



禾伸堂企業股份有限公司
Holy Stone Enterprise Co., Ltd.

TWSE : 3026

2020 Annual Shareholders' Meeting

Meeting Agenda

(Summary Translation)

This document is prepared in accordance with the Chinese version and is for reference only. In the event of any discrepancy between the English and Chinese version, the Chinese version shall prevail.

June 9, 2020

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Holy Stone Enterprise Co., Ltd.

2020 Annual Shareholders' Meeting Procedure

1. Call meeting to order

2. Chairman takes podium

3. Report

4. Acknowledgement

5. Discussions

6. Special Motions

7. Adjournment

Holy Stone Enterprise Co., Ltd.

2020 Annual Shareholders' Meeting Agenda

Time/Date : 9:00 a.m., June 9, 2020 (Tuesday)

Place : No.17, Lane 91, Section 1, Nei Hu Road, Nei Hu District, Taipei City 114, Taiwan, R.O.C.
(7F, Chu Pao Building)

Meeting Agenda:

- 1. Report the number of shares represented by shareholders attending the Meeting**
- 2. Chairman's Address**
- 3. Report**
 - (1) Business Report of 2019
 - (2) Supervisor's Audit Report
 - (3) Distribution of 2019 Employee Bonus and Directors and Supervisor Remuneration
 - (4) 2019 Earnings Distribution and Cash Dividends Report
 - (5) APIC Cash Distribution Report
- 4. Acknowledgement**
 - (1) 2019 Business Report and Financial Statements
 - (2) 2019 Earnings Distribution
- 5. Discussions**
 - (1) Revision of "Articles of Association"
 - (2) Revision of "Rules of Procedure for Annual General Meeting"
 - (3) Revision of "Guidelines for Lending of Capital"
 - (4) Revision of "Guidelines for Endorsements and Guarantees"
- 6. Special Motion**
- 7. Adjournment**

Company Reports:

1. 2019 Business Report

Explanation: Please refer to page 7.

2. 2019 Supervisor's Audit Report

Explanation: Please refer to page 8.

3. Distribution of 2019 Employee Bonus and Directors and Supervisor Remuneration

Explanation: The Board of Directors meeting on March 11th, 2020 proposed employee bonus NT\$126,669 thousand also director and supervisor's remuneration NT\$24,127 thousand, both paid in cash.

4. 2019 Earnings Distribution and Cash Dividends Report:

I .The company has passed the resolution of dividends and bonus total NT\$789,953,895 for cash distribution, NT\$ 5.0 per share distributed from earnings. Cash dividends up to one NT dollar, if the distribution is under this amount, will be accounted as other revenue.

II . Cash dividend distribution record date will be decide by another Board meeting.

III. If there is a change in the number of ordinary shares outside of the Company; or when there is a change in shareholders' dividend rate that requires revision, Chairman of the Board should take full authority.

5. APIC Cash Distribution Report

I. The Board passed the resolution on March 11th, 2020: APIC which result from issue of shares in excess of par value, which is NT\$315,981,558 distributed in cash, NT\$2.0 per share will be distributed from capital surplus. Cash dividends up to one NT\$ dollar, if the distribution is under this amount, will be accounted as other revenue.

II . Cash dividend distribution record date will be decide by another Board meeting.

III. If there is a change in the number of ordinary shares outside of the Company; or when there is a change in shareholders' dividend rate that requires revision, Chairman of the Board should take full authority.

Acknowledgement Items

1. (Proposed by the Board of Directors)

To accept 2019 Business Report and Financial Statements

Explanation:

- (1) 2019 Financial Statement of the Company has been audited, and the audit report has been issued by Ming-Fang Hsu and Ching-Song Wang accountants at CPA firm of KPMG.
- (2) The 2019 Financial Statements and Business Report are reviewed by Supervisors and issued the report.
- (3) Attachment
 - i. Business Report (P. 7)
 - ii. Auditors' Report. (P. 9~11 & P.16~19)
 - iii. Financial Statement (P. 12~15 & P.20~23)
 - iv. Supervisors' Audit Report (P. 8)
- (4) Please accept the above-mentioned items.

Resolution:

2. (Proposed by the Board of Directors)

Approve the Earnings Distribution of 2019

Explanation:

- (1) To draft the distribution of earnings according to Articles of Company. (P.24)
- (2) This distribution of earnings are reviewed by Supervisors and issued into report. (P.8).
- (3) Please accept the above-mentioned items.

Resolution:

Discussion Items

1. (Proposed by the Board of Directors)

To Approve the Revision of Articles of Association :

- (1) In response to the changes of Domestic Accounting Standards, on January, 9th 2020, Ministry of Economic Affairs announced the command number 10802432410 of Art.237 Company Law, which is surplus provident funds; to revise the clauses of Articles of Association.
- (2) Attached Articles Revision Chart. (Please refer to the Chinese Version)
- (3) Please jointly decide the above-mentioned item.

Resolution:

2. (Proposed by the Board of Directors)

To revise Rules of Procedure for Annual General Meeting

Explanation:

- (1) In response to the Company Law, Ministry of Economic Affairs and other related international regulations and practical operations, revised the clauses of “Rules of Procedure for Annual General Meeting”
- (2) Attached Articles Revision Chart. (Please refer to the Chinese Version)
- (3) Please jointly decide the above-mentioned item.

