 1,128</u>	(<u>\$ 1,870</u>)	(<u>\$ 742</u>)

The Company has exposed the following risks in pension system of "Labor Standards Act":

1. Investment Risk: Bureau of Labor Funds, by itself or through an intermediary, invests pension fund in foreign/domestic equity securities, debt securities, and bank deposits, provided the distributed amount of the Company's plan assets are higher than the profit of local banks calculated using 2-year fixed deposit rates.
2. Interest Rate Risk: decrease in government bond interest rate will increase present value of defined benefit obligation. However, return on debt investments of plan assets will also increase. Effects of the two on net defined benefit obligations will partially offset each other.
3. Salary Risk: present value of defined benefit obligations is calculated with reference to future salaries of plan members. Salary increase of plan members will increase present value of defined benefit obligations.

Present value of the Company's defined benefit obligation is determined by qualified actuaries. Material assumptions on measurement date are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Discount rate	1.02%	1.15%
Expected salary growth rate	3.00%	3.00%
Mortality rate	Based on 90% of 5th period Taiwan standard ordinary experience mortality table	Based on 90% of 5th period Taiwan standard ordinary experience mortality table
Turnover rate	0% - 34%	0% - 34%

If reasonably possible changes occur to material actuarial assumptions while all other assumptions remain unchanged, present value of defined benefit obligations will increase (decrease) as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Discount rate		
0.5% increase	(\$ 76)	(\$ 76)
0.5% decrease	\$ 83	\$ 83
Expected salary growth rate		
0.5% increase	\$ 75	\$ 76
0.5% decrease	(\$ 70)	(\$ 70)

As actuarial assumptions may be related to one another, changes in a single assumption is not likely, and actual change in present value of defined benefit obligations may not be reflected in the analysis above.

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Expected contribution within 1 year	\$ -	\$ -
Average maturity period of defined benefit obligations	7 years	8 years

XXI. Equity

(I) Capital

Common stock

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Nominal shares (thousand shares)	<u>150,000</u>	<u>120,000</u>
Nominal capital	<u>\$ 1,500,000</u>	<u>\$ 1,200,000</u>
Number of issued and paid for shares (thousand shares)	<u>77,574</u>	<u>76,528</u>
Issued capital	<u>\$ 775,745</u>	<u>\$ 765,288</u>

Common stocks are issued with NT\$10 per share at par, and each common stock enjoys the right to vote and receive dividends.

In 2017, convertible corporate bonds were converted into ordinary shares at NT\$2,280,000 with a paid-in capital of NT\$765,288,000.

In 2017, convertible corporate bonds were converted into ordinary shares at NT\$10,457,000 with a paid-in capital of NT\$775,745,000.

(II) Capital Surplus

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Used to make up loss, distribute cash, or replenish capital(1)</u>		
Stock issuance premium	\$ 2,415,595	\$ 2,415,595
New shares issued by other companies	485,900	485,900
Conversion premium of corporate bond	1,442,451	1,005,235
<u>Only to offset loss</u>		
Recognized changes in equity ownership of subsidiaries(2)	-	734,913
<u>Not to be used for any purposes</u>		
Stock options of convertible corporate bonds	<u>384,494</u>	<u>408,529</u>
	<u>\$ 4,728,440</u>	<u>\$ 5,050,172</u>

1. This type of capital surplus may be used to cover loss or issue cash or replenish capital when there is no loss, but capital replenishment is restricted to the ratio of actual capital stock each year.
2. This type of capital surplus recognized as equity transaction effect due to changes in subsidiary equity, when the Company's has not acquired or disposed of subsidiary shares, or as adjustment value of capital surplus from subsidiary recognized by the Company through equity methods.

(III) Retained Earnings and Dividend Policy

The Company's earnings distribution policies under articles of incorporation stipulates that if the annual closing account includes current net profit, it shall be distributed in the following order:

1. Make up losses.
2. Set 10% as legal capital reserve, unless the reserve has already reached the Company's total capital.
3. List or recover special capital reserve from other laws and regulations.
4. After deduction of (1) and (3) amounts from the year's current net profit, the adjusted values of opening accumulated retain earnings and the year's retain earnings are proposed for distribution by the board, and distributed via shareholder's resolution.

As the Company is in a period of robust growth and to cope with future operational expansion, dividend distribution should be proposed by board of directors in consideration of future capital expense and needs, and distributed after shareholder's resolution. However, dividends distributed shall be no less than 10% of cash dividends distributed in the same year. For the Company's policies on bonus allocation of employees, supervisors, and directors as stipulated in articles of incorporation, please refer to note 23 (6) on employee, supervisor and director remunerations.

Legal capital reserve shall be contributed until the balance reaches the Company's total paid-in capital. Legal capital reserve shall be used to cover losses. When the Company has no losses, the portion of legal capital reserve that exceeds 25% of total capital stock may be distributed in cash, in addition to capital replenishment.

The Company lists and recovers special capital reserve pursuant to No. 1010012865, No. 1010047490 from FSC, as well as "Q&A on Listing of Special Capital Reserve After IFRS Adoption."

During the Company shareholders' meetings held on June 28, 2018, and May 18, 2017, resolutions passed on earnings distribution for 2017 and 2016 are as follows:

		Earnings distribution proposal		Dividends per share (NT\$)	
		2017	2016	2017	2016
Legal reserve	capital	\$112,337	\$102,274		
Special reserve	capital	454,629	34,724		
Cash Dividends		682,864	763,008	\$ 9.00	\$ 10.00

The Company's proposal for distribution of earnings and dividend per share for 2018 was proposed by the board of directors on March 29, 2019:

	Earnings distribution	Dividends per share (NT\$)
Legal capital reserve	\$110,812	
Special capital reserve	(111,213)	
Cash Dividends	580,436	\$ 7.00

Earnings distribution for 2018 is still pending resolution from annual shareholders' meeting on June 28, 2019.

(IV) Other Equity Items

1. Exchange Differences from Conversion of Foreign Financial Statements

	2018	2017
Opening balance	(\$ 456,250)	(\$ 20,582)
Arising from current period		
Exchange differences converted from foreign operations	134,264	(415,582)
Subsidiary shares accounted for using equity method	(23,176)	(20,086)
Other comprehensive income for current period	111,088	(435,668)
Balance	(\$ 345,162)	(\$ 456,250)

2. Unrealized Gains (Losses) from Available-for-Sale Financial Assets

	2017
Balance on January 1, 2017	(\$ 20,454)
Arising from current period	
Unrealized gains (losses)	(315,798)
Subsidiary shares accounted for using equity method	3,348
Reclassification adjustment	
Disposal of available-for-sale financial assets	293,489
Other comprehensive income for current period	(18,961)
Balance on December 31, 2017	(\$ 39,415)

3. Unrealized gains and losses of financial assets at FVTOCI

	2018
Opening balance (IAS 39)	(\$ 39,415)
Effects of retrospective IFRS 9 application	22,309
Opening balance (IFRS 9)	(17,106)
Arising from current period	
Subsidiary shares accounted for using equity method	(22,184)
Other comprehensive income for current period	(22,184)
Ending balance	(\$ 39,290)

(V) Treasury Stock

Reason for recovery	Shares transferred to Employee (thousand shares)	Parent company shares held by subsidiary (thousand shares)	Total (thousand shares)
Number of shares on January 1, 2017	-	-	-
Increase during period	1,000	-	100
Decrease during period	(345)	-	(345)
Number of shares on December 31, 2017	<u>655</u>	<u>-</u>	<u>655</u>
Number of shares on January 1, 2018	655	-	655
Increase during period	-	10	10
Decrease during period	-	-	-
Number of shares on December 31, 2018	<u>655</u>	<u>10</u>	<u>665</u>

For parent company shares held by subsidiaries on December 31, 2018, relevant information is as follows:

Name of Subsidiary	Number of shares (thousand shares)	carrying amount	Market price
Marketch International Corp.	10	\$ 2,440	\$ 2,440

The Company transferred 345,000 treasury shares to its employees in August 2017 at NT\$356.653 per share for a total of NT\$123,045,000. The fair value of stock option is 67.35 per share, and salary expense along with capital surplus were recognized at NT\$ 23,236,000.

In accordance with the Securities and Exchange Act, treasury stocks held by the Company cannot be pledged. Rights such as dividend distribution or voting rights are also not possible. The Company's stocks held by the subsidiary are treated as treasury stocks. Except for the Company's cash capital increase and voting rights, the subsidiaries enjoy the same rights as the shareholders.

XXII. Revenue

	<u>2018</u>	<u>2017</u>
Revenue from customer contracts		
Merchandise sales revenue	\$ 4,239,756	\$ 6,853,103
Service revenue	<u>16,700</u>	<u>60,919</u>
	<u>\$ 4,256,456</u>	<u>\$ 6,914,022</u>

(I) Customer Contracts

The merchandise above is sold to major companies in the world based on field of application at fixed contract price.

(II) Contract Balance

	<u>December 31, 2018</u>
Accounts receivable (note 11)	<u>\$ 811,991</u>
Contract liabilities	
Merchandise Sales	<u>\$ 20,909</u>

Changes in contract liabilities are mainly due to timing difference between performance obligations and customer payment.

Contract liabilities from beginning of year recognized as revenue of the period is as follows:

	<u>2018</u>
<u>Contract liabilities from</u>	
<u>beginning of year</u>	
Merchandise sales	<u>\$ 3,221</u>

(III) Breakdown of Revenue from Customer Contracts

For more information on revenue breakdown, please refer to note 8.

XXIII. Net Profit

(I)	Other Income		
		2018	2017
	Rent revenue	\$ 784	\$ 202
	Interest revenue	13,017	3,992
		<u>\$ 13,801</u>	<u>\$ 4,194</u>
(II)	Other Gains and Losses		
		2018	2017
	Gains (losses) from disposal of financial assets		
	Loss from disposal of available-for-sale financial assets	\$ -	(\$293,489)
	Gains (losses) from financial assets and liabilities		
	Financial liabilities held for trade	-	12,788
	Financial assets forcibly measured at FVTPL	6,728	-
	Net gains from foreign exchange	16,676	12,580
	Gains from disposal of property, plant and equipment	200	-
	Others	13,990	26,862
		<u>\$ 37,594</u>	<u>(\$241,259)</u>
(III)	Financial Costs		
		2018	2017
	Interest from bank loans	\$ 35,213	\$ 35,976
	Imputed interests from bonds payable	182,126	141,072
		<u>\$217,339</u>	<u>\$177,048</u>
(IV)	Depreciation and Amortization Expense		
		2018	2017
	Property, plant and equipment	\$ 14,450	\$ 15,332
	Amortization of intangible assets	1,785	1,511
		<u>\$ 16,235</u>	<u>\$ 16,843</u>
	Depreciation expense summarized by functions		
	Operating cost	\$ 1,105	\$ 2,504
	Operating expense	13,345	12,828
		<u>\$ 14,450</u>	<u>\$ 15,332</u>
	Amortized expense summarized by functions		
	Operating cost	\$ 68	\$ 70
	Operating expense	1,717	1,441
		<u>\$ 1,785</u>	<u>\$ 1,511</u>

Employee Benefit Expense

	2018	2017
Post-employment benefits		
Defined contribution plans	\$ 8,677	\$ 7,620
Defined benefit plans	(9)	(7)
Salaries, incentives, and bonuses	203,314	277,579
Other employee benefits	<u>28,050</u>	<u>29,815</u>
	<u>\$240,032</u>	<u>\$315,007</u>
Summarized by functions		
Operating cost	\$ 18,870	\$ 22,661
Operating expense	<u>221,162</u>	<u>292,346</u>
	<u>\$240,032</u>	<u>\$315,007</u>

(V) Remuneration for Employees, Directors, and Supervisors

Based on the Company's article of incorporation, the year's pre-tax profit shall be more than 2% of employee remuneration and less than 3% of director and supervisor remuneration prior to their bonus deduction. Remunerations for employees, directors and supervisors for 2017 and 2018 were resolved by the board of directors on March 27, 2019 and March 30, 2018, respectively.

Estimated ratio

	2018	2017
Remunerations for employees	3.0%	4.1%
Remunerations for directors and supervisors	0.3%	0.2%

Amount

	2018	2017
	<u>Cash</u>	<u>Cash</u>
Remunerations for employees	\$ 33,116	\$ 50,000
Remunerations for directors and supervisors	3,060	2,901

In case of changes in amount after publication of annual individual financial statements, accounting estimates will be used and the changes will be included in statements the year after.

Actual remunerations for employees, directors, and supervisors in 2017 and 2016 were consistent with amounts recognized in the individual financial statements.

Please refer to "Market Observation Post System" of Taiwan Stock Exchange for information on the Company's resolutions on remunerations for employees, directors, and supervisors.

(VI) Gains and Losses from Currency Exchange

	2018	2017
Gains from currency exchange	\$ 89,965	\$127,167
Losses from currency exchange	(73,289)	(114,587)
Net profit	<u>\$ 16,676</u>	<u>\$ 12,580</u>

XXIV. Income tax

(I) Main composition of income tax expense recognized in loss and profit

	2018	2017
Current income tax		
Incurred in current period	\$ 25,080	\$ 68,765
Adjustments from prior years	10,944	(1)
Deferred income tax		
Incurred in current period	(27,662)	(25,688)
Changes in tax rate	(6,307)	-
Income tax expense recognized in loss and profit	<u>\$ 2,055</u>	<u>\$ 43,076</u>

Reconciliation between accounting income and income tax expenses is as follows:

	2018	2017
Pre-tax profit	<u>\$ 1,110,172</u>	<u>\$ 1,126,323</u>
Income tax expense of pre-tax profit at statutory rate	\$ 222,034	\$ 191,475
Items to be decreased when determining taxable income	(124,987)	(49,523)
Surtax on unappropriated retained earnings	-	12,265
Unrecognized temporary differences	(99,629)	(111,140)
Changes in tax rate	(6,307)	-
Income tax expense from previous year adjusted for current period	<u>10,944</u>	(1)
Income tax expense recognized in loss and profit	<u>\$ 2,055</u>	<u>\$ 43,076</u>

The tax rate applicable to the Company in 2017 is 17%. Based on amendments to ROC income tax laws in February 2018, the business income tax rate was adjusted from 17% to 20% and came into effect in 2018. In addition, the tax rate applicable to undistributed earnings for 2018 will decrease from 10% to 5%.

As shareholders meeting on distribution of earnings in 2019 is still uncertain, potential income tax consequences from 5% extra income tax on undistributed earnings of 2018 cannot be reliably determined yet.

(II) Income Tax Recognized in Other Comprehensive Income

	2018	2017
<u>Deferred income tax</u>		
Arising from current year		
– Remeasurement of defined benefit plans	<u>\$ 2</u>	<u>\$ 31</u>
Income tax recognized in other comprehensive income	<u>\$ 2</u>	<u>\$ 31</u>

(III) Deferred Income Tax Assets and Liabilities

Changes in deferred income tax assets and liabilities are as follows:

2018

	Balance from beginning of year	Recognized in loss and profit	Recognized in other comprehensive income	Balance at end of year
<u>Deferred income tax</u>				
<u>assets</u>				
Unrealized interest expense	\$ -	\$ 32,000	\$ -	\$ 32,000
Allowance for inventory write-down	24,961	(2,490)	-	22,471
Unrealized sales loss	5,048	891	-	5,939
Others	5,733	3,568	-	9,301
	<u>\$ 35,742</u>	<u>\$ 33,969</u>	<u>\$ -</u>	<u>\$ 69,711</u>
<u>Deferred income tax</u>				
<u>liabilities</u>				
Defined benefit retirement plan	\$ 616	\$ -	\$ 2	\$ 618
Gains from unrealized currency exchange	-	-	-	-
	<u>\$ 616</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 618</u>

2017

	Balance from beginning of year	Recognized in loss and profit	Recognized in other comprehensive income	Balance at end of year
<u>Deferred income tax</u>				
<u>assets</u>				
Allowance for inventory write-down	\$ 7,009	\$ 17,952	\$ -	\$ 24,961
Unrealized sales loss	-	5,048	-	5,048
Others	3,653	2,080	-	5,733
	<u>\$ 10,662</u>	<u>\$ 25,080</u>	<u>\$ -</u>	<u>\$ 35,742</u>
<u>Deferred income tax</u>				
<u>liabilities</u>				
Defined benefit retirement plan	\$ 585	\$ -	\$ 31	\$ 616
Gains from unrealized currency exchange	608	(608)	-	-
	<u>\$ 1,193</u>	<u>(\$ 608)</u>	<u>\$ 31</u>	<u>\$ 616</u>

(IV) Summarized Amount of Temporary Differences in Unrecognized Deferred Income Tax Liabilities Related to Investments

As of December 31, 2017 and 2018, taxable temporary differences in unrecognized deferred income tax liabilities related to investment subsidiaries are NT\$244,304,000 and NT\$133,860,000 respectively.

(V) Income Tax Approval Status

The Company's filing of business income tax settlement up to 2015 was approved by tax authority.