Resolution:

3. (Proposed by the Board of Directors)

To revise Guidelines for Lending of Capital

Explanation:

- (1) In response to Financial Supervisory Commission on March 7th,2019 command number of 1080304826 revision of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, also related international regulations and practical operations, revised the company’s Guidelines for Lending of Capital.
- (2) Attached Articles Revision Chart. (Please refer to the Chinese Version)
- (3) Please jointly decide the above-mentioned item.

Resolution:

4. (Proposed by the Board of Directors)

To revise Guidelines for Endorsements and Guarantees

Explanation:

- (1) In response to Financial Supervisory Commission on March 7th,2019 command number of

1080304826 revision of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” , also related international regulations and practical operations, revised the company’s Guidelines for Endorsements and Guarantees.

(2) Attached Articles Revision Chart. (Please refer to the Chinese Version)

(3) Please jointly decide the above-mentioned item.

Special Motion

【Attachment 1】

Holy Stone Enterprise Co., Ltd.

Business Report

Dear Shareholders,

Industries have changed rapidly throughout the year of 2019, Holy Stone not only cautiously response to external risks, but stay highly proactive in innovation, reinforce products' core competitiveness, keep adjust product mix flexibility to reach higher efficiency in operational quality. Operating results for 2019 and 2020 annual operating plan will be shown in the content below:

1. 2019 Operating Results

- (1) 2019 Operating Plan Implementation: Consolidated Revenue totaled NT\$14.60 billion, gross profit NT\$3.05 billion, down 46.9% YoY. Gross margin reached 20.9%; Net income attribution to parent company totaled NT\$793 million, down 71.5% YoY; earnings per share totaled NT\$5.02. Except the financial performance, Holy Stone has received the 2019 "5th Taiwan Mittelstand Award". We appreciate the recognition by the Ministry of Economic Affairs on continuously improving technique competitiveness. Holy Stone will stay humble and grounded; take this as a motivation to stay on the grind.
- (2) Budget Execution: The Company has not disclosed 2019 Financial Forecasting, therefore no budget execution plan have to be disclosed in this case.
- (3) Analysis on Revenue/Expenditure and Profitability: The Financial Highlights can be reference to Financial Statement appendix.
- (4) Research and Development: By follow the industrial development and market demand, continue to work on MLCC material exploitation, to improve our powder production ability. Also build our own material system mainly developing niche-based products for automobiles, industrial and 5G applications. Total expense for R&D in 2019 is NT\$364 million, up 5.2% from the previous fiscal year, which is NT\$346 million.

2. 2020 Operating Plan Summary

- (1) Management Guidelines: Holy Stone stands for the management values of "Modesty, innovation, and shared prosperity". Hope to advocate "More-in-depth Manufacturing and Intensify in Distributions".
More in Depth Manufacturing: We mainly specialize in manufacturing Multilayer Ceramic Capacitors (MLCC) and Ceramic Metalized Substrates. MLCC department will continue to develop niche-based products, focus more on high-level application market. Ceramic Substrates mainly apply on the cooling of LED visible light and invisible light; sales by main products stay stable, at the same time we work hard on developing new applications and expansion in new territories.
Intensify in Distributions: Holy Stone mainly distributes products in communication, automobiles, and consumer electronics. We follow the industrial trend and keep adjusting product mix, provide best solutions for our clients, making our distributed products more profitable.
- (2) Significant Production Policies: New Plant Construction has officially started in 2019, to enlarge production capacity of our house-brand products, expecting production will be happening in the year of 2021. Since company's products become more widely use in automobiles, industrial and 5G related communications, the revenue and profit from these parts have became the significant support in continuing company's growth.

3. Effects on External Competition, Legislation, and Overall Management Settings

Global trading risks have increased, but as the innovative technologies and electronic products advance to bring forth the new, making other new applications rise. Holy Stone cautiously deals with every risk; at the same time continue to strengthen competitiveness, expand our product compositions, therefore we can be recognized by more clients, and become the best partner of our clients.

Holy Stone truly believes that; in order to become a sustainable developing corporation, besides pursuing the growth on profit, we must fulfill corporate social responsibility, and therefore we compile our own corporate social responsibility report voluntarily. Through the process, we can communicate effectively with our staffs, shareholders and stakeholders, open up for more information transparency, compliance with regulations, fulfill corporate governance, provide safe workplace, create and maintain Health and Safety Management System, hope to develop into "Green Enterprise".

Finally, Holy Stone truly appreciate all the colleagues for their dedication to the Company, as well as the long-term support and recognition from customers, suppliers, shareholders, and the general public.

Wish you the best of health!

Chairman: Jing-Rong Tang

President: Jing-Rong Tang

Accountant Manager: Shu-Ying Chang

【Attachment 2】

**Holy Stone Enterprise Co., Ltd.
Supervisors' Report**

The Board of Directors has prepared the Company's 2019 Business Report, Financial Statements, and proposal for allocation of profits. Both CPA Ming-Fang Hsu and Ching-Song Wang-with KPMG were retained to audit Holy Stone's Financial Statements and have issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the undersigned, the supervisors of Holy Stone Enterprise Company Limited. According to Article 219 of the Company Act, we hereby submit this report.

Holy Stone's Annual Shareholders' Meeting, 2020

Supervisor: Tang-Ming Wu

Chung-Yi Yang

March 11, 2020

【Attachment 3】

This document is prepared in accordance with the Chinese version and is for reference only. In the event of any discrepancy between the English and Chinese version, the Chinese version shall prevail.