XXV. Earnings per Share

Weighted average of ordinary shares and earnings used for calculating earnings per share (EPS) are as follows:

Net profit of the year

	2018	2017
Net profit of the year	\$1,108,117	\$ 1,083,247
Dilutive effects of potential ordinary shares:		
Post-tax interests from convertible corporate bonds	145,701	117,090
Net profit used for calculating diluted earnings per share	<u>\$ 1,253,818</u>	<u>\$ 1,200,337</u>

Unit: thousand shares

	2018	2017
Weighted average of ordinary shares used for calculating basic earnings per share	76,686	75,838
Dilutive effects of potential ordinary shares:		
Corporate bonds	16,396	17,233
Employee remunerations	161	122
Weighted average of ordinary shares used for calculating dilutive earnings per share	<u>93,243</u>	<u>93,193</u>

If the Company chooses to offer employees cash or stock as remunerations, while calculating diluted earnings per share and assuming bonuses in stocks, dilutive potential ordinary shares will include weighted average of outstanding shares in its calculation of diluted earnings per share. While determining diluted earnings per share before distributing shares to employees as remunerations in the following year, dilutive effects of such potential ordinary shares should still be considered.

XXVI. Acquisition of Subsidiaries - Acquired Control

For details on acquisition of subsidiaries, please refer to note 30 in the Company's 2018 consolidated financial statements.

XXVII. Non-Cash Transactions

The Company has converted the convertible corporate bonds of 2017 and 2018 into capital stock and surplus, with total effects of NT\$ 423,638,000 and NT\$71,785,000 respectively.

XXVIII. Operating Lease Agreements

Office equipment and cars leased by the Company will expire in the end of October 2021 and can be renewed at that time.

Total future minimum payment for operating leases that cannot be annulled is as follows:

	December 31, 2018	December 31, 2017
No more than 1 year	\$ 73	\$ 1,133
1 - 5 years	121	1,405
More than 5 years	-	-
	<u>\$ 194</u>	<u>\$ 2,538</u>

Lease payments recognized as expenses are as follows:

	2018	2017
Minimum lease payments	<u>\$ 623</u>	<u>\$ 862</u>

XXIX. Capital Risk Management

Based on operating characteristics of current industry and future company development, along with elements such as external changes, the Company has planned for future working capital and dividend expense to ensure its continuing operation and optimal capital structure. This way, shareholder return can be maximized and shareholder value will improve in the long run.

To maintain or adjust capital structure, the Company may adjust dividend amounts paid to shareholders or issue new shares. In addition, the Company does not need to comply with other external capital requirements.

XXX. Financial Instruments

(I) Fair value information - financial instruments not measured at fair value

Except in the following table, management from the Company agrees that the carrying amount of assets and liabilities measured at fair value is close to the real fair value.

	December 31, 2018		December 31, 2017	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
<u>Financial liabilities</u>				
Financial liabilities at				
amortized cost:				
– Convertible				
corporate				
bonds	<u>\$ 7,342,766</u>	<u>\$ 7,416,674</u>	<u>\$ 7,584,544</u>	<u>\$ 7,928,127</u>

The above is listed corporate bonds payable, which has market transaction price that serves as reference and used as fair value (level 1).

(II) Fair value information - financial instruments measured at fair value on recurring basis

1. Fair value levels

December 31, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u> <u>measured at fair</u> <u>value through profit</u> <u>and loss</u>				
Derivatives	\$ -	\$ 11,743	\$ -	\$ 11,743

December 31, 2017

	Level 1	Level 2	Level 3	Total
<u>Available-for-sale</u> <u>financial assets</u>				
Fund beneficiary voucher	\$ 1,351,423	\$ -	\$ -	\$ 1,351,423
<u>Financial liabilities</u> <u>measured at fair</u> <u>value through profit</u> <u>and loss</u>				
Derivatives	\$ -	\$ 4,053	\$ -	\$ 4,053

There was no transfer of fair value measurement between level 1 and 2 for the years 2017 and 2018.

2. Valuation technique and input measure at Level 2 fair value

<u>Classification of</u> <u>financial instruments</u>	<u>Valuation technique and input</u>
Derivatives – repurchased and redeemed options of convertible corporate bonds	Using binary tree model for convertible corporate bonds, the assessment was carried out based on conversion price fluctuation, risk free rate, risk discount rate and remaining life.

(III) Classification of financial instruments

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial assets</u>		
Loans and receivables (note 1)	\$ -	\$ 1,706,222
Available-for-sale financial assets	-	1,351,423
Financial assets measured at amortized cost (note 2)	1,210,869	-
<u>Financial liabilities</u>		
Fair value measured through loss and profit (held for trading)	\$ 11,743	\$ 4,053
Measured at amortized cost (note 3)	13,490,983	9,083,524

- Note 1: balance includes loans and receivables measured at amortized cost, such as cash and cash equivalents, debt instrument investment in non-active markets, notes receivable, accounts receivable, other receivables (excluding tax refund - operating tax), and refundable deposits.
- Note 2: balance includes financial assets measured at amortized cost, such as cash and cash equivalents, debt instrument investments, notes receivable, accounts receivable, and other receivables.
- Note 3: balance includes financial liabilities measured at amortized cost, such as long-term and short-term loans, accounts payable, other payables (excluding salary payables and bonuses), corporate bonds payable and guarantee deposits.

(IV) Objectives and Policies of Financial Risk Management

The Company's main financial instruments include equity and debt instrument investments, accounts receivable, accounts payable, corporate bonds payable and bank loans. The financial management department serves each operating unit, coordinating operations in domestic and foreign financial markets. Financial risks associated with operations of the Company is managed through internal risk reporting based on risk levels and analysis. These risks include market risks (foreign exchange rates, interest rates and other price risks), credit risk and liquidity risk.

1. Market Risks

Due to the Company's operating activities, most financial risks undertaken by the Company are foreign exchange risks (see (1) below), and interest rate risks (see (2) below).

Management and measurement of market risks from financial instruments and risk exposure of the Company remain unchanged.

(1) Exchange Rate Risks

The Company undertakes product sales and purchases in foreign currencies, and are exposed to risks of exchange rate fluctuation.

Please see note 34 for details on carrying amount of non-functional monetary assets and monetary liabilities on balance sheet date.

Sensitivity Analysis

The Company is mostly affected by exchange rate fluctuation of the USD.

The following table is a sensitivity analysis of the Company regarding the impact of 1% change in NTD (functional currency) against exchange rate of each foreign currency. A sensitivity rate of 1% is used internally when reporting to management on exchange rate risks. It represents management's assessment on reasonably possible scope of foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency, and adjusts their ending conversion with 1% exchange fluctuation. Amounts in the table below indicates decrease of pre-tax net profit when NTD strengthens by 1% against each currency. When NTD weakens by 1% against relevant foreign currency, the effects on pre-tax net profit will be the amount's positive value.

	Effects from USD	
	2018	2017
Loss and Profit	(\$ 5,092) (i)	(\$ 18,778) (i)

- (i) Mainly derived from net asset components of cash, receivables, accounts receivable and short-term loans denominated in USD that are outstanding on balance sheet date and have not been hedged by cash flows.

The Company's sensitivity to currency exchange rate decreased in the current period, due to decrease in fund investment denominated in USD.

(2) Interest Rate Risks

The Company also holds bank deposits and borrowed funds with fixed and variable interest rates; therefore, interest rate exposure.

Carrying amount with interest rate exposure from the Company's financial assets and liabilities on balance sheet date is as follows:

	December 31, 2018	December 31, 2017
Interest rate risk with fair value		
– Financial liabilities	\$ 7,342,766	\$ 7,584,544
Interest rate risk with cash flows		
– Financial assets	369,835	383,263
– Financial liabilities	5,330,000	250,000

The Company's interest rate exposure to financial assets and liabilities are explained in detail in the note on management of current liquidity risk.

Sensitivity analysis

The following sensitivity analysis is based on interest rate exposure of non-derivatives on balance sheet date. For assets and liabilities with floating rates, the analysis assumes their outstanding amounts on balance sheet date to be in external circulation throughout reporting period. The fluctuation rate used by the Company for internal management reporting is a 1% increase or decrease of the interest rate. It is also the management's assessment on reasonable scope of change in interest rates.

If interest rate is increased/decreased by 1% and all other variables are held constant, the Company's net profit before tax for 2018 would increase/decrease by NT\$49,602,000, due to net position of the Company's in bank deposits and loans with floating interest rates.

If interest rate is increased/decreased by 1% and all other variables are held constant, the Company's net profit before tax for 2017 would increase/decrease by NT\$1,333,000, due to net position of the Company's in bank deposits and loans with floating interest rates.

The Company's current increase in interest rate sensitivity is mainly due to the increase in bank loans with floating rates.

(3) Other Price Risks

The Company has equity price exposure arising from the holding of domestic funds. The Company has appointed a special team for monitoring price risk and assessing moment of increasing hedging positions of hedged risks.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the balance sheet date.

If equity price is increased/decreased by 1%, the Company's other comprehensive income before tax for 2017 would increase/decrease by NT\$13,514,000, due to changes in fair value of available-for-sale financial assets.

2. Credit Risks

Credit risks refer to risks that cause financial loss to the Company due to borrower's default in honoring contractual obligations. As of balance sheet date, the Company's largest credit risk exposure that could lead to financial loss is mainly from the counterparty's failure to fulfill obligation and the Company's guarantee.

- (1) carrying amount of financial assets recognized in individual balance sheet.
- (2) Maximum possible payment amount from the Company's financial guarantees are not taken into account.

To mitigate credit risk, management of the Company has appointed a special team to determine credit limit, credit approval and other monitoring procedures as to ensure appropriate actions for the recovery of overdue receivables. The Company will also review recoverable amount of receivable on balance sheet date to ensure unrecoverable receivables are listed in impairment loss. Accordingly, management of the Company considers its credit risks to be significantly reduced.

Except for accounts receivable from customers taking up more than 5% of total monetary assets, the Company has no significant credit risks from any single counterparty or group of counterparties with similar characteristics. When counterparties are associates, the Company defines them to be transaction counterparties with similar characteristics. As of December 31, 2018 and 2017, amounts in accounts receivable from customers taking up more than 5% of total monetary assets are NT\$599,057,000 and NT\$903,404,000 respectively. Lastly, the concentration of credit risks between the Company and other counterparties has not exceeded 5% of total monetary assets.

3. Liquidity Risks

The Company manages and maintains sufficient position in cash and cash equivalents to support the Company's operations and mitigate effects of fluctuations in cash flows. Management of the Company supervises use of financing credit from banks and ensures compliance with terms of loan agreements.

Bank notes are a significant source of liquidity for the Company. The Company has unused financing amount, please refer to financing amount described below (2).

(1) Table of liquidity and interest rate risks for non-derivative financial liabilities

Remaining contractual maturity analysis for non-derivative financial liabilities is prepared based on undiscounted cash flows (including principal and estimated interest) of financial liabilities based on earliest possible repayment date of the Company.

For cash flows of payment with floating rates, its undiscounted interest amount is derived from interest rates on balance sheet date.

December 31, 2018

	Within 6 months (inclusive)	Over 6 months Up to 1 year	Over 1 year
<u>Non-derivative financial liabilities</u>			
Non-interest-bearing liabilities	\$ 851,475	\$.	\$.
Instruments with floating interest rates	5,357,983	.	.
Instruments with fixed interest rates	7,342,766	.	.

December 31, 2017

	Within 6 months (inclusive)	Over 6 months Up to 1 year	Over 1 year
<u>Non-derivative financial liabilities</u>			
Non-interest-bearing liabilities	\$ 1,329,469	\$.	\$.
Instruments with floating interest rates	251,250	.	.
Instruments with fixed interest rates	-	.	7,584,54.

(2) Financing credit

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Unsecured bank notes		
– amount used	\$ 5,330,000	\$ 250,000
- amount unused	<u>4,070,000</u>	<u>4,700,000</u>
	<u>\$ 9,400,000</u>	<u>\$ 4,950,000</u>

XXXI. Related-Party Transactions

In addition to those disclosed in other notes, transactions between the Company and other related parties are as follows:

(I) Related party name and relationships

<u>Name of related party</u>	<u>Relationship with the Company</u>
Hon Hai Precision Industry Co., Ltd.	Associates
Hong Fujin Precision Industry (Shenzhen) Co., Ltd.	Associates
Futaihua Industry (Shenzhen) Co., Ltd.	Associates
Foxnum Technology Co., Ltd.	Associates
Foxconn CZ s.r.o.	Associates
eCMMS Precision Singapore Pte Ltd.	Associates
Foxconn Technology Co., Ltd.	Associates
Innolux Corporation	Associates
Tekcon Electronics Corporation	Associates
Futaihua Precision Electronics (Jincheng) Co., Ltd.	Associates
Yuzhan Precision Technology (Shenzhen) Co., Ltd.	Associates
G-Tech Optoelectronics Corp.	Associates
Foxconn Interconnect Technology Limited Taiwan Branch (Cayman)	Associates
Sys-P Co., Ltd.	Subsidiary
Goldtek Technology Co., Ltd.	Subsidiary
CASO, Inc.	Subsidiary
Kontron Europe GmbH	Subsidiary (converted from associate at end of June 2017)
Kontron Canada Inc.	Subsidiary (converted from associate at end of June 2017)
Kontron Asia Pacific Design Sdn.Bhd	Subsidiary (converted from associate at end of June 2017)
Kontron America Inc.	Subsidiary (converted from associate at end of June 2017)

(II) Operating Revenue

<u>Item</u>	<u>Related party type / name</u>	<u>2018</u>	<u>2017</u>
Sales revenue	<u>Subsidiary</u>		
	Kontron Canada Inc.	\$ 1,095,805	\$ 1,839,301
	Kontron Europe GmbH	704,060	1,113,111
	Others	266,866	351,994
		<u>2,066,731</u>	<u>3,304,406</u>
	<u>Associates</u>		
	Others	21,627	19,359
		<u>\$ 2,088,358</u>	<u>\$ 3,323,765</u>

Selling price between the Company and related parties is determined based on agreement, and collection policy is bimonthly payment at end of month.

(III)	Purchase and processing fees		
	<u>Related party type / name</u>	<u>2018</u>	<u>2017</u>
	Subsidiary	\$ 93	\$ 455
	Associates		
	Hon Hai Precision Industry Co., Ltd.	2,125,062	4,054,142
	Others	<u>7,701</u>	<u>1,305</u>
		<u>\$ 2,132,856</u>	<u>\$ 4,055,902</u>

Selling price between the Company and related parties is determined based on agreement, and collection policy is (bi)monthly payment at end of month.

(IV)	Receivables from related parties (excluding loans)		December 31,	December 31,
	Item	Related party type / name	2018	2017
	Accounts receivable - related parties	<u>Subsidiary</u>		
		Kontron Canada Inc.	\$ 134,552	\$ 310,771
		Kontron Europe GmbH	150,317	196,498
		Kontron America Inc.	26,685	75,071
		Others	<u>1,392</u>	<u>5,609</u>
			<u>312,946</u>	<u>587,949</u>
		<u>Associates</u>	<u>4,819</u>	<u>4,824</u>
			<u>\$ 317,765</u>	<u>\$ 592,773</u>
	Other receivables - relationship	<u>Subsidiary</u>		
	Party	Goldtek Technology Co., Ltd.	\$ 1,161	\$ 4,200
		Kontron Europe GmbH	1,812	7,504
		Kontron America Inc.	2,616	-
		Others	<u>1,826</u>	<u>2,708</u>
			<u>7,415</u>	<u>14,412</u>
		Associates	<u>108</u>	<u>-</u>
			<u>\$ 7,523</u>	<u>\$ 14,412</u>

Uncollected guarantees from outstanding accounts receivable of related parties
Unlisted bad debt expense in accounts receivable from related parties in 2017 and 2018

(V) Accounts payable to related parties (excluding loans)

Item	Related party type / name	December 31, 2018	December 31, 2017
Accounts payable	<u>Associates</u>		
	Hon Hai Precision Industry Co., Ltd.	\$ 238,167	\$ 746,395
	Others	11,955	-
		<u>\$ 250,121</u>	<u>\$ 746,395</u>
Expense payable (listed in	Subsidiary	\$ 1,944	\$ -
Other payables	Associates	14,060	18,826
		<u>\$ 16,004</u>	<u>\$ 18,826</u>

Outstanding balance of accounts payable to related parties is not guaranteed and will be settled in cash.

(VI) Other Related Party Transactions

Item	Related party type / name	December 31, 2018	December 31, 2017
Manufacturing expense	Subsidiary	\$ -	\$ 62
	Associates	21,608	8,870
		<u>\$ 21,608</u>	<u>\$ 8,932</u>
Operating expense	Subsidiary	\$ 8,134	\$ -
	Associates	16,923	20,134
	Others	-	10
		<u>\$ 25,057</u>	<u>\$ 20,144</u>

Capital increase by related parties

Cash capital increase for Ennoconn Investment Holdings Co., Ltd. in 2017 and 2018 was NT\$440,234,000 and NT\$2,573,998,000 respectively, with shareholding ratio maintained at 100%.

Cash capital increase for Ennoconn International Investment Co., Ltd. in 2017 and 2018 was NT\$4,960,000 and NT\$200,000 respectively, with shareholding ratio maintained at 100%.

Cash capital increase for Innovative Systems Integration Ltd. in 2017 and 2018 was NT\$857,270,000 and NT\$452,028,000 respectively, with shareholding ratio maintained at 100%.

(VII) Endorsements for Others

	2018	2017
Thecus Technology Corp.	\$ 100,000	\$ 100,000
Dexatek Technology Ltd.	254,144	205,000
HighAim Technology Inc.	92,145	-
Kunshan Mechanical Machinery Co., Ltd.	399,295	-
	<u>\$ 845,584</u>	<u>\$ 305,000</u>

(VIII) Remuneration of key management personnel

	2018	2017
Short-term employee benefits	\$ 36,729	\$ 35,099
Post-employment benefits	350	180
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payment	-	-
	<u>\$ 37,079</u>	<u>\$ 35,279</u>

Remuneration for directors and other key members of management is determined by the remuneration committee based on individual performance and market trends.