Independent Auditors' Report

The Board of Directors and Shareholders

Holy Stone Enterprise Company Limited

Opinion

We have audited the unconsolidated financial statements of Holy Stone Enterprise Company Limited, which comprise the financial statements for the parent company. The unconsolidated financial statements for the parent company comprised financial position as at December 31st 2019, and 2018, the statement of income, the statement of comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the unconsolidated financial statements of the parent company have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the parent company as at December 31st 2019, and 2018 and their financial performance for the year then ended in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our 2019 audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Ministry of Economic Affairs command number of 1090360805 and auditing standards generally accepted in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the 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 ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

As mentioned in note 9.3 and 11.1 of unconsolidated financial statements; during February 2020, Holy Stone Holdings Co., Ltd. (the "Holdings"), which is the subsidiary of Holy Stone Enterprise Co., Ltd., reached a settlement agreement with Direct Purchaser Plaintiffs ("DPP"). Our audit opinion has not been adjusted due to the event.

Other Information

Part of Holy Stone Enterprise Company Limited's investment that accounted under equity method was audited by other accountants. Therefore, the amount of partial Company financial statement among our opinion on these financial statements was according to other accountants' auditor's report. As of December 31st, 2019 and 2018, accounted subsidiaries under equity method, the investment amounts accounted under equity method made up 2.77% and 2.57% of total assets, respectively; gains or losses from subsidiaries accounted under equity method for the year ended December 31st, 2019 and 2018 made up 0.41% and 0.90% of pre-tax income, respectively.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context below.

1. Revenue Recognition

Refer to the note 4.12 and 6.18 for more details on Unconsolidated Financial Statements.

Key audit matters explanation:

The Company's revenue is primarily generated from the provision of multilayer ceramic capacitors (MLCC), integrated circuits, modules, and other electronic components. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Company.

In response of valuation steps:

We evaluated the design and execution of internal control system, revenue analysis of top 10 trading partners, key reconciliations to assess the completeness and accuracy of revenue, including testing the period in which it is reported.

2. Valuation of Accounts Receivable

Refer to the note 4.6.1(1), 5.1 and 6.4 for more details on Unconsolidated Financial Statements.

Key audit matters explanation:

The Company's accounts receivable evaluation is based on collectability. Due to high volatility of the industry, it is uncertain to have enough of information of collectability before the Unconsolidated Financial Statements is reported. In addition, the evaluation of collectability involves professional judgment from the management. Therefore, we identified accounts receivable as a key audit matter.

In response of valuation steps:

To accounting team, the main steps of key audit matters mentioned above included understanding in accounts receivable and the design/operation of internal control system, in order to acquire the accounts receivable assessment policy of Holy Stone Enterprise. It helps evaluate the provision and allowance hypothesis for administrative authority, recent credit record of the specific industry, the payment received condition of Holy Stone Enterprise from last year, analysis of accounts receivable aging schedule, knowing if there is any serious overdue through record check, also the company's adaptation of allowance provision during the day financial report published.

3. Valuation of Inventories

Refer to the note 4.7, 5.2, and 6.6 for more details on Unconsolidated Financial Statements.

Key audit matters explanation:

Inventory is carried in the Financial Statements at the lower of cost and net realisable value. Sales in the electronic components industry can be extremely volatile with consumer demand changing significantly based on current trends. As a result there is a risk that the carrying value of inventory exceeds its net realisable value. We identified inventory as a key audit matter in company's financial report.

In response of valuation steps:

Our audit procedures were designed to challenge the rationality of the parent company's provisions against impairment of inventory, assessing the hypothesis of allowance for inventory valuation and obsolescence losses from previous years; check if the parent company adopts the valuation of inventories; check inventory age report and analyze the pattern; look into the pattern of selling price and market value of inventories to evaluate the rationality of net realisable value; evaluate the legitimacy of the disclosure of allowance for inventory valuation.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

During preparation of the financial statements, management level is responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and

using the going concern basis of accounting, unless management either intends to liquidate the parent company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including supervisors) are responsible for overseeing the parent company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
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. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's ability to continue as a going concern. If we auditors conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the parent company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG

Accountants:

Ming-Fang Hsu

Ching-Song Wang

Taipei, Taiwan, Republic of China

March 11, 2020

English Translations of Financial Statements Originally Issued in Chinese
HOLY STONE ENTERPRISE COMPANY LIMITED

Balance Sheets

December 31, 2019, 2018

(Expressed in Thousands of New Taiwan Dollars)

Assets	2019.12.31		2018.12.31			Liabilities and Equity	2019.12.31		2018.12.31	
	Amount	%	Amount	%			Amount	%	Amount	%
Current Assets:						Current Liabilities:				
1100 Cash and Cash Equivalents (Note6.1)	\$ 3,461,176	28	3,536,441	27	2100	Short-term Loans (Note6.10)	\$ 1,298,648	11	1,009,916	8
1110 Financial Assets at Fair Value through Profit or Loss - Current (Note6.2)	137,242	1	180,951	1	2130	Current Contract Liabilities (Note6.18)	36,090	-	23,670	-
1150 Notes and Accounts Receivable, net (Note4.18)	1,805,869	15	2,093,621	16	2170	Notes and Accounts Payable	651,203	5	757,583	6
1180 Account Receivable - Related Parties (Note6.4,6.18&7)	436,313	4	759,649	6	2180	Accounts Payable - Related Parties (Note7)	84,342	1	112,268	1
1200 Other Receivables (Note6.5)	134,912	1	56,975	-	2200	Other Receivables (Note 6.11)	699,676	6	1,073,885	8
130X Inventories (Note6.6)	2,241,596	18	2,437,844	18	2230	Current Period Income Tax Liability	142,684	1	687,219	5
1410 Prepaid Expenses and Other Current Assets	10,847	-	21,339	-	2280	Lease Obligations-Current (Note 6.13)	1,942	-	-	-
Total Current Assets	8,227,955	67	9,086,820	68		Total Current Liabilities*	2,914,585	24	3,664,541	28
Noncurrent Assets:						Noncurrent Liabilities:				
1510 Financial Assets at Fair Value through Profit or Loss - Noncurrent (Note6.2)	9,990	-	10,434	-	2540	Long-term Loans (Note6.12)	50,000	-	-	-
1517 Non-current financial assets at fair value through other comprehensive income (Note6.3)	7,854	-	17,584	-	2570	Deferred Income Tax Liabilities (Note6.15)	64,398	1	63,523	-
1550 Investments for Using Equity Method (Note6.7)	1,074,307	9	1,539,018	11	2580	Lease Obligations-Noncurrent (Note 6.13)	599	-	-	-
1600 Property, Plant and Equipment(Note6.8&7)	2,695,848	22	2,386,658	18	2640	Accrued Pension Liabilities - Noncurrent (Note6.14)	66,242	1	63,362	-
1755 Right-of-use Asset	2,519	-	-	-	2650	Investment under Equity Method (Note6.7)	256,937	2	-	-
1840 Deferred Income Tax Assets (Note6.15)	58,093	-	68,823	1	2670	Other Noncurrent Liabilities – Others	6	-	6	-
1915 Prepaid Expense on Equipment(Note7)	261,742	2	318,614	2		Total Noncurrent Liabilities	438,182	4	126,891	-
1990 Other Noncurrent Assets - Others (Note 8)	11,502	-	12,402	-		Total Liabilities	3,352,767	28	3,791,432	28
Total Noncurrent Assets	4,121,855	33	4,353,533	32		Equity (Note6.14 & 6.16):				
					3110	Common Stock	1,579,908	13	1,579,908	12
					3200	Capital Surplus	3,402,323	28	3,403,321	25
						Retained Earnings:				
					3310	Legal Reserve	1,638,205	12	1,360,044	10
					3320	Appropriated Retained Earnings	132,916	1	-	-
					3350	Unappropriated Earnings	2,372,512	19	3,438,564	26
						Total Retained Earnings	4,143,633	32	4,798,608	36
						Other Equity:				
					3410	Exchange Differences on Translation of Financial	(47,294)	-	(45,369)	-
					3420	Statements of Foreign Operations				
						Unrealized Gains and Losses on Available-for-sale Financial Assets	(81,527)	(1)	(87,547)	(1)
						Total Other Equity	(128,821)	(1)	(132,916)	(1)
						Total Equity	8,997,043	72	9,648,921	72
Total Assets	\$ 12,349,810	100	13,440,353	100		Total Liabilities and Equity	\$ 12,349,810	100	13,440,353	100

The accompanying notes are an integral part of the financial statements.

Chairman: Jing-Rong Tang

President: Jing-Rong Tang

Accountant Manager: Shu-Ying Chang

English Translations of Financial Statements Originally Issued in Chinese

HOLY STONE ENTERPRISE COMPANY LIMITED

Statements of Income

For the years ended December 31, 2019, 2018

(Expressed in Thousands of New Taiwan dollars, except earnings per share)

	2019		2018	
	Amount	%	Amount	%
4000 Net Sales (Note6.18&7)	\$ 11,663,523	100	13,890,818	100
5000 Cost of Goods Sold (Note6.6、6.14&7&12)	9,092,623	78	8,688,987	63
Gross Profit	2,570,900	22	5,201,831	37
5910 Unrealized Gains and Losses on Sales	(173)	-	(4,516)	-
Gross Profit	2,570,727	22	5,197,315	37
Operating Expense (Note6.14、6.19&7&12)				
6100 Selling and Administrative*	658,162	6	1,042,140	8
6300 Research and Development	194,355	2	201,222	1
6450 Expected Credit Loss (gain) (Note 6.4)	(6,077)	-	7,231	-
Total Operating Expense	846,440	8	1,250,593	9
Operating Income	1,724,287	14	3,946,722	28
Non-Operating Income and Expenses (Note 7):				
7020 Other Gains and Losses	37,442	-	34,367	-
7050 Financial Costs	(12,923)	-	(22,567)	-
7070 Gains of Losses from Subsidiary Using Equity Method	(709,663)	(6)	(381,359)	(3)
7100 Interest Income	16,428	-	9,951	-
Total Non-Operating Income and Expenses	(668,716)	(6)	(359,608)	(3)
7900 Income before Income Tax	1,055,571	8	3,587,114	25
7950 Less: Income Tax Expense (Note6.15)	262,771	2	805,502	6
Net Income for Current Period	792,800	6	2,781,612	19
8300 Other Comprehensive Income:				
8310 Revaluation income				
8311 Defined benefit plan	(4,542)	-	(3,200)	-
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	4,074	-	(20,906)	-
8349 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	1,946	-	1,332	-
8360 Revaluation income arising from reclassification	1,478	-	(22,774)	-
8361 Exchange Differences on Translation of Financial Statements of Foreign Operations	(1,925)	-	12,485	-
8362 Unrealized Valuation Gains (Loss) on Available-for-sale Financial Assets	-	-	-	-
8399 Income Tax related to reclassification	-	-	-	-
Total Revaluation income arising from reclassification	(1,925)	-	12,485	-
8300 Other Comprehensive Income for Current Period (after tax)	(447)	-	(10,289)	-
8500 Total Comprehensive Income for Current Period	<u>\$ 792,353</u>	<u>6</u>	<u>2,771,323</u>	<u>19</u>
Earnings per Share (Note 6.17)				
9750 Basic Earnings per Share (Unit: NT Dollar)*	<u>\$ 5.02</u>		<u>17.61</u>	
9850 Diluted Earnings per Share (Unit: NT Dollar)*	<u>\$ 4.96</u>		<u>17.13</u>	

The accompanying notes are an integral part of the financial statements.