XXXII. Pledged Assets

The following are the Company's assets used as deposits for importing raw materials and customs duty:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Pledged fixed deposits (financial assets / debt investments in non-active market measured and recognized at amortized cost)	<u>\$ 2,156</u>	<u>\$ 2,136</u>

XXXIII. Significant Subsequent Events

The Company has issued NT\$60,000,000 in cash capital increase with a face value of NT\$10 per share at 6,000 shares. The Company's shares are fully paid as of March 13, 2019, with a subscription price of NT\$220 per share and paid-up total of NT\$220,000,000. The same date is used as base date for capital increase.

XXXIV. Information on Foreign Currency Assets and Liabilities with Material Effects

The following information is in foreign currency other than the Company's functional currency. The disclosed exchange rate refers to exchange rate between these foreign currencies and the functional currency. Foreign currency assets and liabilities with material effects are as follows:

December 31, 2018

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>carrying amount</u>
<u>Foreign currency assets</u>			
<u>Monetary Items</u>			
US Dollar	\$ 40,190	30.715	\$ 1,234,436
<u>Non-monetary items</u>			
Subsidiary accounted for using equity method			
Hong Kong Dollar	371,777	3.921	1,457,740
US Dollar	246,234	30.72	7,563,092
<u>Foreign currency liabilities</u>			
<u>Monetary Items</u>			
US Dollar	23,611	30.715	725,212

December 31, 2017

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>carrying amount</u>
<u>Foreign currency assets</u>			
<u>Monetary Items</u>			
US Dollar	\$ 102,565	29.76	\$ 3,052,334
<u>Non-monetary items</u>			
Subsidiary accounted for using equity method			
Hong Kong Dollar	144,017	3.807	548,271
US Dollar	268,050	29.76	7,977,171
<u>Foreign currency liabilities</u>			
<u>Monetary Items</u>			
US Dollar	39,468	29.76	1,174,568

Foreign exchange gains and losses with material effect are as follows:

	2018		2017	
Foreign currency	Exchange rate	Net exchange gains and losses	Exchange rate	Net exchange gains and losses
US Dollar	30.715 (USD:NTD)	(\$ 770)	29.76 (USD:NTD)	(\$ 4,724)
Others		25		(66)
		(\$ 745)		(\$ 4,790)

XXXV. Supplementary Disclosures

- (I) Material transactions and
- (II) Related information on reinvestments
 1. Financing provided. (Table 1)
 2. Endorsement for others (Table 2)
 3. Marketable securities held at end of term (excluding investment subsidiaries, associates, and joint venture control) (Table 3)
 4. Accumulated purchase or disposal of individual marketable securities in excess of NT\$300 million or 20% of paid-in capital (Table 4)
 5. Acquisition of real estate at price in excess of NT\$300 million or 20% of the paid-in capital (None)
 6. Disposal of real estate at price in excess of NT\$300 million or 20% of the paid-in capital (None)
 7. Purchases and sales with related parties in excess of NT\$100 million or 20% of paid-in capital (Table 5)
 8. Amount of receivable from related parties in excess of NT\$100 million or 20% of paid-in capital (Table 6)
 9. Derivative financial instrument transactions (note 7 and 30)
 10. Investee information (Table 7)

(III) Information on Investments in Mainland China:

1. Investee names, business items, paid-in capital, investment methods, capital transaction conditions, shareholding ratios, current and recognized investment loss and profit, end-of-term investment carrying amount, investment income repatriation and investment limits in Mainland China. (Table 8)
2. Material transactions with Mainland China investee companies direct or indirectly through third region, their prices, terms of payment, unrealized gains and losses: (note 31 and table 1, 2, 5, 6)
 - (1) Purchase amount and percentage, ending balance and percentage of payables.
 - (2) Sales amount and percentage, ending balance and percentage of receivables.
 - (3) Property transaction amount and resulting gain or loss.
 - (4) Ending balance of endorsement, guarantee or collateral provided and its purposes.
 - (5) Maximum balance, ending balance, interest rate interval and total amount of current interest of financing.
 - (6) Other transactions having significant effect on current loss and profit or financial status, such as providing or receiving of services.

Ennococon Corporation and Subsidiaries
A. Loans to others
January 1 to December 31, 2018

Table 1

Unit: NT\$ 1,000

Number (Note 1)	Grantor	Borrower	Transaction	Related party	Highest balance in the current period (Note 3)	Ending balance (Note 3)	Actual expenditure	Interest rate range %	Capital loans nature (Note 2)	Transaction amount	Reason for short-term financing	Recognition allowance Bad debt amount	Collateral		Individual object Limit on loans	Total limit on loans	Note
													Name	Value			
1	Caswell Inc.	Beijing Caswell Ltd.	Other accounts receivable - related parties	Yes	\$ 15,358	\$ 15,358	\$ 15,358	2	1	\$ 118,983	Not applicable	\$ -	None	\$ -	\$ 118,983	\$ 490,935	
2	AIS Cayman Technology combined Company	American Industrial Systems	Other receivables	Yes	5,897	-	-	-	2	-	Purchase of materials	-	None	-	100,830	100,830	
3	S&T AG, Austria	S&T embedded GmbH, Germany	Other accounts receivable - related parties	Yes	103,174	103,174	-	3-5	2	-	Operating turnover	-	None	-	12,530,075	12,530,075	
3	S&T AG, Austria	S&T Bulgaria EOOD, Bulgaria	Other accounts receivable - related parties	Yes	21,120	-	-	3	2	-	Operating turnover	-	None	-	12,530,075	12,530,075	
3	S&T AG, Austria	S&T ICB d.o.o., Serbia	Other accounts receivable - related parties	Yes	31,680	31,680	-	3	2	-	Operating turnover	-	None	-	12,530,075	12,530,075	
3	S&T AG, Austria	S&T Crna Gora d.o.o., Montenegro	Other accounts receivable - related parties	Yes	458	458	153	3	2	-	Operating turnover	-	None	-	12,530,075	12,530,075	
3	S&T AG, Austria	Dorobet Ltd., Malta	Other accounts receivable - related parties	Yes	14,080	14,080	12,320	5	2	-	Operating turnover	-	None	-	12,530,075	12,530,075	
3	S&T AG, Austria	S&T Services Bel LLC	Other accounts receivable - related parties	Yes	17,609	17,600	15,840	3	2	-	Operating turnover	-	None	-	12,530,075	12,530,075	
3	S&T AG, Austria	S&T Deutschland GmbH, Germany	Other accounts receivable - related parties	Yes	136,607	127,770	41,536	3	2	-	Operating turnover	-	None	-	12,530,075	12,530,075	
3	S&T AG, Austria	S&T Consulting Hungary Kft., Hungary	Other accounts receivable - related parties	Yes	100,320	73,920	59,136	3	2	-	Operating turnover	-	None	-	12,530,075	12,530,075	
3	S&T AG, Austria	Kontron Austria GmbH	Other accounts receivable - related parties	Yes	170,119	141,504	139,885	2-3	2	-	Operating turnover	-	None	-	12,530,075	12,530,075	
3	S&T AG, Austria	S&T CEE Holding s.r.o., Slowakei	Other accounts receivable - related parties	Yes	552,401	528,000	510,400	5	2	-	Operating turnover	-	None	-	12,530,075	12,530,075	
3	S&T AG, Austria	Kontron Modular Computers S.A.S.	Other accounts receivable - related parties	Yes	106,410	105,600	105,600	3	2	-	Operating turnover	-	None	-	5,012,030	12,530,075	
3	S&T AG, Austria	RTSoft, AO, Russia	Other accounts receivable - related parties	Yes	35,452	34,690	34,696	4-5	2	-	Operating turnover	-	None	-	5,012,030	12,530,075	
3	S&T AG, Austria	S&T Romania S.R.L., Romania	Other accounts receivable - related parties	Yes	98,240	90,957	90,957	3	2	-	Operating turnover	-	None	-	5,012,030	12,530,075	
3	S&T AG, Austria	S&T CZ S.r.o, Czech Republic	Other accounts receivable - related parties	Yes	28,188	28,160	-	3	2	-	Operating turnover	-	None	-	5,012,030	12,530,075	
3	S&T AG, Austria	funworld gmbh, Austria	Other long-term receivables - other investments	No	14,080	13,376	13,376	3-4	2	-	Operating turnover	-	None	-	5,012,030	12,530,075	

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Number (Note 1)	Grantor	Borrower	Transaction	Related party	Highest balance in the current period (Note 3)	Ending balance (Note 3)	Actual expenditure	Interest rate range %	Capital loans nature (Note 2)	Transaction amount	Reason for short-term financing	Recognition allowance Bad debt amount	Collateral		Individual object Limit on loans	Capital loans on loans	Note
													Name	Value			
3	S&T AG, Austria	S&T Serbia d.o.o.	Other accounts receivable - related parties	Yes	\$ 31,875	\$ 31,680	\$ 31,680	3	2	\$ -	Operating turnover	\$ -	None	\$ -	\$ 12,530,075	\$ 12,530,075	
3	S&T AG, Austria	S&T Smart Energy GebH	Other accounts receivable - related parties	Yes	24,640	-	-	3	2	-	Operating turnover	-	None	-	12,530,075	12,530,075	
4	S&T Mazedonien	S&T AG, Austria	Other accounts receivable - related parties	Yes	38,914	38,720	26,400	1	2	-	Operating turnover	-	None	-	127,439	127,439	
7	Kontron S&T AG	Kontron ECT design s.r.o.	Other accounts receivable - related parties	Yes	7,601	-	-	-	2	-	Operating turnover	-	None	-	1,785,455	4,463,637	
7	Kontron S&T AG	Kontron Modular Computers S.A.S.	Other accounts receivable - related parties	Yes	70,400	-	-	-	2	-	Operating turnover	-	None	-	1,785,455	4,463,637	
7	Kontron S&T AG	Kontron Technology A/S	Other accounts receivable - related parties	Yes	33,112	33,045	-	2	2	-	Operating turnover	-	None	-	1,785,455	4,463,637	
7	Kontron S&T AG	KONTRON EUROPE GMBH	Other accounts receivable - related parties	Yes	176,000	176,000	-	2	2	-	Operating turnover	-	None	-	1,785,455	4,463,637	
7	Kontron S&T AG	KONTRON AMERICA INC.	Other accounts receivable - related parties	Yes	608,155	608,155	-	4.13	2	-	Operating turnover	-	None	-	1,785,455	4,463,637	
7	Kontron S&T AG	KONTRON ASIA PACIFIC DESIGN SDN. BHD.	Other accounts receivable - related parties	Yes	584,041	584,041	578,787	3.808	2	578	Operating turnover	-	None	-	1,785,455	4,463,637	
8	KONTRON CANADA INC.	Kontron S&T AG	Other accounts receivable - related parties	Yes	301,939	-	-	-	2	-	Operating turnover	-	None	-	566,482	1,416,205	
8	KONTRON CANADA INC.	Inocybe Technologies Inc.	Other long-term receivables - other investments	No	99,922	99,922	-	15	1	-	Not applicable	-	None	-	141,621	1,416,205	
9	KONTRON EUROPE GMBH	Kontron S&T AG	Other accounts receivable - related parties	Yes	2,852,480	1,953,550	1,411,380	1.69-4.61	2	-	Operating turnover	-	None	-	1,813,925	4,534,811	
11	Kontron Technology A/S	Kontron S&T AG	Other accounts receivable - related parties	Yes	24,705	24,222	22,943	2.00-4.61	2	-	Operating turnover	-	None	-	9,573	23,933	
14	Kontron ECT design s.r.o.	Kontron S&T AG	Other accounts receivable - related parties	Yes	2,824	-	-	-	2	-	Operating turnover	-	None	-	7,774	19,433	
15	Goldtek Technology Co., Ltd.	Goldtek Technology Co., Ltd. (Shenzhen)	Other accounts receivable - related parties	Yes	30,715	-	-	As of date of grant TAIFX3+0.5	2	-	Operating turnover	-	None	-	123,592	617,959	
16	Marketech International Corp.	eZoom Information, Inc.	Other receivables	Yes	50,000	50,000	-	4.616	2	-	Operating turnover	-	None	-	2,266,694	2,266,694	
16	Marketech International Corp.	Marketech International Sdn. Bhd.	Other receivables	Yes	55,056	-	-	-	2	-	Operating turnover	-	None	-	2,266,694	2,266,694	
16	Marketech International Corp.	MIC-Tech (Wuxi) Co., Ltd.	Other receivables	Yes	107,503	-	-	-	2	-	Operating turnover	-	None	-	2,266,694	2,266,694	

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Number (Note 1)	Grantor	Borrower	Transaction	Related party	Highest balance in the current period (Note 3)	Ending balance (Note 3)	Actual expenditure	Interest rate range %	Capital loans nature (Note 2)	Transaction amount	Reason for short-term financing	Recognition allowance Bad debt amount	Collateral		Individual object Limit on loans	Capital loans on loans	Note
													Name	Value			
17	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Shanghai Chen Kao Engineering Design Co., Ltd.	Other receivables	Yes	\$ 2,109	\$	\$	-	2	\$	Operating turnover	\$	None	\$	\$ 334,194	\$ 334,194	
17	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Fuzhou Jiwei Electronic System Engineering Co., Ltd.	Other receivables	Yes	1,406	1,341	1,341	4.785	2	-	Operating turnover	-	None		334,194	334,194	
17	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Shanghai Maohua Electron Engineering Technology Limited Company	Other receivables	Yes	58,574	40,247	40,247	4.785	2	-	Operating turnover	-	None		167,097	334,194	
18	MIC-Tech Ventures Asia Pacific Inc.	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Other receivables	Yes	46,073			-	2	-	Operating turnover	-	None		855,003	817,273	
19	Huayou Chemical Industry International Trade (Shanghai) Limited Company	Shanghai Maohua Electron Engineering Technology Limited Company	Other receivables	Yes	18,588			-	2	-	Operating turnover	-	None		140,487	280,974	
19	Huayou Chemical Industry International Trade (Shanghai) Limited Company	Nantong Jianrui Optoelectronics Technology Co., Ltd.	Other receivables	Yes	17,097			-	2	-	Operating turnover	-	None		140,487	280,974	
19	Huayou Chemical Industry International Trade (Shanghai) Limited Company	Shanghai Fanya Trading Co., Ltd.	Other receivables	Yes	86,115	31,303	31,303	4.785	2	-	Operating turnover	-	None		280,974	280,974	
20	Marketch Integrated Manufacturing Co., Ltd.	Marketch Integrated Construction Co., Ltd.	Other receivables	Yes	6,191	6,143	6,143	5.000	2	-	Operating turnover	-	None		142,009	284,013	
21	MIC-TECH VIET NAM CO., LTD.	MARKETECH CO.,LTD	Other receivables	Yes	1,190			-	2	-	Operating turnover	-	None		22,049	22,049	

Note 1: (1) Issuer filled in 0.
(2) The investee company is numbered in sequence from 1.

Note 2: The nature of the capital loans and the nature of the funds are as follows:
(1) For business transactions, please fill in 1.
(2) For short-term financing, please fill in 2.

Note 3: Limit to loans is resolved by the Board of Directors.

Ennococon Corporation and Subsidiaries
Endorsement/Guarantee for Others
January 1st to December 31, 2018

Table 2

Unit: Foreign currency/NT\$ thousands

Number	Endorsement/Guarantee Company Name	Endorsed/guaranteed party		A single enterprise Endorsement/ Guarantee Quota	Highest endorsement for the period Guarantee balance	Endorsement at the end of the period Guarantee balance	Actual expenditure	Property-guaranteed Endorsement or guarantee amount	Ratio of accumulated endorsement and guarantee to net worth in the latest financial statements (%)	Endorsement/ Guarantee Highest limit	Parent company to subsidiary Endorsement/Guarantee	Subsidiary to parent company Endorsement/Guarantee	Endorsement / Guarantee for Mainland China	Note
		Company Name	Relationship											
0	Ennoconn Corporation	Ennoconn International Investment Co., Ltd.	Subsidiaries	NT\$9,934,950 (limited by 150% of the Company's net worth)	NT\$1,900,000	New Taiwan Dollars-	New Taiwan Dollars-	\$ -	-	NT\$13,246,600 (limited by 200% of the Company's net worth)	Y	N	N	3
0	Ennoconn Corporation	HIGHAIM TECHNOLOGY INC.	Subsidiaries	NT\$9,934,950 (limited by 150% of the Company's net worth)	NT\$92,145	NT\$92,145	New Taiwan Dollars-	-	1.26	NT\$13,246,600 (limited by 200% of the Company's net worth)	Y	N	N	
0	Ennoconn Corporation	HighAim Technology Inc.	Subsidiaries	NT\$9,934,950 (limited by 150% of the Company's net worth)	NT\$399,295	NT\$399,295	NT\$307,150	-	5.46	NT\$13,246,600 (limited by 200% of the Company's net worth)	Y	N	Y	
0	Ennoconn Corporation	Dexatek Technology Ltd.	Subsidiaries	NT\$9,934,950 (limited by 150% of the Company's net worth)	NT\$49,144	NT\$49,144	New Taiwan Dollars-	-	0.67	NT\$13,246,600 (limited by 200% of the Company's net worth)	Y	N	N	
0	Ennoconn Corporation	Thecus Technology Corp.	Subsidiaries	NT\$9,934,950 (limited by 150% of the Company's net worth)	NT\$100,000	NT\$100,000	NT\$100,000	-	1.37	NT\$13,246,600 (limited by 200% of the Company's net worth)	Y	N	N	
0	Ennoconn Corporation	Dexatek Technology Ltd.	Subsidiaries	NT\$9,934,950 (limited by 150% of the Company's net worth)	NT\$205,000	NT\$205,000	NT\$40,000	-	2.8	NT\$13,246,600 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Mold srl	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 15 NT\$543	Euro- New Taiwan Dollars-	Euro-NTD-	-	-	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Technologies GmbH	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 65 NT\$2,288	Euro 65 NT\$2,288	Euro- New Taiwan Dollars-	-	0.02	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Plus s.r.o.	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 198 NT\$6,964	Euro 194 NT\$6,842	Euro- New Taiwan Dollars-	-	0.05	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Albania Sh.p.k	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 205 NT\$7,216	Euro 205 NT\$7,216	Euro 138 NT\$4,849	-	0.05	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Services GmbH	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 5,300 NT\$168,560	Euro 300 NT\$10,560	Euro- New Taiwan Dollars-	-	0.08	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Deutschland GmbH	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 600 NT\$21,120	Euro 600 NT\$21,120	Euro 75 NT\$2,633	-	0.15	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T embedded GmbH	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 1,000 NT\$35,200	Euro- New Taiwan Dollars-	Euro- New Taiwan Dollars-	-	-	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	Kontron Europe GmbH	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 1,000 NT\$35,200	Euro 1,000 NT\$35,200	Euro- New Taiwan Dollars-	-	0.26	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T CZ s.r.o.	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 1,749 NT\$61,577	Euro 1,749 NT\$61,577	Euro- New Taiwan Dollars-	-	0.45	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	

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Number	Endorsement/ Guarantee Company Name	Endorsed/guaranteed party		A single enterprise Endorsement/ Guarantee Quota	Highest endorsement for the period Guarantee balance	Endorsement at the end of the period Guarantee balance	Actual expenditure	Property-guaranteed Endorsement or guarantee amount	Ratio of accumulated endorsement and guarantee to net worth in the latest financial statements (%)	Endorsement/ Guarantee Highest limit	Parent company to subsidiary Endorsement / Guarantee	Subsidiary to parent company Endorsement/Guarantee	Endorsement / Guarantee for Mainland China	Note
		Company Name	Relationship											
1	S&T AG, Austria	S&T Slovenija d.d.	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 2,000 NT\$70,400	Euro 2,000 NT\$70,400	Euro- New Taiwan Dollars-	\$ -	0.51	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Serbia d.o.o.	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 4,500 NT\$158,400	Euro- New Taiwan Dollars-	Euro- New Taiwan Dollars-	-	-	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Bulgaria e.o.o.d.	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 3,062 NT\$107,782	Euro 3,037 NT\$106,902	Euro 506 NT\$17,796	-	0.78	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Smart Energy GmbH	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 4,200 NT\$147,840	Euro 4,200 NT\$147,840	Euro 323 NT\$11,376	-	1.08	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Slovakia s.r.o.	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 4,000 NT\$140,800	Euro 4,000 NT\$140,800	Euro 1,321 NT\$46,483	-	1.03	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	diverse / Factoring CEE	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 20,000 NT\$704,000	Euro 20,000 NT\$704,000	Euro 4,934 NT\$173,683	-	5.13	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Poland Sp.z.o.o.	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 7,125 NT\$250,796	Euro 6,974 NT\$245,501	Euro- New Taiwan Dollars-	-	1.79	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Services Poland Sp.z.o.o.	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 9,638 NT\$339,253	Euro 9,299 NT\$327,335	Euro- New Taiwan Dollars-	-	2.39	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Consulting Hungary Kft.	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 8,723 NT\$307,060	Euro 8,723 NT\$307,060	Euro 6,224 NT\$219,087	-	2.24	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	Kontron S&T AG	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 17,000 NT\$598,400	Euro 8,000 NT\$281,600	Euro- New Taiwan Dollars-	-	2.05	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	Kontron America Inc.	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 17,671 NT\$622,018	Euro 17,467 NT\$614,847	Euro 7,885 NT\$277,555	-	4.48	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	Kontron Austria GmbH	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 348 NT\$12,264	Euro 250 NT\$8,800	Euro 197 NT\$6,923	-	0.06	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Romania SRL	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 6,200 NT\$218,240	Euro 6,200 NT\$218,240	Euro 589 NT\$20,745	-	1.59	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	GADA combined Company ROMANIA SRL	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 5,480 NT\$192,896	Euro 3,780 NT\$133,056	Euro 204 NT\$7,171	-	0.97	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	BIT IT Service GmbH	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 2,000 NT\$7,040	Euro- New Taiwan Dollars-	Euro- New Taiwan Dollars-	-	-	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	4
1	S&T AG, Austria	diverse / Factoring DACH	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 15,000 NT\$528,000	Euro 14,200 NT\$499,840	Euro 9,117 NT\$320,911	-	3.64	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	RT Soft Ao	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 1,366 NT\$48,081	Euro 640 NT\$22,520	Euro- New Taiwan Dollars-	-	0.16	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	

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Number	Endorsement/ Guarantee Company Name	Endorsed/guaranteed party		A single enterprise Endorsement/ Guarantee Quota	Highest endorsement for the period Guarantee balance	Endorsement at the end of the period Guarantee balance	Actual expenditure	Property-guaranteed Endorsement or guarantee amount	Ratio of accumulated endorsement and guarantee to net worth in the latest financial statements (%)	Endorsement/ Guarantee Highest limit	Parent company to subsidiary Endorsement / Guarantee	Subsidiary to parent company Endorsement/Guarantee	Endorsement / Guarantee for Mainland China	Note
		Company Name	Relationship											
1	S&T AG, Austria	RTSoft Project OOO	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 4,281 NT\$150,701	Euro 3,149 NT\$110,834	Euro- New Taiwan	-	0.81	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	Kontron electronics GmbH	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 300 NT\$10,560	Euro 300 NT\$10,560	Dollars- Euro- New Taiwan	-	0.08	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	diverse / Factoring Kontron EUR	Subsidiaries	NT\$20,575,154 (limited by 150% of the Company's net worth)	Euro 30,000 NT\$1,056,000	Euro 30,000 NT\$1,056,000	Dollars- Euro 14,786 NT\$520,481	-	7.70	NT\$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
2	HIGHAIM TECHNOLOG Y INC.	HighAim Technology Inc.	Subsidiaries	NT\$471,073 (limited by 100% of the Company's net worth)	NT\$307,150	NT\$307,150	NT\$307,150	-	6.38	NT\$471,073 (limited by 100% of the Company's net worth)	Y	N	Y	
3	Marketech International Corp.	Marketech Integrated Pte Ltd.	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	NT\$56,525	NT\$56,338	NT\$3,027	-	0.99	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	N	
3	Marketech International Corp.	Marketech International Sdn. Bhd.	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	NT\$245,720	NT\$245,720	NT\$13,691	-	4.34	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	N	
3	Marketech International Corp.	Shanghai Fanya Trading Co., Ltd.	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	NT\$32,801	New Taiwan Dollars-	New Taiwan Dollars-	-	-	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	Y	
3	Marketech International Corp.	MIC-Tech (Wuxi) Co., Ltd.	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	NT\$411,581	NT\$411,581	NT\$304,079	-	7.26	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	Y	
3	Marketech International Corp.	Huayou Chemical Industry International Trade (Shanghai) Limited Company	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	New Taiwan Dollars 1,026,300	New Taiwan Dollars 977,875	New Taiwan Dollars 194,19	-	17.26	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	Y	
3	Marketech International Corp.	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	New Taiwan Dollars 1,531,207	New Taiwan Dollars 1,398,810	New Taiwan Dollars 652,48	-	24.68	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	Y	
3	Marketech International Corp.	Shanghai Maohua Electron Engineering Technology Limited Company	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	New Taiwan Dollars 198,223	New Taiwan Dollars 198,223	New Taiwan Dollars 117,37	-	3.50	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	Y	
3	Marketech International Corp.	Special Triumph Sdn. Bhd.	A company with contractual mutual-endorsement requirement for	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	NT\$40,431	NT\$27,092	New Taiwan Dollars-	-	0.48	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	N	N	N	
3	Marketech International Corp.	eZoom Information, Inc.	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	NT\$120,000	NT\$120,000	NT\$12,003	-	2.12	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	N	

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Number	Endorsement/ Guarantee Company Name	Endorsed/guaranteed party		A single enterprise Endorsement/ Guarantee Quota	Highest endorsement for the period Guarantee balance	Endorsement at the end of the period Guarantee balance	Actual expenditure	Property-guaranteed Endorsement or guarantee amount	Ratio of accumulated endorsement and guarantee to net worth in the latest financial statements (%)	Endorsement/ Guarantee Highest limit	Parent company to subsidiary Endorsement/ Guarantee	Subsidiary to parent company Endorsement/ Guarantee	Endorsement/ Guarantee for Mainland China	Note
		Company Name	Relationship											
4	Marketch Co., Ltd.	MIC-Tech Viet Nam Co., Ltd.	Among companies the Company directly and indirectly holds 90% or more of the voting shares	New Taiwan Dollars 110,879,390 (limited by 150% of the Company's net worth)	NT\$7,740	NT\$7,740	NT\$7,740	-	69.80	New Taiwan Dollars 110,879 (limited by 500% of the Company's net worth)	N	N	N	
5	Shanghai Jiwei Electronic System Engineering Co., Ltd.	MIC-Tech (Wuxi) Co., Ltd.	Among companies the Company directly and indirectly holds 90% or more of the voting shares	New Taiwan Dollars 1,253,227,971 (limited by 300% of the Company's net worth)	NT\$4,405	New Taiwan Dollars-	New Taiwan Dollars-	-	-	New Taiwan Dollars 2,088,713 (limited by 500% of the Company's net worth)	N	N	Y	
5	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Shanghai Maohua Electron Engineering Technology Limited Company	A company with contractual mutual-endorsement requirement for construction contracts	New Taiwan Dollars 1,253,227,971 (limited by 300% of the Company's net worth)	NT\$73,212	NT\$69,868	NT\$69,868	-	16.73	New Taiwan Dollars 2,088,713 (limited by 500% of the Company's net worth)	N	N	Y	
5	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Huayou Chemical Industry International Trade (Shanghai) Limited Company	Among companies the Company directly and indirectly holds 90% or more of the voting shares	New Taiwan Dollars 1,253,227,971 (limited by 300% of the Company's net worth)	NT\$112,412	NT\$107,278	NT\$107,278	-	25.68	New Taiwan Dollars 2,088,713 (limited by 500% of the Company's net worth)	N	N	Y	
6	Huayou Chemical Industry International Trade (Shanghai) Limited Company	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Among companies the Company directly and indirectly holds 90% or more of the voting shares	New Taiwan Dollars 1,053,653,961 (limited by 300% of the Company's net worth)	NT\$645,959	NT\$616,455	NT\$616,455	-	175.52	New Taiwan Dollars 1,756,090 (limited by 500% of the Company's net worth)	N	N	Y	

Note 5: The exchange rate is the average demand exchange rate of the Bank of Taiwan on December 28, 2007.

Note 6: diverse/Factoring CEE includes S&T CZ, S&C CZ+(S&T+CZ), S&T HR, S&T SK 及 S&T SI, diverse/ Factoring DACH includes S&T Smart Energy GmbH, S&T Distribution GmbH, S&T EPS GmbH, BIT IT GmbH, S&T embedded GmbH, S&T Deutschland GmbH, S&T Services GmbH.

Note 7: Due to the adjustment of the organizational structure during the 2nd quarter of 2018, Kontron Europe GmbH has been eliminated or liquidated.

Note 8: Due to the adjustment of the organizational structure during the 2nd quarter of 2018, S&T Deutschland GmbH has been eliminated or liquidated.

Ennoconn Corporation and Subsidiaries
Marketable Securities Held
December 31, 2018

Table 3

Unit: NT\$1,000

Holding Company	Type and Name of Marketable Securities	Relationship with the issuer	Financial statement item	End of Period				Note
				Number of Shares/Unit	Carrying Amount	Shareholding Percentage %	Fair value	
Ennoconn International Investment Co., Ltd.	<u>Stock</u> Winmate Inc.	None	Financial assets at fair value through other comprehensive income - current	800,000	\$ 40,000	-	<u>\$ 40,88</u>	
	Minus: Unrealized gains and losses on financial assets at fair value through other comprehensive income - current				880			
Goldtek Technology Co., Ltd.	Cloudtalk Inc.	None	Financial assets at fair value through other comprehensive income - non-current	484,260	\$ 123,501	12.81	\$ 74,10	
	Minus: Realized adjustment for financial assets at fair value through other comprehensive income				(49,400)			
Ennoconn (Foshan) Investment Co., Ltd.	Venture Capital Investment Fund for Tech Innovation Smart Industry of Foshan City	None	"	RMB36,902	165,094	18.57	165,09	
	Caswell Inc.	None	"	1,045,000	10,450	19	10,45	
HighAim Technology Inc.	Qingdao Bonin Fortune Access equipment Co., Ltd.	None	"	3,949,000	73,697	6.00	<u>73,69</u>	
					\$ 323,342		<u>\$ 323,34</u>	
Marketech International Corp.	Lasertec Corporation	None	Financial assets at fair value through profit or loss - current	20,000	\$ 15,590		\$ 15,59	
"	ACM Research Inc.	"	"	167,684	56,037		56,03	
"	Solar Applied Materials Technology Co., Ltd.	"	"	44,078	804		80	
"	Aerospace Industrial Development Corporation	"	"	25,925	796		79	
"	Calitech Co., Ltd.	"	"	645,199	17,711		<u>17,71</u>	
Marketech International Corp.	Taiwan Colour & Imaging Technology Corporation	None	Financial assets at fair value through profit or loss - non-current	1,700,000	\$ 1,300	13.03	<u>\$ 1,30</u>	
	Highlight Tech. Corporation	"	"	453,000	9,558	0.46	9,55	
"	ProMOS Technologies	"	"	250,331	-	0.56	-	
"	Taiwan Puritic Corp.	"	"	6,191,181	153,368	10.32	153,36	
"	SOPOWER Technology Corp.	"	"	189,223	-	12.61	-	
"	VEEV Interactive Pte. Ltd.	"	"	840,000	-	6.45	-	

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Holding Company	Type and Name of Marketable Securities	Relationship with the issuer	Financial statement item	End of Period				Note
				Number of Shares/Unit	Carrying Amount	Shareholding Percentage %	Fair value	
Marketech International Corp.	Taiwan Intelligent Fiber Optic Network Consortium	None	Financial assets at fair value through profit or loss - non-current	3,868,221	\$ 25,17	1.58	\$ 25,17	
"	Han Da Venture Capital Co., Ltd.	Entities controlled by the main management or significant influence	"	499,200	4,99	6.67	4,99	
"	Civil Tech Holdings Ltd.	None	"	336,374	11,84	0.58	11,84	
"	ProbeLeader Co., Ltd.	Entities controlled by the main management or significant influence	"	966,000	6,91	3.46	6,91	
"	T Energy Co., Ltd	None	"	1,111,111		0.89		
"	Chi Yuan Venture Capital Co., Ltd.	"	"	1,000,000	10,00	1.79	10,00	
"	Chun Shin Venture Capital Co., Ltd.	"	"	1,000,000	10,00	1.87	10,00	
"	Hua Tai Technology, Inc.	"	"	380,000	4,41	2.24	4,41	
"	Long Time Tech. Co., Ltd.	"	"	346,000	7,27	0.29	7,27	
"	Bon Dian Venture Capital Co., Ltd.	"	"	90,187	90	3.50	90	
"	Taiwan Specialty Chemical Corporation	"	"	4,201,333	60,21	1.44	60,21	
"	8Tech Totalsolution Co., Ltd.	"	"	128,000		0.23		
"	Dongfeng Life Sciences System Co., Ltd.	"	"	124,457		12.87		
"	Ecoland Corporation	"	"	310,715		13.51		
"	Radisen Co. Ltd	"	"	87,803	3,75	19.41	3,75	
"	Foresight Energy Technologies	"	"	1,350,000	10,58	4.50	10,58	
"	Yu Shan Bio Investment Co., Ltd. (formerly known as Bi Yi Biomedical Investment Co., Ltd.)	Entities controlled by the main management or significant influence	"	943,050	9,43	7.44	9,43	
"	Chi Yi Health Co., Ltd.	"	"	200,000	56	19.99	56	
"	Wings Global Technology Co., Ltd	"	"	750,000	15,00	18.75	15,00	
"	Forward Science Corporation	"	"	2,000,000	20,00	10.00	20,00	
					\$ 365,29		\$ 365,29	
Huayou Chemical Industry International Trade (Shanghai) Limited Company	Beijing Marketech Environmental Technology Co., Ltd.	Entities controlled by the main management or significant influence	Financial assets at fair value through profit or loss - non-current			19.00		
Marketech International Corp.	<u>Convertible corporate bonds</u> Nitride Solutions Inc.	None	Financial assets at fair value through profit or loss - non-current		\$ 2,91	-	\$ 2,91	
"	HALLY'S CORPORATION	"	"	-	20,73	-	20,73	
	<u>Preferred shares</u>				\$ 23,64		\$ 23,64	
Marketech International Corp.	Adant Technologies Inc.	None	Financial assets at fair value through profit or loss - non-current	174,520	\$	Note 3	\$	
"	Kinestral Technologies, Inc.	"	"	501,532	24,08	"	24,08	
					\$ 24,08		\$ 24,08	

- Note 4: The abovementioned securities have no guarantees, pledges or other agreed users as of the end of December, 2018.
- Note 5: For the information on investment in subsidiaries, please refer to Table 8 and 9.
- Note 6: Preferred shares held.