Chairman: Jing-Rong Tang President: Jing-Rong Tang Accountant Manager: Shu-Ying Chang

English Translations of Financial Statements Originally Issued in Chinese
HOLY STONE ENTERPRISE COMPANY LIMITED

Statements of Changes in Stockholders' Equity
For the years ended December 31, 2019, 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to Stockholders of Parent Company					Other Equity			Total Equity
	Retained Earnings					Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income	Unrealized gains (loss) from Available-for-sale Financial Products	
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriatd Earnings				
Beginning Balance, January 1, 2018	\$ 1,579,908	3,493,390	1,272,159	-	1,408,577	(57,854)	-	163,625	7,859,805
Retroactive Adjustment	-	-	-	-	(9,721)	-	82,027	(163,625)	(91,319)
Balance after Restatement, Jan. 1st, 2018	1,579,908	3,493,390	1,272,159	-	1,398,856	(57,854)	82,027	-	7,768,486
Net Income for Current Period	-	-	-	-	2,781,612	-	-	-	2,781,612
Other Comprehensive Profit or Loss for Current Period	-	-	-	-	(3,200)	12,485	(19,574)	-	(10,289)
Total Comprehensive Profit or Loss for Current Period	-	-	-	-	2,778,412	12,485	(19,574)	-	2,771,323
Appropriations of Retained Earnings:									
Legal Capital Reserve	-	-	87,885	-	(87,885)	-	-	-	-
Cash Dividends to Shareholders	-	-	-	-	(789,954)	-	-	-	(789,954)
Other Changes to Additional Paid-In Capital:									
Cash Dividends Distributed from Additional Paid-In Capital	-	(47,397)	-	-	-	-	-	-	(47,397)
Profit(loss) of associates and joint ventures accounted for using equity method	-	(42,672)	-	-	139,135	-	(150,000)	-	(53,537)
Ending Balance, December 31, 2018	1,579,908	3,403,321	1,360,044	-	3,438,564	(45,369)	(87,547)	-	9,648,921
Net Income for Current Period	-	-	-	-	792,800	-	-	-	792,800
Other Comprehensive Profit or Loss for Current Period	-	-	-	-	(4,542)	(1,925)	6,020	-	(447)
Total Comprehensive Profit or Loss for Current Period	-	-	-	-	788,258	(1,925)	6,020	-	792,353
Appropriation of Retained Earnings:									
Provision for Legal Reserve	-	-	278,161	-	(278,161)	-	-	-	-
Special Capital Reserve	-	-	-	132,916	(132,916)	-	-	-	-
Cash Dividend for Common Stock	-	-	-	-	(1,421,917)	-	-	-	(1,421,917)
Profit (loss) of associates and joint ventures accounted for using equity method	-	(998)	-	-	(21,316)	-	-	-	(22,314)
Ending Balance, December 31, 2019	\$ 1,579,908	3,402,323	1,638,205	132,916	2,372,512	(47,294)	(81,527)	-	8,997,043

The accompanying notes are an integral part of the financial statements.