Ennoconn Corporation and Subsidiaries
Acquisition or Sale of the Same Securities with the Accumulated Cost Reaching NT\$300 Million or 20% of Paid-in capital or More
January 1st to December 31, 2018

Table 4

Unit: Foreign currency/NT\$ thousands

Buying/selling company	Type and Name of Marketable Securities	Financial statement item	Transaction counterparty	Relationship	Beginning of period		Buy		Sell				End of Period	
					Unit Count or Number of Shares	Amount	Unit Count or Number of Shares	Amount	Unit Count or Number of Shares	Selling price	Book cost	Loss disposal	Unit Count or Number of Shares	Amount
Ennoconn Corporation	Stock BNP Paribas Currency Market Fund	Financial assets at fair value through profit or loss - current	BNP Paribas Securities Investment Advisory Co., Ltd.	None	217,693	\$ 1,373,732	-	\$ -	217,693	\$ 1,359,582	\$ 1,373,732	(\$ 14,150)	\$ -	\$ -
Ennoconn International Investment Co., Ltd.	Marketech International Corp.	Investment using equity method	Marketech International Corp.	Subsidiaries	-	-	83,468,613	4,866,033	-	-	-	-	83,468,613	4,866,033 (Note 1)
Ennoconn International Investment Co., Ltd.	DIVA Laboratories. Ltd.	Investment using equity method	DIVA Laboratories. Ltd.	Associate	-	-	14,500,000	298,442	-	-	-	-	14,500,000	298,442 (Note 2)
Goldtek Technology Co., Ltd.	Keenest Electronic Corp.	Investment using equity method	Keenest Electronic Corp.	Subsidiaries	1,050,000	27,175	10,950,000	332,168	-	-	-	-	12,000,000	368,204 (Note 3)
Keenest Electronic Corp.	Sunlit Industry Co., Ltd.	Investment using equity method	Sunlit Industry Co., Ltd.	None	-	-	7,500,000	US\$10,212 NT\$309,793	-	-	-	-	7,500,000	US\$10,486 NT\$322,067 (Note 4 and 6)

Note 8: The original investment was NT\$4,924,648,000, the cash dividend gained was NT\$207,080,000, the recognized investment interest was NT\$184,558,000 (Note 4), other comprehensive profit and loss was NT\$26,398,000 (Note 4), and the changes in the subsidiaries' equity was NT\$9,695,000 (Note 4).

Note 9: The original investment was NT\$279,850,000, the control was deemed to be the disposal investment benefit of NT\$20,000,000, the recognized investment interest was NT\$4,034,000 (Note 4) and other comprehensive profit and loss was NT\$5,442,000 (Note 4).

Note 10: The opening balance of the period plus the original investment of the current period was NT\$332,168,000, the investment benefit recognized by the shareholding ratio was NT\$4,361,000 (Note 4), and other comprehensive profit and loss was NT\$4,500,000 (Note 4).

Note 11: The initial investment gain was US\$10,212,000, the recognized investment gain was US\$253,000 (Note 4) and other comprehensive income was US\$21,000 (Note 4).

Note 12: Calculated based on the audited financial statements and the percentage of shareholding of the investee companies in the same period as the invested company's accounting.

Note 13: The exchange rate is adopted as the average demand exchange rate of Bank of Taiwan on December 31, 2018.

Note 14: Transactions related to investments in this table are fully written off in the preparation of consolidated financial statements.

Ennococon Corporation and Subsidiaries
Amount of purchases from and sales to related parties reaching NT\$100 million or 20% of its paid-in capital
January 1st to December 31, 2018

Table 5

Unit: NT\$ 1,000

Company of purchase/sales	Name of transaction counterparty	Relationship	Transaction Status				Transactions with different transactions situations and reasons		Notes and accounts receivable (payable)		Note
			Purchase (sales)	Amount	% of total purchases Percentage of the goods	Credit period	Unit Price	Credit period	Balance	Accounts receivable (payable) notes and accounts Ratio of the Company's financial assets	
Ennoconn Corporation	Hon Hai Precision Industry Co., Ltd.	Associate	Procurement and processing fees	\$ 2,125,062	56.33%	Monthly payment over 60 days	No material discrepancy	No material discrepancy	(\$ 238,167)	(35.12%)	
Goldtek Technology Co., Ltd.	Hon Hai Precision Industry Co., Ltd.	Associate	Procurement and processing fees	3,852,173	66.03%	Monthly payment over 60 days	No material discrepancy	No material discrepancy	(1,018,862)	(90.30%)	
Caswell Inc.	Hon Hai Precision Industry Co., Ltd.	Associate	Procurement and processing fees	1,001,752	28.52%	Monthly payment over 90 days	No material discrepancy	No material discrepancy	(281,412)	(27.63%)	
HighAim Technology Inc.	Futaihua Industry (Shenzhen) Co., Ltd.	Associate	Sales	(645,472)	(29.48%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	140,179	18.97%	
HighAim Technology Inc.	Hong Fujin Precision Industry (Shenzhen) Limited Company	Associate	Sales	(211,637)	(9.67%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	119,924	16.23%	
Nanjing Asiatek Inc.	Futaihua Industry (Shenzhen) Co., Ltd.	Associate	Sales	(239,136)	(35.73%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	43,683	29.08%	
Nanjing Asiatek Inc.	Hong Fujin Precision Industry (Shenzhen) Limited Company	Associate	Sales	(283,965)	(42.43%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	46,699	31.09%	
Kontron Malaysia	Hon Hai Precision Industry Co., Ltd.	Associate	Sales	(439,617)	(1.25%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	70,962	0.99%	
Kontron Europe GmbH		Associate	Sales	(1,020,549)	(2.90%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	184,037	2.58%	
Kontron Europe GmbH	Kontron America Inc.	Subsidiaries	Procurement and processing fees	704,060	2.76%	Monthly payment over 90 days	No material discrepancy	No material discrepancy	(150,557)	(2.42%)	
	Ennoconn Corporation	Subsidiaries	Procurement and processing fees	1,095,805	4.30%	Monthly payment over 90 days	No material discrepancy	No material discrepancy	(134,553)	(2.16%)	
Kontron Canada Inc.											
	Ennoconn Corporation	Subsidiaries	Procurement and processing fees	250,332	0.98%	Monthly payment over 90 days	No material discrepancy	No material discrepancy	(31,631)	(0.51%)	
Kontron America Inc.											
Kontron Europe GmbH	Kontron Technology Beijing Co. Ltd.	Associate	Sales	(162,192)	(0.46%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	52,130	0.73%	
S&T Services GmbH	S&T AG	Associate	Sales	(122,193)	(0.35%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	44,440	0.62%	
S&T Poland Sp.z.o.o.		Associate	Sales	(107,970)	(0.31%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	51,051	0.72%	
	S&T Services Polska Sp.z.o.o.										
Kontron Asia Pacific Design Sdn. Bhd.		Subsidiaries	Sales	(109,205)	(0.31%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	3,344	0.05%	
Kontron Europe GmbH	Kontron Europe GmbH	Subsidiaries	Sales	(137,909)	(0.39%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	44,473	0.62%	
	RTSoft Project OOO										

Ennococon Corporation and Subsidiaries
Accounts receivable from related parties reaching NT\$100 million or 20% of its paid-in capital
December 31, 2018

Table 6

Unit: NT\$ 1,000

Accounts receivable from companies	Relationship with	transaction party	Balance due from related party	Turnover rate	Overdue accounts receivable from related party		Accounts receivable from related party Amount recovered after period	Recognition allowance Bad debt amount
					Amount	Processing Method		
Ennoconn Corporation	Kontron Canada Inc.	Parent company to second-tier subsidiary	\$ 134,55	8.14	\$ -	-	\$ -	\$ -
"	Kontron Europe GmbH	Parent company to second-tier subsidiary	150,55	4.68	-	-	-	-
EnnoMech Precision (Cayman) Co., Ltd.	Hong Fujin Precision Industry (Shenzhen) Limited Company	Associate	119,92	-	-	-	-	-
"	Futaihua Industry (Shenzhen) Co., Ltd.	Associate	140,28	-	-	-	-	-
Kontron S&T AG	Kontron Europe GmbH	Second-tier subsidiary to second-tier subsidiary	379,10	-	-	-	-	-
Kontron Europe GmbH	Kontron S&T AG	Second-tier subsidiary to second-tier subsidiary	1,637,22	-	-	-	-	-
Kontron Canada Inc.	Kontron America Inc.	Second-tier subsidiary to second-tier subsidiary	294,00	-	-	-	-	-
Kontron S&T AG	Kontron Asia Pacific Design Sdn. Bhd.	Second-tier subsidiary to second-tier subsidiary	580,06	-	-	-	-	(578,787
S&T AG, Austria	S&T CEE Holding s.r.o., Slowakei	Second-tier subsidiary to second-tier subsidiary	516,83	-	-	-	-	-
"	Kontron Modular Computers S.A.S.	Second-tier subsidiary to second-tier subsidiary	109,59	-	-	-	-	-
"	S&T Romania srl	Second-tier subsidiary to second-tier subsidiary	103,12	-	-	-	-	-

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Accounts receivable from companies	Transaction counterparty	Relationship	Balance due from related party	Turnover rate	Overdue accounts receivable from related party		Accounts receivable from related party Amount recovered after period	Recognition allowance Bad debt amount
					Amount	Processing Method		
S&T AG, Austria	Kontron electronics GmbH	Second-tier subsidiary to second-tier subsidiary	\$ 344,968	-	\$ -	-	\$ -	(\$ 124,516
"	Kontron Austria GmbH	Second-tier subsidiary to second-tier subsidiary	135,569	-	-	-	-	-
"	Kontron Holding Austria GmbH	Second-tier subsidiary to second-tier subsidiary	184,242	-	-	-	-	(91,420
"	Kontron S&T AG	Second-tier subsidiary to second-tier subsidiary	1,805,799	-	-	-	-	-
Kontron Europe GmbH	Kontron America Inc.	Second-tier subsidiary to second-tier subsidiary	195,760	-	-	-	-	-
S&T Services GmbH	S&T AG, Austria	Second-tier subsidiary to second-tier subsidiary	153,214	-	-	-	-	-

Note: All transactions listed above have been written off in the preparation of the consolidated financial statements with the exception of Kontron Canada Inc.

Ennococon Corporation and Subsidiaries
Business relationships, important transactions, and amount between the parent company and subsidiaries
January 1st to December 31, 2018

Table 7

Unit: NT\$ 1,000

Number (Note 1)	Name of transaction counterparty	Transaction counterparty	Relationship with counterparty	Transaction Status			
				Accounts	Amount	Transaction Terms	Percentage of Consolidated Net Revenue or total assets %
0	The Company	SyS-P Co., Ltd.	Parent company to second-tier subsidiary	Sales	\$ 12,999	General terms and condition	0.02%
"	"	Kontron Europe GmbH, Germany	"	Sales	704,060	"	1.02%
"	"	"	"	Accounts receivable	150,557	"	0.20%
"	"	Kontron Canada Inc., Canada	"	Sales	1,095,805	"	1.59%
"	"	"	"	Accounts receivable	134,553	"	0.18%
"	"	Kontron America Inc.	"	Sales	250,332	"	0.36%
"	"	"	"	Accounts receivable	31,631	"	0.04%
"	"	Kontron Malaysia	"	Sales	3,534	"	0.01%
1	Caswell Inc.	Thecus NL B.V.	Subsidiary to second-tier subsidiary	Sales	24,379	"	0.04%
"	"	"	"	Accounts receivable	15,920	"	0.02%
"	"	Thecus Technology Corp.	"	Purchase	24,095	"	0.03%
2	HighAim Technology Inc.	Andrix International Ltd.	Second-tier subsidiary to second-tier subsidiary	Purchase	135,059	"	0.20%
"	"	"	"	Accounts payable	53,259	"	0.07%
"	"	Funology Investment Inc.	"	Purchase	136,652	"	0.20%
"	"	"	"	Accounts payable	35,356	"	0.05%
3	Funology Investment Inc.	HighAim Technology Inc.	"	Purchase	134,928	"	0.20%
"	"	"	"	Accounts payable	34,978	"	0.05%
4	Andrix International Ltd.	"	"	Purchase	133,502	"	0.19%
"	"	"	"	Accounts payable	52,573	"	0.07%
5	Kontron S&T AG	Kontron Asia Pacific Design Sdn. Bhd.	"	Accounts receivable	580,066	"	0.78%
6	Kontron Europe GmbH	Kontron S&T AG	"	Accounts receivable	1,637,221	"	2.19%
"	"	Kontron America Inc.	"	Accounts receivable	195,760	"	0.26%
7	Kontron Canada Inc.	Kontron America Inc.	"	Accounts receivable	294,000	"	0.39%
8	S&T AG, Austria	S&T CEE Holding s.r.o., Slowakei	"	Accounts receivable	516,832	"	0.69%
"	"	Kontron Modular Computers S.A.S.	"	Accounts receivable	109,597	"	0.15%
"	"	S&T Romania Srl	"	Accounts receivable	103,124	"	0.14%
"	"	Kontron electronics GmbH	"	Accounts receivable	344,968	"	0.46%
"	"	Kontrona Austria GmbH	"	Accounts receivable	135,569	"	0.18%
"	"	Kontron Holding Austria GmbH	"	Accounts receivable	184,242	"	0.25%
"	"	Kontron Europe GmbH	"	Accounts receivable	379,100	"	0.51%
"	"	Kontron S&T AG	"	Accounts receivable	1,805,799	"	2.41%
9	S&T Services GmbH	S&T AG, Austria	"	Accounts receivable	153,214	"	0.20%

Note 4: Business information between the parent company and subsidiaries shall be indicated in column number and filled in with the following methods:

3. Fill in 0 for the parent company.

4. The subsidiaries are coded from "1" in the order presented in the table above.

Note 5: The transaction amount accounts for the calculation of the combined total revenue or total assets ratio. In the case of an asset-liability account, the ending balance is calculated as the total assets consolidated. In the case of profit or loss, the cumulative amount at the end of the period accounts for the total combined revenue calculation.

Note 6: All transactions listed above have been written off in the preparation of the consolidated financial statements.

Table 8

Ennococon Corporation and Subsidiaries
Name of investee, location, etc.
January 1st to December 31, 2018

Unit: Foreign currency/NT\$ thousands

Name of investor	Name of investee	Location	Main operations	Initial Investment Amount		Closing holding			Current Profit and Loss of Investee	Recognized investment gain (loss) for the current period	Note
				End of the current period	End of last year	Number of Shares	Percentage	Carrying Amount			
Ennoconn Corporation	The Innovation System Integration Limited	Hong Kong	Professional investment	HKD: 346,329 NTD: 1,340,135 NTD: 6,830,000	HKD: 125,135 NTD: 482,865 NTD: 1,870,000	166,221,030	100.00	HKD: 371,777 NTD: 1,457,739 NTD: 7,693,587	HKD: 13,678 NTD: 52,947 NTD: 625,549	HKD: 13,678 NTD: 52,947 NTD: 625,549	
"	Ennoconn International Investment Co., Ltd.	Taiwan	Professional investment			702,635,000	100.00	NTD: 7,693,587	NTD: 625,549	NTD: 625,549	
"	Caswell Inc.	Taiwan	Manufacturing of electronic parts, computer and peripheral devices, electronic material wholesale and software services	NTD: 1,031,800	NTD: 1,031,800	20,000,000	29.66	NTD: 1,042,012	NTD: 356,144	NTD: 86,372	Note 2
"	Ennoconn Investment Holdings Co.,Ltd	Samoa	Professional investment	USD: 239,360 NTD: 7,486,118 USD: 3,500	USD: 224,360 NTD: 7,045,855 USD: 3,500	239,360,000	100.00	US\$246,348 NTD: 7,566,593 HKD: 27,495	USD: 10,113 NTD: 305,913 HKD: 222	USD: 10,113 NTD: 305,913 HKD: 222	
The Innovation System Integration Limited	ENGA Technology Co., Ltd.	Hong Kong	Wholesale, manufacturing, service and import/export of industrial computer and industrial systems	USD: 105,683	NTD: 105,910	3,500,000	100.00	NTD: 107,809	NTD: 859	NTD: 859	
"	Shengli Holdings Co., Ltd	Seychelles	Import and export trading	USD: - NTD: -	USD: - NTD: -	500,000	100.00	HKD: - NTD: -	HKD: - NTD: -	HKD: - NTD: -	"
Ennoconn Investment Holdings Co.,Ltd	Kontron Canada Inc.	Canada	Communication products	USD: - NTD: -	USD: 57,300 NTD: 1,844,201	-	-	USD: - NTD: -	USD: 3,603 NTD: 108,012	USD: 1,766 NTD: 52,926	
"	AIS Cayman Technology	Cayman Islands	Professional investment	USD: 5,062 NTD: 155,000	USD: 5,062 NTD: 152,087	2,250,000	60.00	USD: 5,224 NTD: 160,464	US\$: 524 NTD: 15,866	USD: 314 NTD: 9,507	
"	S&T AG	Austria	Integration service for information software and hardware	EUR: 158,929 NTD: 5,594,301	EUR: 135,464 NTD: 4,818,460	16,835,000	25.47	EUR: 210,834 NTD: 7,421,343	EUR: 44,983 NTD: 1,596,852	EUR: 8,931 NTD: 317,035	Note 2
AIS Cayman	AIS	USA	Human machine interface and Industrial 4.0	USD: 1,500 NTD: 46,073	USD: 1,500 NTD: 45,390	1,500,000	100.00	USD: 6,168 NTD: 188,277	US\$ 137 NTD: 4,156	US\$ 137 NTD: 4,156	
"	Vecow Co., Ltd.	Taiwan	Manufacturing, processing, trading and import/export of communication machinery, electronic equipment and electronic devices	USD: 106 NTD: 3,256	USD: - NTD: -	20,000,000	100.00	USD: 3,229 NTD: 98,576	US\$: 431 NTD: 13,064	US\$: 431 New Taiwan Dollar: 13,064	
Ennoconn International Investment Co., Ltd.	Goldtek Technology Co., Ltd.	Taiwan	Import of telecommunications-based RF equipment and information software wholesale/retail	NTD: 492,221	NTD: 492,221	17,002,830	56.74	NTD: 930,855	NTD: 547,978	NTD: 310,938	
"	Caswell Inc.	Taiwan	Manufacturing of electronic parts, computer and peripheral devices, electronic material wholesale and software services	NTD: 149,500	NTD: 149,500	3,250,000	4.82	NTD: 138,297	NTD: 356,144	NTD: 14,063	Note 2
"	EnnoMech Precision (Cayman) Co., Ltd.	Cayman Islands	Professional investment	USD: 13,800 NTD: 423,867	USD: 13,800 NTD: 448,861	13,800,000	100.00	USD: 17,319 NTD: 531,945	USD: 809 NTD: 25,666	USD: 809 NTD: 25,666	
"	SyS-P Co., Ltd.	Taiwan	International trade, information software wholesale and services	NTD: 30,000	NTD: 30,000		100.00	NTD: 37,213	NTD: 11,592	NTD: 11,592	
"	Ennowyse Corporation	Taiwan	Research, design and sales of mobile payment, electronic signature and information security	NTD: 50,400	NTD: 50,400	5,040,000	60.00	NTD: 37,164	NTD: (968)	NTD: (1,379)	Note 2
"	Thecus Technology Corp.	Taiwan	Manufacturing of electronic parts, computer and peripheral devices, electronic material wholesale and software services	NTD: 102,000	NTD: 102,000	10,200,000	60.00	NTD: 22,957	NTD: (7,159)	NTD: (5,276)	Note 2
"	Dexatek Technology Ltd.	Taiwan	Multimedia products research, design and manufacturing	NTD: 236,862	NTD: 236,862	12,600,000	60.00	NTD: 262,627	NTD: 42,054	NTD: 17,517	Note 2
"	S&T AG	Austria	Integration service for information software and hardware	EUR: 7,523 NTD: 264,810	EUR: 7,523 NTD: 263,363	750,000	1.13	EUR: 11,517 NTD: 405,412	EUR: 44,983 NTD: 1,596,852	EUR: 423 NTD: 15,000	Note 2
"	Servtech Corporation	Taiwan	Wholesale of information software services	NTD: 10,000	NTD: -	400,000	7.23	NTD: 10,449	NTD: 6,204	NTD: 449	
"	Marketch International Corp.	Taiwan	Planning integration services for high-tech industrial plants and process systems	NTD: 4,924,648	NTD: -	83,468,610	45.21	NTD: 4,911,293	NTD: 792,582	NTD: 219,646	Note 2
"	DIVA Laboratories. Ltd.	Taiwan	Research and development, manufacturing and sales of medical equipment and computer peripherals	NTD: 279,850	NTD: -	14,500,000	20.04	NTD: 298,442	NTD: 52,154	NTD: 4,035	
EnnoMech Precision (Cayman) Co., Ltd.	HighAim Technology INC.	Brunei	Professional investment	USD: 10,843 NTD: 333,043	USD: 10,843 NTD: 350,997	3,302,610	66.05	USD: 11,846 NTD: 363,841	USD: 1,530 NTD: 48,568	USD: 814 NTD: 25,845	Note 2
"	DOMINATE UNITED ENTERPRISE LTD.	Samoa	Professional investment	USD: 2,100 NTD: 64,502	USD: 2,100 NTD: 63,546	2,100,000	100.00	USD: 2,146 NTD: 65,922	USD: 83 NTD: 2,650	USD: 83 NTD: 2,650	
"	EnnoMech Precision Co., Ltd.	Taiwan	Manufacturing of electronic parts, computer and peripheral devices, electronic material wholesale and software services	NTD: 10,000	NTD: 10,000	1,000,000	100.00	USD: 1,153 NTD: 35,422	USD: (105) NTD: (3,334)	USD: (105) NTD: (3,334)	
HighAim Technology INC.	FUNOLOGY INVESTMENT INC.	Samoa	Import and export trading	USD: 1 NTD: 31	USD: 1 NTD: 30	1,000	100.00	US\$ 799 NTD: 24,541	USD: 58 NTD: 1,851	USD: 58 NTD: 1,851	
"	ANDRIX INTERNATIONAL LIMITED	Anguilla	Import and export trading	USD: 1 NTD: 28	USD: 1 NTD: 27	900	100.00	USD: 307 NTD: 9,443	USD: 56 NTD: 1,763	USD: 56 NTD: 1,763	
Caswell Inc.	CASO Inc.	Japan	Sales of networking products	NTD: 27,063	NTD: 18,958	8,105,130	99.00	NTD: 33,486	NTD: 8,002	NTD: 7,922	
"	Caswell International Investment Co., Ltd.	SAMOA	Investment	NTD: 101,135	NTD: 101,135		100.00	NTD: 123,632	NTD: 29,409	NTD: 29,409	
"	Caswell Americas, Inc	USA	Sales of networking products	NTD: 92,460	NTD: 31,080	61,380,000	100.00	NTD: 65,486	NTD: (11,397)	New Taiwan Dollars: (11,397)	
Thecus Technology Corp.	Thecus NL B.V.	Netherlands	Network storage	NTD: 10,845	NTD: 10,845	2,600	100.00	NTD: -	NTD: (4,006)	NTD: (4,006)	Note 2
"	Tecas USA., Inc.	USA	Network storage	NTD: 23,367	NTD: 23,367	750,000	100.00	NTD: 5,058	NTD: (5,269)	NTD: (5,269)	Note 2
"	Thecus Technology Corp. (Delaware)	Delaware	Professional investment	NTD: 15,528	NTD: 15,528	500	100.00	NTD: 16	NTD: -	NTD: -	Note 2

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Name of investee	Name of investee	Location	Main operations	Initial Investment Amount		Closing holding			Current Profit and Loss of Investee	Recognized investment gain (loss) f for the current period	Note
				End of the current period	End of last year	Number of Shares	Percentage	Carrying Amount			
Goldtek Technology Co., Ltd.	Keenest Electronic Corp.	Samoa	Professional investment	USD 12,000 NTD: 365,040	USD: 1,050 NTD: 32,871	12,000,000	100.00	USD: 11,988 NTD: 368,204	USD: 142 NTD: 4,361	USD: 142 NTD: 4,361	
Keenest Electronic Corp.	Sunlit Industry Co., Ltd.	Hong Kong	Metal stamping and casting	USD: 10,212 NTD: 309,793	USD: - NTD: -	7,500,000	40.30	USD: 10,486 NTD: 322,067	USD: 3,891 NTD: 117,307	US: 253 NTD: 7,777	
Sunlit Industry Co., Ltd.	Tai Ron Precision Casting Corporation	Hong Kong	Finance/Logistics	HKD: 7,500 NTD: 29,408	HKD: - NTD: -	7,500,000	50.00	HKD: 27,178 NTD: 106,567	HKD: 37,733 NTD: 145,281	HKD: 18,871 NTD: 72,641	
SyS-P Co., Ltd.	SYS-P Corp	USA	International trade, information software wholesale and services	USD: 15 NTD: 461	USD: 15 NTD: 485	50,000	100.00	USD: 26 NTD: 796	USD: (2) NTD: (75)	USD: (2) NTD: (75)	
Ennowyse Corporation	Servtech Corporation	Taiwan	Wholesale of information software services	NTD: 28,125	NTD: -	1,125,000	20.34	NTD: 29,387	NTD: 6,204	NTD: 1,262	
S&T CEE Holding s.r.o., Slovakia	S&T CZ s.r.o., Czech Republic	Czech Republic	IT servers	EUR: 8,187 NTD: 288,182	EUR: 8,187 NTD: 49,500	49,500,000	99.00	EUR: 6,089 NTD: 214,433	EUR: 1,473 NTD: 52,454	EUR: 1,458 NTD: 51,919	
"	S&T Plus s.r.o., Czech Republic	Czech Republic	Manufacturing and marketing of industrial computers	EUR: 471 NTD: 16,579	EUR: 471 NTD: 16,758	9,900,000	99.00	EUR: 3,086 NTD: 108,627	EUR: 1,577 NTD: 56,157	EUR: 1,561 NTD: 55,587	
"	S&T Services Polska Sp.z.o.o., Poland	Poland	IT servers	EUR: 2,651 NTD: 93,315	EUR: 2,651 NTD: 94,309	2,120	100.00	EUR: 2,812 NTD: 98,982	EUR: 384 NTD: 13,674	EUR: 384 New Taiwan Dollar:	
"	S&T Crna Gora d.o.o., Montenegro	Montenegro	IT servers	EUR: 33 NTD: 1,162	EUR: 33 NTD: 1,178	25,000	100.00	EUR: 622 NTD: 21,894	EUR: 105 NTD: 3,739	EUR: 105 NTD: 3,739	
"	S&T Bulgaria e.o.o.d., Bulgaria	Bulgaria	Manufacturing and marketing of industrial computers	EUR: 1,271 NTD: 44,739	Euro: 770 NTD: 27,380	13,120	100.00	EUR: 2,015 NTD: 70,928	Euro: 273 NTD: 9,722	Euro: 273 NTD: 9,722	
"	Kapsch EOOD	Bulgaria	IT servers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
"	S&T Poland Sp.z.o.z., Poland	Poland	IT servers	EUR: 1 NTD: 35	EUR: 1 NTD: 36	26,974	100.00	EUR: 7,718 NTD: 271,674	EUR: 1,761 NTD: 62,709	EUR: 1,761 NTD: 62,709	
"	S&T Services s.r.o., Slovakia	Slovakia	IT servers	EUR: 1 NTD: 35	EUR: 1 NTD: 36	9,818	1.00	EUR: 2 NTD: 70	EUR: 94 NTD: 3,374	EUR: 1 NTD: 36	
"	S&T Slovenija d.d., Slovenia	Slovenia	IT servers	EUR: 15,516 NTD: 546,163	EUR: 15,516 New Taiwan Dollar: 551,914	1,310,710	100.00	EUR: 6,322 NTD: 222,534	EUR: 1,463 NTD: 52,097	EUR: 1,463 NTD: 52,097	
"	Foreign Trade Unitary Enterprise 'Kapsch'	Belarus	IT servers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
S&T Slovenija d.d., Slovenia	S&T Hrvatska d.o.o., Croatia	Croatia	IT servers	EUR: 1,094 NTD: 38,509	EUR: 1,094 NTD: 38,916	221,300	100.00	EUR: 11,588 NTD: 407,898	EUR: 1,098 NTD: 39,100	EUR: 1,098 NTD: 39,100	
"	S&T Macedonia d.o.o.e.l., Macedonia	Macedonia	IT servers	Euro: 85 NTD: 2,992	Euro: 85 NTD: 3,039	568,000	100.00	EUR: 3,739 NTD: 131,613	EUR: 346 NTD: 12,321	EUR: 346 NTD: 12,321	
"	Kapsch d.o.o.	Slovenia	IT servers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
S&T AG, Austria	S&T Plus s.r.o., Czech Republic	Czech Republic	Manufacturing and marketing of industrial computers	EUR: 92 NTD: 3,238	EUR: 92 NTD: 3,262	100,000	1.00	EUR: 31 NTD: 1,091	EUR: 1,577 NTD: 56,157	EUR: 16 NTD: 570	
"	S&T CZ s.r.o., Czech Republic	Czech Republic	IT servers	EUR: 61 NTD: 2,147	EUR: 61 NTD: 2,184	500,000	1.00	EUR: 62 NTD: 2,182	EUR: 1,473 NTD: 52,454	EUR: 15 NTD: 534	
"	S&T Romania S.R.L., Romania	Romania	IT servers	EUR: 3,227 NTD: 113,590	EUR: 1,227 NTD: 43,648	2,460	31.00	EUR: 1,999 NTD: 70,365	Euro: (844) NTD: (30,055)	EUR: (262) NTD: (9,330)	
"	S&T Serbia d.o.o., Serbia	Serbia	IT servers	EUR: 3,563 NTD: 125,418	EUR: 3,219 NTD: 114,504	8,780	100.00	EUR: 2,447 NTD: 86,134	EUR: 615 NTD: 21,900	EUR: 615 New Taiwan Dollar: 21,900	
"	Kapsch D.O.O.	Serbia	IT servers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
"	S&T Albania Sh.p.k., Albania	Albania	IT servers	EUR: 282 NTD: 9,926	EUR: 282 NTD: 10,018	100	100.00	EUR: 556 NTD: 19,571	EUR: 172 NTD: 6,125	EUR: 172 NTD: 6,125	
"	S&T Mold srl., Moldova	Moldova	IT servers	EUR: 1,800 NTD: 63,360	EUR: 1,800 NTD: 64,026	1,135,094	100.00	EUR: 2,105 NTD: 74,096	EUR: (16) NTD: (570)	EUR: (16) NTD: (570)	
"	S&T Consulting Hungary Kft., Hungary	Hungary	IT servers	EUR: 11,947 NTD: 420,534	EUR: 11,947 NTD: 424,943	100,000	100.00	EUR: 6,767 NTD: 238,198	EUR: 1,729 NTD: 61,570	EUR: 1,729 NTD: 61,570	
"	S&T Deutschland GmbH, Germany	Germany	IT servers	EUR: 8,470 NTD: 298,320	EUR: 7,240 NTD: 257,521	25,000	100.00	EUR 7,701 NTD: 271,075	EUR: 2,465 NTD: 87,779	EUR: 2,465 NTD: 87,779	
"	Computer Betting Company GmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 37,738 NTD: 1,328,378	EUR 37,720 NTD: 1,341,686	36,330	100.00	EUR: 19,074 NTD: 671,405	EUR: 1,753 NTD: 62,424	EUR: 1,753 NTD: 62,424	
"	SecureGUARD GmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 2,371 NTD: 83,459	EUR: 2,371 NTD: 84,336	92,460	69.00	EUR: 1,377 NTD: 48,470	EUR: (118) NTD: (4,202)	EUR: (82) NTD: (2,920)	
"	S&T embedded GmbH, Germany	Germany	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: 1,467 NTD: 52,166	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	
"	Roding Embedded GmbH, Germany	Germany	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: 1,550 NTD: 55,134	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
"	S&T CEE Holding s.r.o., Slovakia	Slovakia	IT servers	EUR: (5,345) NTD: (188,144)	Euro: (5,345) NTD: (190,107)	1,881,565	100.00	EUR: 13,677 NTD: 481,430	EUR: 1,630 NTD: 58,044	EUR: 1,630 NTD: 58,044	Note 4