Chairman: Jing-Rong Tang

President: Jing-Rong Tang

Accountant Manager: Shu-Ying Chang

English Translations of Financial Statements Originally Issued in Chinese

HOLY STONE ENTERPRISE COMPANY LIMITED

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	<u>2019</u>	<u>2018</u>
Cash Flows generated from Operating activities:		
Income before Income Tax	\$ 1,055,571	3,587,114
Adjusted Items:		
Incomes or Expenses		
Depreciation	423,298	275,183
Expected Credit Loss	(6,077)	7,231
Net Loss (gain) on financial assets or liabilities at fair value through profit or loss	(13,538)	11,691
Interest Expense	12,923	22,567
Interest Income	(16,428)	(9,951)
Dividend Income	(155)	(540)
Gains or Losses from Subsidiary Using Equity Method	709,663	381,359
Gain or Losses on Disposal and Scrap of Property, Plant and Equipment	(2,252)	6,105
Gain on Disposal of Investment	1,377	-
Unrealized Gains and Losses on Sales	173	4,516
Total Incomes or Expenses	<u>1,108,984</u>	<u>698,161</u>
Change in Assets and Liabilities related to Operating Activities:		
Change in Assets related to Operating Activities:		
Financial Assets at Fair Value through Profit or Loss - Current	57,691	(157,601)
Account and Notes Payable	293,829	(214,787)
Accounts Payable - Related Parties	323,336	222,975
Other Receivables	(77,993)	20,226
Inventory	196,248	(440,611)
Prepaid Expenses and Other Current Assets	10,492	(8,148)
Net Change in Assets and Liabilities related to Operating Activities	<u>803,603</u>	<u>(577,946)</u>
Change in Liabilities related to Operating Activities:		
Contract Liabilities	12,420	10,568
Accounts Payable	(106,380)	(514,239)
Accounts Payable - Related Parties	(27,926)	59,009
Other Payables	(374,192)	475,003
Net Defined benefit liability	(1,662)	(1,545)
Total	<u>(497,740)</u>	<u>28,796</u>
Total Adjustment from Change in Assets and Liabilities related to Operating Activities	<u>305,863</u>	<u>(549,150)</u>
Total Adjusted Items	<u>1,414,847</u>	<u>149,011</u>
Cash Flow generated from Operations	2,470,418	3,736,125
Interest Collected	16,484	9,262
Dividends Collected	155	540
Interest Paid	(12,940)	(22,273)
Income Tax Paid	(793,755)	(225,083)
Net Cash Flows generated from Operating activities	<u>1,680,362</u>	<u>3,498,571</u>
Cash Flows generated from Investing Activities:		
Investments Accounted for Using Equity Method	-	(62,349)
Acquisition of property, plant and equipment	(729,527)	(829,548)
Proceeds from disposal of property, plant and equipment	2,530	2,445
Decrease in other non-current assets	900	1,739
Increase Prepayments on Equipments	56,872	(163,861)
Net Cash Flows generated from (used in) Investing Activities	<u>(669,225)</u>	<u>(1,051,574)</u>
Cash Flows generated from Financing Activities:		
Increase (Decrease) in Short-term Loans	288,732	(1,134)
Proceeds from Long-term Debt	50,000	-
Principal repayment	(3,217)	-
Increase (Decrease) in Other Noncurrent Liabilities	-	(5)
Cash Dividend Distribution	(1,421,917)	(837,351)
Net Cash Flows used in Financing Activities	<u>(1,086,402)</u>	<u>(838,490)</u>
Increase (Decrease) in Cash and Cash in Banks of Current Period	<u>(75,265)</u>	<u>1,608,507</u>
Cash and Cash in Banks at Beginning of the Period	<u>3,536,441</u>	<u>1,927,934</u>
Cash and Cash in Banks at End of the Period	<u>\$ 3,461,176</u>	<u>3,536,441</u>

The accompanying notes are an integral part of the financial statements.

Chairman: Jing-Rong Tang

President: Jing-Rong Tang

Accountant Manager: Shu-Ying Chang

【Attachment 4】

This document is prepared in accordance with the Chinese version and is for reference only. In the event of any discrepancy between the English and Chinese version, the Chinese version shall prevail.

Independent Auditors' Report

The Board of Directors and Shareholders

Holy Stone Enterprise Company Limited

Opinion

The consolidated financial statements for the Holy Stone Enterprise Company comprise with its subsidiaries; the statement of financial position as from January 1st to December 31st, 2019 and 2018, consolidated balance sheet, consolidated statement of comprehensive income, the consolidated statements of cash flows and changes in equity for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, we conducted our audits review with other accountants (Please refer to other matters section). Major aspects in the Independent Auditor's Report have authorized articles accordance with Regulations of Financial Reports by Security Issues, which is sufficient to show the financial status of Holy Stone Enterprise during December 31st, 2019 to 2018, in addition its Financial Performance and Cash Flow from January to December, 2019 and 2018.

Basis for Opinion

We conducted our 2019 audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Ministry of Economic Affairs command number of 1090360805 and auditing standards generally accepted in the Republic of China (ROC GAAS). The 2018 consolidated financial report was also audited in accordance with the (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the 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 have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As the descriptions of notes 9.3 and 11.1 in Consolidated Financial Statements; during mid-February of 2020, Holy Stone Holdings Co., Ltd. (the "Holdings"), which is the subsidiary of Holy Stone Enterprise Co., Ltd., reached a settlement agreement with Direct Purchaser Plaintiffs ("DPP") of the US antitrust case caused. We auditors do not provide a fixed opinion on this matter.

Other Information

In the Consolidated Financial Statements of Holy Stone Enterprise Company Limited, part of the Company's financial report; that accounted under equity method was audited by other accountants. Therefore, the amount of partial Company's subsidiaries financial statement among the opinion on these statements was based on other accountants' auditor's report. As of December 31, 2019 and 2018, the assets of the particular subsidiary of Holy Stone made up 3.65% and 3.85% of total assets, respectively; the revenue from subsidiaries for the year ended by December 31, 2019 and 2018 made up 5.96% and 9.39% of consolidated net sales, respectively.

Holy Stone Enterprise Company Limited has established the unconsolidated financial report of 2019 and 2018 which audited by KPMG auditors. Auditors published unqualified opinion, emphasis of matter, other matter paragraph with no remaining opinion, and other matter paragraph on record for reference.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit

of the 2019 Consolidated Financial Statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

1. Revenue Recognition

Refer to note 4.14 for Revenue Recognition Policy and 6.19 for more revenue details on Consolidated Financial Statements.

Key Audit Matters Explanation:

The Company's revenue is primarily generated from the business trading of multilayer ceramic capacitors (MLCC), integrated circuits, modules, and other electronic components. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Company.

Responding Audit Procedures:

The company evaluated the design and execution of internal control system, revenue analysis of top 10 trading partners, key reconciliations to assess the completeness and accuracy of revenue, including testing the period in which it is reported.

2. Valuation of Accounts Receivable

Refer to the note 4.7.1.1 Amortized cost Financial Assets for more details on Accounts Receivable Policy.

The Company's accounts receivable evaluation is based on collectability. Due to high volatility of the industry, it is uncertain to have enough of information of collectability, please check the Consolidated Financial Statements in 5.1. We identified accounts receivable gain and loss details on 6.4.

Key Audit Matters Explanation:

The Company's accounts receivable evaluation is based on collectability. Due to high volatility of the industry, it is uncertain to have enough of information of collectability, please check the Consolidated Financial Statements. We identified accounts receivable gain and loss details in the report.

Responding Audit Procedures:

Holy Stone Group measure the Accounts Receivables based on returnability. Due to high uncertainty on industry prosperity, there was probably not enough information returned before the complete of Consolidated Financial Statements published; thus the measurements of returnability also involve the management level, therefore Accounts Receivable of Holy Stone would be one of the most important audit matters in this case..

The Audit Program we provided including the subjects mentioned above, also our understanding on design and implementation of accounts receivable internal control. After obtaining accounts receivable impairment or disposal policy by Holy Stone, evaluate the hypothesis of accounts receivable allowance by the administrative authority; analyze accounts receivable aging schedule and collection record after the audit period, in order to realize if there's any large overdue. While evaluate impairment or disposal adequacy according to the financial report of Holy Stone Enterprise Limited.

3. Valuation of Inventories

Refer to the note 4.8 for Inventory Auditing Policy, 5.2, and 6.6 for more details on Inventories in Consolidated Financial Statements.

Key Audit Matters Explanation:

Inventory is carried in the Financial Statements at the lower of cost and net realizable value. Sales in the electronic components industry can be extremely volatile with consumer demand changing significantly based on current trends. As a result there is a risk that the carrying value of inventory exceeds its net realizable value. We value inventory as a very important audit matter for the report.

Responding Audit Procedures:

Our audit procedures were designed to challenge the reasonableness of the Company's provisions against impairment of inventory, assessing the hypothesis of allowance for inventory valuation and obsolescence

losses from previous years; check if the Company adopts the valuation of inventories; check inventory age report and analyze the pattern; look into the pattern of selling price and market value of inventories to evaluate the reasonableness of net realizable value; evaluate the legitimacy and adequacy of disclosure of allowance for inventory valuation, while evaluate the exposure of inventory allowance by management level.

Responsibilities of Management Level for Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including supervisors) are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. There is no material misstatement found above risks of the financial statements ;
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. evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
4. conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
5. evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Accountants:

Ming-Fang Hsu

Ching-Song Wang

Taipei, Taiwan, Republic of China

March 11, 2020

HOLY STONE ENTERPRISE COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statements of Income

For the years ended December 31, 2019, 2018

(Expressed in Thousands of New Taiwan Dollars, except earnings per share)

	2019		2018	
	Amount	%	Amount	%
Net Sales(Note6.19&7)	14,601,179	100	16,350,840	100
Cost of Goods Sold(Note6.6、6.14、6.15&7)	11,550,634	79	10,605,078	65
Gross Profit	3,050,545	21	5,745,762	35
Operating Expense				
Selling and Administrative(Note6.10、6.14、6.15、6.20)	1,825,972	13	1,788,973	11
Research and Development(Note6.10、6.14、6.15、6.20)	363,790	2	345,848	2
Expected Credit Loss (gain) (Note6.4)	(1,655)	-	8,821	-
Total Operating Expense	2,188,107	15	2,143,642	13
Operating Income	862,438	6	3,602,120	22
Non-Operating Income and Expenses:				
Other Gains and Losses(Note6.10&6.21)	60,790	-	(81,450)	1
Financial Costs (Note6.14)	(16,565)	-	(24,479)	-
Share of Profit of Associates Accounted for Using Equity Method	20,539	-	11,056	-
Interest Income	20,868	-	14,617	-
Total Non-Operating Income and Expenses	85,632	-	(80,256)	-
Income before Income Tax	948,070	6	3,521,864	22
Less: Income Tax Expense(Note6.16)	(286,342)	(2)	(841,959)	(5)
Net Income for Current Period	661,728	4	2,679,905	17
Other Comprehensive Gains and Losses:				
Items not to be reclassified into profit or loss:				
Remeasurements of defined benefit plans	(4,542)	-	(3,200)	-
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	9,450	-	(15,413)	-
Income Tax arising from nonrevaluation gain or loss	1,946	-	1,332	-
Total Items not to be reclassified	6,854	-	(17,281)	-
Revaluation gain or loss arising from reclassification				
Exchange Differences on Translation of Financial Statements of Foreign Operations	(2,236)	-	14,098	-
Income Tax arising from revaluation gain or loss	-	-	-	-
Total revaluation gain or loss arising from reclassification	(2,236)	-	14,098	-
Other Comprehensive Income, net	4,618	-	(3,183)	-
Total Comprehensive Profit or Loss for Current Period	666,346	4	2,676,722	17
Net Income Attributable to:				
Stockholders of Parent Company	792,800	5	2,781,612	18
Non-Controlling Equity	(131,072)	(1)	(101,707)	(1)
	661,728	4	2,679,905	17
Comprehensive Profit or Loss Attributable to:				
Stockholders of Parent Company	792,353	5	2,771,323	18
Non-Controlling Equity	(126,007)	(1)	(94,601)	(1)
Total Comprehensive Income for Current Period	666,346	4	2,676,722	17
Earnings per Share(Note6.19)				
Basic Earnings per Share (Unit: NT Dollar)		5.02		17.61
Diluted Earnings per Share (Unit: NT Dollar)		4.96		17.13

The accompanying notes are an integral part of the financial statements.