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Name of investee	Name of investee	Location	Main operations	Initial Investment Amount		Closing holding			Current Profit and Loss of Investee	Recognized investment gain (loss) for the current period	Note
				End of the current period	End of last year	Number of Shares	Percentage	Carrying Amount			
"	Dorobet Ltd., Malta	Malta	Manufacturing and marketing of industrial computers	EUR: 101 NTD: 3,555	EUR: 101 NTD: 3,593	198,000	99.00	EUR: (6) NTD: (211)	EUR: (206) NTD: (7,336)	EUR: (204) NTD: (7,264)	
"	S&T Smart Energy GmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 5,763 NTD: 202,858	EUR: 5,763 NTD: 204,987	36,000	100.00	EUR: 1,373 NTD: 48,330	EUR: (253) NTD: (9,009)	EUR: (253) New Taiwan Dollars: (9,009)	
"	Amanox Solutions AG; Switzerland	Switzerland	IT servers	EUR: 4,856 NTD: 170,931	EUR: 4,856 NTD: 172,717	53,760	51.00	EUR: 4,469 NTD: 157,309	EUR: 3,895 NTD: 138,701	EUR: 1,994 NTD: 71,006	
"	Hamcos IT Service GmbH, Germany	Germany	IT servers	EUR: 1,802 NTD: 63,430	EUR: 1,802 NTD: 64,104	98,000	49.00	EUR: 891 NTD: 31,363	EUR: 86 NTD: 3,062	EUR: 42 NTD: 1,496	
"	Kontron Austria GmbH, Austria (formerly S&T Electronics and Payment Systems GmbH, Austria)	Austria	Manufacturing and marketing of industrial computers	EUR: 4,222 NTD: 148,614	EUR: 695 NTD: 24,714	32,702	90.00	EUR: 3,567 NTD: 125,558	EUR: (377) NTD: (13,425)	EUR: (339) NTD: (12,072)	
"	S&T SME Distribution GmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 18 NTD: 634	EUR: 18 NTD: 635	17,850	51.00	EUR: 308 NTD: 10,842	EUR: 24 NTD: 855	EUR: 12 NTD: 427	
"	S&T Services GmbH, Austria	Austria	IT servers	EUR: 10,902 NTD: 383,750	EUR: 6,402 NTD: 227,715	35,000	100.00	EUR: 8,309 NTD: 292,477	EUR: (3,474) NTD: (123,709)	EUR: (3,474) NTD: (123,709)	
"	Active Internet Performance GmbH	Austria	IT servers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
"	S&T Technologies GmbH, Austria	Austria	IT servers	EUR: 3,773 NTD: 132,810	EUR: 3,773 NTD: 134,195	35,000	100.00	EUR: 6,123 NTD: 215,530	EUR: 1,003 NTD: 35,717	EUR: 1,003 NTD: 35,717	
"	Linforge Technologies GmbH, Austria	Austria	IT servers	EUR: 1,181 NTD: 41,571	EUR: 1,181 NTD: 41,992	35,000	100.00	EUR: 1,485 NTD: 52,272	Euro: 283 NTD: 10,078	Euro: 283 NTD: 10,078	
"	GADA combined Company ROMANIA SRL, Romania	Romania	Manufacturing and marketing of industrial computers	EUR: 11,675 NTD: 410,960	EUR: 11,675 NTD: 415,275	105,000	84.00	EUR 11,867 NTD: 417,718	EUR: 1,131 NTD: 40,275	EUR: 950 NTD: 33,830	
"	Affair OOO, Russia	Russia	Manufacturing and marketing of industrial computers	EUR: 5,870 NTD: 206,624	EUR: 5,870 NTD: 208,796	4,800,000	48.00	EUR: 3,212 NTD: 113,062	EUR: 14 NTD: 499	EUR: 7 NTD: 249	
"	Kontron S&T AG, Germany (原 Kontron AG)	Germany	Manufacturing and marketing of industrial computers	EUR: 191,550 NTD: 6,742,560	EUR: 183,158 NTD: 6,514,937	58,277,969	95.00	EUR: 122,059 NTD: 4,296,477	EUR: 6,114 NTD: 217,720	EUR: 5,817 NTD: 207,143	
"	funworld gmbh, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 330 NTD: 11,616	EUR: 330 NTD: 11,738	40,000	40.00	EUR: 308 NTD: 10,842	EUR: (20) NTD: (712)	EUR: (8) New Taiwan Dollars: (285)	
"	SnT Services Bel LCC, BLR	Belarus	IT servers	EUR: 538 NTD: 18,938	EUR: - NTD: -	113,267	100.00	EUR: 595 NTD: 20,944	EUR: 74 NTD: 2,635	EUR: 74 NTD: 2,635	
S&T Deutschland GmbH, Germany	BIT IT Services GmbH, Germany	Germany	IT servers	EUR: - NTD: -	EUR: 723 NTD: 25,705	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
"	S&T Asia Inc., Taiwan	Taiwan	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	
"	SteuDaTecc System-und Netzwerktechnik GmbH	Germany	IT servers	EUR: 494 NTD: 14,221	EUR: - NTD: -	25,000	100.00	EUR: 415 NTD: 14,608	EUR: 10 NTD: 356	EUR: 10 NTD: 356	
"	XTRO AG, Germany	Germany	IT servers	EUR: 2,500 NTD: 88,000	EUR: 2,500 NTD: 88,925	50,000	100.00	EUR: 3,236 NTD: 113,907	EUR: 610 NTD: 21,722	EUR: 610 NTD: 21,722	
"	CES-POS Anteile A GmbH, Germany	Germany	IT servers	EUR: - NTD: -	EUR: - NTD: 43,942	-	-	EUR NTD:	EUR: - NTD: -	EUR: - NTD: -	Note 4
Computer Betting Company GmbH, Austria	S&T Romania S.R.L., Romania	Romania	IT servers	EUR: 1,690 NTD: 59,488	EUR: 1,690 NTD: 60,105	5,460	69.00	EUR: 4,434 NTD: 156,077	Euro: (844) NTD: (30,055)	EUR: (582) NTD: (20,725)	
"	STS Sportwetten GmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 61 NTD: 2,147	EUR: 61 NTD: 2,182	36,400	100.00	EUR: 51 NTD: 1,795	EUR: 15 NTD: 534	EUR: 15 NTD: 534	
"	S&T Slovakia s.r.o., Slovakia	Slovakia	IT servers	EUR: 6,971 NTD: 245,379	EUR: 6,971 NTD: 247,948	1,659,690	100.00	EUR: 4,574 NTD: 161,005	EUR: 272 NTD: 9,686	EUR: 272 NTD: 9,686	
S&T Consulting Hungary Kft., Hungary	S&T Services Kft., Hungary	Hungary	IT servers	EUR: 3,627 NTD: 127,670	EUR: 3,627 NTD: 129,024	268,000	100.00	EUR: 2,643 NTD: 93,034	EUR: 663 NTD: 23,609	EUR: 663 NTD: 23,609	
Kontron S&T AG, Germany (原 Kontron AG)	KONTRON AMERICA INC.	USA	Communication products	EUR: 17,790 NTD: 626,208	EUR: 11,086 NTD: 394,315	2,036,040	100.00	EUR: 19,504 NTD: 686,541	EUR: 1,083 NTD: 38,566	EUR: 1,083 NTD: 38,566	
"	KONTRON CANADA INC.	Canada	Communication products	EUR: 60,213 NTD: 2,119,498	EUR: 8,981 NTD: 319,445	50,000,200	100.00	EUR: 40,233 NTD: 1,416,202	EUR: 3,572 NTD: 127,199	EUR: 3,572 NTD: 127,199	
"	KONTRON ASIA PACIFIC DESIGN SDN. BHD.	Malaysia	Manufacturing and marketing of industrial computers	EUR: 5,071 NTD: 178,499	EUR: 5,071 NTD: 180,386	44,581,102	100.00	EUR: (15,930) NTD: (560,736)	EUR: (1,108) NTD: (39,456)	EUR: (1,108) New Taiwan Dollars: (39,456)	
"	KONTRON (BEIJING) TECHNOLOGY CO. LTD.	China	Manufacturing and marketing of industrial computers	Euro: 918 NTD: 32,314	Euro: 918 NTD: 32,663	15,398,960	100.00	EUR: 9,247 NTD: 325,494	EUR: (442) NTD: (15,740)	EUR: (442) NTD: (15,740)	
"	KONTRON EUROPE GMBH	Germany	Manufacturing and marketing of industrial computers	EUR: 123,910 NTD: 4,361,632	EUR: 123,910 NTD: 4,407,476	23,600,000	100.00	EUR: 128,854 NTD: 4,535,661	EUR: 14,501 NTD: 516,381	EUR: 14,501 NTD: 516,381	
"	Kontron S&T AG, Germany	Germany	Manufacturing and marketing of industrial computers	EUR: 2,797 NTD: 98,454	EUR: 371 NTD: 13,196	13,000	100.00	EUR: 1,643 NTD: 57,834	EUR: 169 NTD: 6,018	EUR: 169 NTD: 6,018	

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Name of investee	Name of investee	Location	Main operations	Initial Investment Amount		Closing holding			Current Profit and Loss of Investee	Recognized investment gain (loss) for the current period	Note
				End of the current period	End of last year	Number of Shares	Percentage	Carrying Amount			
KONTRON EUROPE GMBH	Kontron ECT design s.r.o.	Czech Republic	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: - NTD: -	500,000	100.00	Euro: 552 NTD: 19,430	EUR: 240 NTD: 8,546	EUR: 240 NTD: 8,546	
"	Kontron UK Ltd.	UK	Manufacturing and marketing of industrial computers	EUR: 1,712 NTD: 60,262	EUR: 1,712 NTD: 60,884	172,550	100.00	EUR: 4,155 NTD: 146,256	EUR: 361 NTD: 12,855	EUR: 361 NTD: 12,855	
"	Kontron Modular Computers S.A.S.	France	Manufacturing and marketing of industrial computers	EUR: 5,158 NTD: 181,562	EUR: 4,780 NTD: 170,034	344,500	100.00	EUR: 6,239 NTD: 219,613	EUR: (604) NTD: (21,508)	EUR: (604) NTD: (21,508)	
"	Kontron Technology A/S	Denmark	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: - NTD: -	500,000	100.00	EUR: 680 NTD: 23,936	EUR: (52) NTD: (1,852)	EUR: (52) New Taiwan Dollars: (1,852)	
"	Industrial Computers France	France	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
"	Kontron electronics GmbH, Germany	Germany	Manufacturing and marketing of industrial computers	EUR: 19,262 NTD: 678,022	EUR: - NTD: -	102,150	100.00	EUR: 19,636 NTD: 691,187	Euro: 375 NTD: 13,354	EUR: 375 NTD: 13,354	Note 4
"	Kontron Austria GmbH, Austria (formerly S&T Electronics and Payment Systems GmbH, Austria)	Austria	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: 77 NTD: 2,753	-	10.00	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	
Kontron Holding Austria GmbH, Austria	Kontron Austria electronics GesmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 7,416 NTD: 261,043	EUR: - NTD: -	53,640	99.00	EUR: 597 NTD: 21,014	Euro: 585 NTD: 20,832	EUR: 581 NTD: 20,689	
Kontron Austria GmbH, Austria (formerly S&T Electronics and Payment Systems GmbH, Austria)	Kontron Austria electronics GesmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 17 NTD: 598	EUR: - NTD: -	350	1.00	EUR: 4 NTD: 141	Euro: 585 NTD: 20,832	EUR: 4 NTD: 142	
"	Kontron electronics AG, Switzerland	Switzerland	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: - NTD: -	1,000	100.00	EUR: (479) NTD: (16,861)	EUR: (468) NTD: (16,665)	EUR: (468) NTD: (16,665)	
"	Kontron Holding Austria GmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 2,484 NTD: 87,437	EUR: - NTD: -	35,000	100.00	EUR: 9,956 NTD: 350,451	EUR: 56 NTD: 1,994	EUR: 56 NTD: 1,994	
S&T Romania S.R.L., Romania	FAIR VALUE COM S.R.L., Romania	Romania	IT servers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
S&T CZ s.r.o., Czech Republic	Kapsch BusinessCom s.r.o., Czech Republic	Czech Republic	IT servers	EUR: - NTD: -	EUR: 420 NTD: 14,924	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
	S&T PilsCom s.r.o.	Czech Republic	IT servers	EUR: 1,874 NTD: 65,965	EUR: - NTD: -	100,000	100.00	EUR: 1,575 NTD: 55,440	EUR: 23 NTD: 819	EUR: 23 NTD: 819	
S&T Slovakia s.r.o., Slovakia	S&T Services s.r.o., Slovakia	Slovakia	IT Services	EUR: 36 NTD: 1,284	EUR: 36 NTD: 1,298	981,750	99	EUR: 149 NTD: 5,266	EUR: 94 NTD: 3,338	EUR: 93 New Taiwan Dollars:	Note 4
Affair OOO, Russia	RTSoft Project OOO, Russia	Russia	Manufacturing and marketing of industrial computers	EUR: 6,636 NTD: 233,587	EUR: 6,636 NTD: 236,030	372,500	75.00	EUR: 5,262 NTD: 185,222	EUR: 221 NTD: 7,870	EUR: 164 NTD: 5,840	
S&T Mold srl., Moldova	S&T IT Technologies srl., Moldova	Moldova	IT servers	EUR: 2 NTD: 70	EUR: - NTD: -	50,000	100.00	EUR: 15 NTD: 528	EUR: 12 NTD: 427	EUR: 12 NTD: 427	
S&T Hrvatska d.o.o., Croatia	Kapsch CarrierCom d.o.o.	Croatia	IT servers	EUR: 744 NTD: 26,189	EUR: - NTD: -	10,900,000	100.00	EUR: 712 NTD: 25,062	EUR: (34) NTD: (1,211)	EUR: (34) NTD: (1,211)	
S&T Macedonia d.o.o.e.l., Macedonia	Kapsch DOOEL Skopje	Macedonia	IT servers	EUR: 352 NTD: 12,390	EUR: - NTD: -	307,000	100.00	EUR: 361 NTD: 12,707	EUR: 10 NTD: 356	EUR: 10 NTD: 356	
Kontron UK Ltd.	Industrial Computers Ltd.	UK	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: 1,672 NTD: 59,473	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
Marketech International Corp.	Marketech Integrated Pte. Ltd.	Singapore	semiconductor industry automation supply system	NTD: 215,087	NTD: 192,522	9,235,678	100.00	NTD: 15,095	NTD: (288)	NTD: (288)	
"	Market Go Profits Ltd.	British Virgin Islands	Investment holding and reinvestment	NTD: 1,282,562	NTD: 1,245,570	39,569,100	100.00	NTD: 1,070,484	NTD: 36,179	NTD: 36,179	
"	MIC-Tech Global Corp.	South Korea	General International Trade	NTD: 19,147	NTD: 19,147	131,560	100.00	NTD: 6,607	NTD: (993)	NTD: (993)	
"	Headquarter International Ltd.	British Virgin Islands	Investment holding and reinvestment	NTD: 42,475	NTD: 42,475	1,289,360	100.00	NTD: 38,864	NTD: (307)	NTD: (307)	
"	Tiger United Finance Ltd.	British Virgin Islands	Investment holding and reinvestment	NTD: 46,475	NTD: 46,475	1,410,360	100.00	NTD: 37,813	NTD: (476)	NTD: (476)	
"	Marketech Engineering Pte. Ltd.	Singapore	Contracting of Engineering Business	NTD: 10,129	NTD: 10,129	421,080	100.00	NTD: 15,239	NTD: 13,794	NTD: 13,794	
"	Marketech Integrated Manufacturing Company Limited	Myanmar	Design, manufacture and assembly of automated production machines and components	NTD: 438,298	NTD: 438,298	1,400,000	100.00	NTD: 355,022	NTD: (3,532)	NTD: (3,532)	
"	MIC-Tech Viet Nam Co., Ltd.	Vietnam	Trading, installation and maintenance of various machinery and equipment	NTD: 39,345	NTD: 39,345	-	100.00	NTD: 27,561	NTD: (3,471)	NTD: (3,471)	
"	Marketech Co., Ltd.	Vietnam	Engineering contracting and related maintenance services	NTD: 45,246	NTD: 29,922	-	100.00	NTD: 11,088	NTD: (6,843)	NTD: (6,843)	
"	eZoom Information, Inc.	Taiwan	Research and development, trading, sales, consulting services, and consulting services	NTD: 195,737	NTD: 67,737	20,000,000	100.00	NTD: 152,947	NTD: (6,743)	NTD: (6,743)	

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Name of investee	Name of investee	Location	Main operations	Initial Investment Amount		Closing holding			Current Profit and Loss of Investee	Recognized investment gain (loss) f for the current period	Note
				End of the current period	End of last year	Number of Shares	Percentage	Carrying Amount			
"	PT Marketch International Indonesia	Indonesia	Trading of machinery and accessories	NTD: 38,042	NTD: 38,042	1,199,000	99.92	NTD: 36,670	NTD: 2,622	NTD: 2,622	
	Glory Technology Service Inc.	Taiwan	Trading and installation of telecommunications equipment	NTD: 42,713	NTD: 31,019	5,510,305	29.24	NTD: 61,236	NTD: 13,881	NTD: 4,105	
	Hua Shuan Technology, Inc.	Taiwan	Sales of panel equipment and materials	NTD: 2,000	NTD: 2,000	200,000	20.00	NTD: 1,842	NTD: (36)	NTD: (7)	
	Ya Da Technology Co., Ltd.	Taiwan	Trading of information software and supply and installation of electronic information equipment	NTD: 20,000	NTD: 10,000	2,000,000	30.30	NTD: 13,034	NTD: (18,217)	NTD: (10,904)	
"	Marketch Netherlands B.V.	Netherlands	International trade and technical services for machinery and equipment and components	NTD: 10,671	NTD: 10,671	300,000	100.00	NTD: 6,339	NTD: (4,051)	NTD: (4,051)	
	Marketch International Sdn. Bhd.	Malaysia	Engineering contracting and related maintenance services	NTD: 87,070	NTD: 44,431	12,242,750	100.00	NTD: 65,645	NTD: 6,481	NTD: 3,013	
Market Go Profits Ltd.	MIC-Tech Ventures Asia Pacific Inc.	British Virgin Islands	Investment holding and reinvestment	NTD: 1,240,073	NTD: 1,240,073	39,466,604	100.00	NTD: 1,068,756	NTD: 36,252	NTD: -	
Marketch Engineering Pte Ltd.	Marketch Integrated Construction Co., Ltd.	Myanmar	Contracting of Engineering Business	NTD: 8,569	NTD: 8,569	28,500	95.00	NTD: 14,844	NTD: 14,688	NTD: -	
MIC-Tech Ventures Asia Pacific Inc.	Rusky H.K. Limited	Hong Kong	Investment holding and reinvestment	NTD: 34,551	NTD: 34,551	833,000	100.00	NTD: (10,296)	NTD: 4,156	NTD: -	
"	Frontken MIC Co. Limited	Hong Kong	Investment holding and reinvestment	NTD: 31,422	NTD: 31,422	2,337,608	100.00	NTD: 5,414	NTD: (110)	NTD: -	
"	Rui Shuan International Co., Ltd.	Hong Kong	Investment holding and reinvestment	NTD: 132,282	NTD: 95,290	5,400,000	60.00	NTD: 63,213	NTD: (10,126)	NTD: -	
"	Leader Fortune Enterprise Co., Ltd.	Samoa	Investment holding and reinvestment	NTD: 8,990	NTD: 8,990	303,000	31.43	NTD: (4,638)	NTD: (28,455)	NTD: -	
Rusky H.K. Limited	PT Marketch International Indonesia	Indonesia	Trading of machinery and accessories	NTD: 32	NTD: 32	1,000	0.08	NTD: 31	NTD: 2,622	NTD: -	

Note 5: Based on the audited financial statements and the percentage of shareholding of the investee companies in the same period as the invested company's accounting.

Note 6: Investment gain and loss recognized in the current period include the difference between the investment cost and net equity.

Note 7: The Company's net worth, long-term equity and net value of the investee's equity interests in the investee are fully written off in the preparation of the consolidated financial statements.

Note 8: In 2018, S&T AG was eliminated or dissolved and liquidated due to the adjustment of the organizational structure.

Ennococon Corporation and Subsidiaries
Investment information in Mainland China
January 1st to December 31, 2018

Table 9

Unit: Foreign currency/NT\$ thousands

Investee in Mainland China Company Name	Main operations	Paid-in Capital	Investment method	Aggregated from the beginning of the current period Accumulated remitted from Taiwan Investment Amount	Outward remittance or collection Investment Amount		Aggregated amount of current period Accumulated remitted from Taiwan Investment Amount	Investee (Loss) gain for the current period	Shareholding Percentage of the Company's Direct or Indirect Investment	Current recognition Investment gain (loss)	Investment at end of period Carrying Amount	Up to the end of the year Remitted back Investment income
					Export	Recovery						
Nanjing Asiatek Inc.	Research, development, sales of software and hardware products, and provision of its installation, addition and technical consulting.	US\$3,000,000 NT\$92,145	The Company obtained the 100% equity interest in the third region, namely Hong Kong Innovation (Hong Kong) Limited (the “Hong Kong Innovation”) (the “Hong Kong Innovation”), and indirectly obtained the 100% equity interest in South Asia Technology Limited (paid-up capital reaches USD 2,600,000), which is engaged in the business of the region of the PRC, and is then re-invested in the Mainland China region of the Company. Note 1 (2)	HK\$5,000,000 and US\$400,000 NTD 31,891 Note 3	-	-	HK\$5,000,000 and US\$400,000 thousand NTD 31,891 Note 3	RMB13,454 NTD 61,864	100%	RMB13,454 NTD 61,864 Note 2(2) B	RMB 33,097 NTD 148,073	-
Shenzhen xiangxing Technology Co., Ltd.	Sales of machinery and accessories and moulds.	US\$1,500,000 NTD 46,073	Re-investment from the sub-subsidiary of Nanjing Asiatek Inc. Note 1 (3)	-	-	-	-	RMB11,488 NTD 52,821	20%	RMB 2,298 NTD 10,564 Note 4	RMB6,848 NTD 30,625	-
Ennoconn (Foshan) Investment Co., Ltd.	Professional investment	US\$9,800,000 NTD 294,599	Re-investment through the third-region subsidiary, Hong Kong Innovation Note 1 (2)	US\$9,500,000 NTD 285,855 Note 3	US\$300 thousand NTD 8,744	-	US\$9,800,000 NTD 294,599 Note 3	RMB 319 NTD 1,457	100%	RMB 319 NTD 1,457 Note 2(2) B	RMB 66,769 NTD 298,715	-
Beijing Caswell Ltd.	Production of electronic monitoring products and online communication products.	US\$3,800,000 NTD 115,995	Re-investment through CASWELL INTERNATIONAL INVESTMENT CO., LTD. in the third region Note 1 (1)	US\$3,116,000 NTD 95,116 Note 3	-	-	US\$3,116 thousand New Taiwan Dollar 95,116 Note 3	RMB 5,363 NTD 24,637	28.03%	RMB1,503 NTD 6,905 Note 2(2) A	RMB10,103 NTD 44,817	-
HighAim Technology Inc.	Design and development and production of various models, servers and communication devices.	USD10,000,000 NT\$307,150	Through the third regional company, second-tier subsidiary EnnoMech Precision (Shenzhen) Co., Ltd. invested in HighAim Technology Inc. and indirectly obtained the equity of its subsidiaries. Note 1 (2)	US\$10,843,000 NTD 330,423 Note 3	-	-	US\$10,843,000 NTD 330,423 Note 3	RMB 8,477 NTD 36,509	66.05%	RMB 5,599 NTD 24,110 Note 2(2) B	RMB 67,947 NTD 304,084	-
EnnoMech Precision (Shenzhen) Co., Ltd.	Machinery components	US\$1,530,000 NTD 46,994	Re-investment in the third region, DOMINATE UNITED ENTERPRISE LTD. Note 1 (2)	US\$1,530,000 NTD 46,994 Note 3	-	-	US\$1,530,000 NTD 46,994 Note 3	RMB 494 NTD 2,334	100%	RMB 494 NTD 2,334 Note 2(2) B	RMB10,745 NTD 48,089	-
Goldtek Technology Co., Ltd. (Shenzhen)	Research, design and sales of electronic products, communication devices and accessories, and after-sales services for the above products.	US\$1,000,000	Re-investment through Keenest Electronic Corp. in the third region. Note 1 (2)	US\$1,000,000 NTD 30,715 Note 3	-	-	US\$1,000,000 NTD 30,715 Note 3	RMB (69) NTD (3,215)	56.74%	RMB (392) NTD (1,824) Note 2(2) B	RMB 2,823 NTD 11,497	-
Rirong (Shenzhen) Co., Ltd.	Stamping/assembly	RMB10,309 NTD 46,102	Indirectly acquired the equity interests of its subsidiaries through the investment in Hong Kong Ri Rong Industry Co., Ltd. in the third region Note 1 (3)	-	-	-	-	RMB1,161 NTD 5,292	22.87%	RMB 89 NTD 403 Note 2(2) A	RMB 3,382 NTD 15,125	-
Tairuon (Shenzhen) Co., Ltd.	Zinc/Aluminum Alloy Pressure Casting	RMB 4,095 NTD 18,313	Indirectly acquired the equity interests of its subsidiaries through the investment in Hong Kong Ri Rong Industry Co., Ltd. in the third region Note 1 (3)	-	-	-	-	RMB16,293 NTD 74,234	11.43%	RMB 621 NTD 2,829 Note 2(2) A	RMB16,897 NTD 75,564	-
Shengrong Plastic Co., Ltd. (Shenzhen)	Manufacturing and sales of plastic and hardware	RMB 3,600 NTD 16,099	Indirectly acquired the equity interests of its subsidiaries through the investment in Hong Kong Ri Rong Industry Co., Ltd. in the third region Note 1 (3)	-	-	-	-	RMB (108) NTD (491)	12.58%	Renminbi (9) NTD (41) Note 2(2) A	RMB1,981 NTD 8,861	-
Thecus Technology Co., Ltd. (Nanjing)	Sales of network storage devices and maintenance services	US\$510,000 NTD 15,665	Re-investment through the third region, Thecus Technology Corp. Note 1 (1)	US\$510,000 NTD 15,665 Note 3	-	US\$510,000 NTD 15,665	-	RMB- NTD-	-	RMB- New Taiwan Dollars- Note 2(2) A	RMB- New Taiwan Dollars-	- (Note 5)
Ennoconn (Suzhou) Technology Co., Ltd.	Research and development, production and sales of industrial computers	US\$30,000,000 NTD 909,016	Re-investment through the third-region subsidiary, Hong Kong Innovation Note 1 (2)	US\$2,000,000 NTD 60,490 Note 3	USD 28,000,000 NTD 848,526	-	US\$30,000,000 NTD 909,016 Note 3	RMB (2,267) NTD (11,233)	100%	RMB (2,267) NTD (11,233) Note 2(2) B	RMB201,871 NTD 903,143	-
Ennoconn (Kunshan) Technology Co., Ltd.	Smart technology development and sales of hardware	US\$- NTD-	Re-investment through a second-tier subsidiary, Ennoconn (Suzhou) Technology Co., Ltd., in a third region Note 1 (3)	US\$- NTD-	-	-	US\$- NTD-	RMB (16) NTD (61)	100%	RMB (16) NTD (61) Note 2(2) B	RMB (16) NTD (80)	-

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Investee in Mainland China Company Name	Main operations	Paid-in Capital	Investment method	Aggregated from the beginning of the current period Accumulated remitted from Taiwan Investment Amount	Outward remittance or collection Investment Amount		Aggregated amount of current period Accumulated remitted from Taiwan Investment Amount	Investee (Loss) gain for the current period	Shareholding Percentage of the Company's Direct or Indirect Investment	Current recognition Investment gain (loss)	Investment at end of period Carrying Amount	Up to the end of the year Remitted back Investment income
					Export	Recovery						
MIC-Tech (Wuxi) Co., Ltd.	Design, manufacture, installation and maintenance of semiconductor components and IC devices, electronic components, and environmental pollution prevention equipment; packaging of special equipment, refrigeration equipment assembly; barbecue furnace assembly; engagement in the above products and parts, textiles, daily necessities, chemical products, cosmetics wholesale, commission agents, import and export business; own factory lease; automated storage equipment and accessories, design, manufacture, sale and installation of automatic conveying logistics equipment and accessories, logistics deployment, computer aided engineering system development, sales and installation	NTD 783,233	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 629,658	New Taiwan Dollars-	New Taiwan Dollars-	NTD 629,658	NTD 28,697	45.21%	NTD 13,230 Note 2(2) A	NTD 16,115	-
Huayou Chemical Industry International Trade (Shanghai) Limited Company	Semiconductor production, maintenance of semiconductor equipment, testing equipment and consumables, wholesale of boilers for power generation, commission agents, import and export and other related supporting services; warehousing and distribution services mainly for chemical and boiler products; international trade, entrepot trade and trade agency between enterprises in the bonded area; business consulting services in the area	NTD 253,122	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 15,358	New Taiwan Dollars-	New Taiwan Dollars-	NTD 15,358	NTD 25,652	45.21%	NTD 11,597 Note 2(2) A	NTD 158,786	-
Fuzhou Jiwei Electronic System Engineering Co., Ltd.	Dust-free room and power system equipment, piping system equipment installation and related supporting services	NTD 9,215	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	New Taiwan Dollars	New Taiwan Dollars-	New Taiwan Dollars-	NTD 9,215	NTD 695	45.21%	NTD 314 Note 2(2) A	NTD (459)	-
Shanghai Maohua Electron Engineering Technology Limited Company	Design, installation, commissioning and technical services, piping systems and related facilities for the semiconductor manufacturing industry, equipment maintenance for the semiconductor manufacturing industry, electronics, medical equipment technical consulting, electronic products, mechanical equipment, chemical products (except hazardous materials), communications products, metal products, wholesale of manufactured products, commission agents (excluding auctions), import and export and related ancillary services.	NTD 18,429	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 18,521	New Taiwan Dollars-New Taiwan Dollars-	New Taiwan Dollars-	NTD 18,521	NTD 2,424	39.33%	NTD 953 Note 2(2) A	NTD (5,716)	-
Shanghai Jiwei Electronic System Engineering Co., Ltd.	Mechanical and electrical installation, engineering construction general contracting, electrical engineering professional contracting, chemical petroleum equipment pipeline installation, pipeline professional contracting and post-engineering warranty services, relevant engineering and technical consulting services	NTD 541,168	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 261,692	New Taiwan Dollars-	New Taiwan Dollars-	NTD 261,692	NTD (27,348)	45.21%	NTD (12,364) Note 2(2) A	NTD 188,862	-
Wuxi Hanhua Electronic Technology Co., Ltd.	Equipment installation and maintenance of semiconductor components and crystal special equipment, electronic components special equipment, environmental pollution prevention equipment; engaged in the abovementioned product wholesale, commission agent, import and export business; industrial equipment cleaning and maintenance.	NTD 9,368	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 1,505	New Taiwan Dollars-	New Taiwan Dollars-	NTD 1,505	NTD (204)	22.15%	NTD (45) Note 2(2) A	NTD 27	-
Shanghai Chen Kao Engineering Design Co., Ltd.	Design of micro-electronic products, project design and display components project design, related technologies and management consulting services	NTD 6,143	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 6,143	New Taiwan Dollars-	New Taiwan Dollars-	NTD 6,143	NTD 2,056	45.21%	NTD 930 Note 2(2) A	NTD (266)	-

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Investee in Mainland China Company Name	Main operations	Paid-in Capital	Investment method	Aggregated from the beginning of the current period Accumulated remitted from Taiwan Investment Amount	Outward remittance or collection Investment Amount		Aggregated amount of current period Accumulated remitted from Taiwan Investment Amount	Investee (Loss) gain for the current period	Shareholding Percentage of the Company's Direct or Indirect Investment	Current recognition Investment gain (loss)	Investment at end of period Carrying Amount	Up to the end of the year Remitted back Investment income
					Export	Recovery						
Wuxi Advanced Semiconductor Technology	Special cleaning of semiconductor components and integrated circuits; parts for semiconductor devices, parts for integrated circuits and micro-components, wafer cleaning; development of semiconductor cleaning technology; assembly, installation and maintenance of refrigeration equipment; automated storage equipment and accessories, automatic design, manufacture, sales and installation of transportation logistics equipment and accessories; development, sales and installation of computer-aided engineering systems for logistics deployment; wholesale and commission agents for these abovementioned products and their parts, import and export business, etc.	NTD 70,890	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 28,356	New Taiwan Dollars-	New Taiwan Dollars-	NTD 28,356	NTD (110)	45.21%	NTD (50) Note 2(2) A	NTD 2,438	-
Nantong Jianrui Optoelectronics Technology Co., Ltd.	Development and production of special equipment for solar cell production, large-screen color projection display with optical engine, light source, projection screen, high-definition projection tube and micro-projection device module and other key components manufacturing, new electronic components manufacturing, cleaning and recycling services	NTD 153,575	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 82,931	New Taiwan Dollars-	New Taiwan Dollars-	NTD 82,931	NTD (10,154)	27.13%	NTD (2,755) Note 2(2) A	NTD 11,561	-
Shanghai Fanya Trading Co., Ltd.	Chemical products (excluding hazardous chemicals, precursor chemicals, special chemicals), semiconductors, testing equipment and consumables, solar equipment consumables, power generation boilers, machinery and accessories, wholesale, commission agents, import and export, and others related supporting business, international trade, entrepot trade, trade and trade agency between enterprises in the bonded area, trade consulting services, installation and maintenance of semiconductor equipment, automation equipment, electronic equipment and spare parts	NTD 46,073	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 46,073	New Taiwan Dollars-	New Taiwan Dollars-	NTD 46,073	NTD (7,308)	45.21%	NTD (3,304) Note 2(2) A	NTD 8,377	-
Shanghai Jimao Trading Co., Ltd.	Electronic products, food, textiles, daily necessities, cosmetics, valve switches, instrumentation, metal products, wholesale of mechanical and electrical equipment, commission agents, import and export and related ancillary services; international trade, entrepot trade, trade between bonded areas and intra-regional trade agent; commercial simple processing in bonded area; trade advisory service in bonded area	NTD 29,391	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 9,237	New Taiwan Dollars-	New Taiwan Dollars-	NTD 9,237	NTD (28,434)	14.21%	NTD (4,040) Note 2(2) A	NTD (2,099)	-

Name of investee	Accumulated investment in Mainland China from Taiwan as of the end of the year	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling for investment in Mainland China in accordance with the Investment Commission of the Ministry of Economic Affairs
Ennoconn Corporation	HK\$5,000,000 and US\$40,146,000 NT\$ 1,244,962 (Note 3)	HK\$5,000,000 and US\$65,746,000 NT\$ 2,026,402 (Note 3)	NT\$ 3,973,980
Goldtek Technology Co., Ltd.	US\$1,000,000 and HK\$80,100,000 NT\$ 344,787 (Note 3)	US\$1,000,000 and HK\$80,100,000 NT\$ 344,787 (Note 3)	NTD 958,607
Caswell Inc.	US\$3,116,000 NT\$ 95,116 (Note 3)	US\$3,116,000 NT\$ 95,116 (Note 3)	NT\$ 1,459,072
Ennoconn International Investment Co., Ltd.	US\$12,373,000 NT\$ 377,686 (Note 3)	US\$12,373,000 NT\$ 377,686 (Note 3)	NT\$ 4,618,253
Marketech International Corp.	NT\$ 1,113,851 (Note 3)	NT\$1,957,170 (Note 3)	NT\$ 3,347,386

Note 6: Investment is classified as the following three types:

- (1) Direct investment in the Mainland China.
- (2) Investment in Mainland China through a third-region company (please specify the investment companies in the third area).
- (3) Others.

Note 7: Investment gain and loss recognized in the current period:

- (1) If the company is in preparation status and no investment loss and profit occur, it shall be noted.
- (2) The three types of recognized investment loss and profit as follows shall be noted.
 - A. The financial statements certified by international accounting firms that has relations with accounting firms in Taiwan.
 - B. The financial statements are certified by CPA through the parent company in Taiwan.
 - C. Others.

Note 8: The exchange rate adopted is the average demand exchange rate of Bank of Taiwan on December 28, 2018.

Note 9: It is a non-significant related enterprise, and its financial report without the audit of the accountant shall not have a significant impact.

Note 10: Registration for liquidation completed in early 2018.

Ennoconn Corporation

Chairman Chu, Fu-Chuan

April 30, 2019