Chairman: Jing-Rong Tang

President: Jing-Rong Tang

Accountant Manager: Shu-Ying Chang

English Translations of Consolidated Financial Statements Originally Issued in Chinese
HOLY STONE ENTERPRISE COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2019, 2018

(Expressed in Thousands of New Taiwan Dollars)

Equity Attributable to Stockholders of Parent Company

	Retained Earnings					Other Equity			Total Equity Attributable to Stockholders of Parent Company	Non-Controlling Equity	Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriatd Earnings	Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income	Unrealized gains (loss) from Available-for-sale Financial Products			
Beginning Balance, January 1, 2018	\$ 1,579,908	3,493,390	1,272,159	-	1,408,577	(57,854)	-	163,625	7,859,805	463,495	8,323,300
Retroactive Adjustment	-	-	-	-	(9,721)	-	82,027	(163,625)	(91,319)	(25,102)	(116,421)
Balance after Restatement, Jan. 1st, 2018	1,579,908	3,493,390	1,272,159	-	1,398,856	(57,854)	82,027	-	7,768,486	438,393	8,206,879
Net Income for Current Period	-	-	-	-	2,781,612	-	-	-	2,781,612	(101,707)	2,679,905
Other Comprehensive Profit or Loss for Current Period	-	-	-	-	(3,200)	12,485	(19,574)	-	(10,289)	7,106	(3,183)
Total Comprehensive Profit or Loss for Current Period	-	-	-	-	2,778,412	12,485	(19,574)	-	2,771,323	(94,601)	2,676,722
Appropriations of Retained Earnings:											
Legal Capital Reserve	-	-	87,885	-	(87,885)	-	-	-	-	-	-
Cash Dividends to Shareholders	-	-	-	-	(789,954)	-	-	-	(789,954)	-	(789,954)
Other Changes to Additional Paid-In Capital:											
Cash Dividends Distributed from Additional Paid-In Capital	-	(47,397)	-	-	-	-	-	-	(47,397)	-	(47,397)
Profit(loss) of associates and joint ventures accounted for using equity method	-	(42,672)	-	-	139,135	-	(150,000)	-	(53,537)	-	(53,537)
Non-controlling Interests	-	-	-	-	-	-	-	-	-	183,359	183,359
Ending Balance, December 31, 2018	1,579,908	3,403,321	1,360,044	-	3,438,564	(45,369)	(87,547)	-	9,648,921	527,151	10,176,072
Net Income for Current Period	-	-	-	-	792,800	-	-	-	792,800	(131,072)	661,728
Other Comprehensive Profit or Loss for Current Period	-	-	-	-	(4,542)	(1,925)	6,020	-	(447)	5,065	4,618
Total Comprehensive Profit or Loss for Current Period	-	-	-	-	788,258	(1,925)	6,020	-	792,353	(126,007)	666,346
Appropriation of Retained Earnings:											
Provision for Legal Reserve	-	-	278,161	-	(278,161)	-	-	-	-	-	-
Special Capital Reserve	-	-	-	132,916	(132,916)	-	-	-	-	-	-
Cash Dividend for Common Stock	-	-	-	-	(1,421,917)	-	-	-	(1,421,917)	-	(1,421,917)
Profit (loss) of associates and joint ventures accounted for using equity method	-	(998)	-	-	(21,316)	-	-	-	(22,314)	-	(22,314)
Non-controlling Equity	-	-	-	-	-	-	-	-	-	233,817	233,817
Ending Balance, December 31, 2019	\$ 1,579,908	3,402,323	1,638,205	132,916	2,372,512	(47,294)	(81,527)	-	8,997,043	634,961	9,632,004

The accompanying notes are an integral part of the financial statements.

Chairman: Jing-Rong Tang

President: Jing-Rong Tang

Accountant Manager: Shu-Ying Chang

English Translations of Consolidated Financial Statements Originally Issued in Chinese
HOLY STONE ENTERPRISE COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statement of Cash Flows
For the years ended December 31, 2019, 2018

(Expressed in Thousands of New Taiwan Dollars)

	<u>2019</u>	<u>2018</u>
Cash Flows generated from Operating activities:		
Income before Income Tax	\$ 948,070	3,521,864
Adjusted Items:		
Incomes or Expenses		
Depreciation	480,350	316,488
Amortization Expense	3,056	2,914
Expected Credit Loss	(1,655)	8,821
Net Loss (gain) on financial assets or liabilities at fair value through profit or loss	(36,957)	41,176
Interest Expense	16,565	24,479
Interest Income	(20,868)	(14,617)
Dividend Income	(619)	(3,734)
Gains or Losses from Subsidiary Using Equity Method	(20,539)	(11,056)
Gain or Losses on Disposal and Scrap of Property, Plant and Equipment	(2,332)	7,809
Gain (loss) on Disposal of Investment	179	(75,436)
Gain or Losses on Non-Financial Assets	1,377	167,594
Other items	(2)	-
Total Incomes or Expenses	<u>418,555</u>	<u>464,438</u>
Change in Assets and Liabilities related to Operating Activities:		
Change in Assets related to Operating Activities:		
Financial Assets at Fair Value through Profit or Loss - Current	172,332	(261,657)
Account and Notes Payable	584,317	(189,564)
Other Receivables	(75,314)	32,428
Inventory	145,053	(402,425)
Prepaid Expenses and Other Current Assets	3,341	(22,590)
Total	<u>829,729</u>	<u>(843,808)</u>
Change in Liabilities related to Operating Activities:		
Contract Liabilities	39,443	29,198
Accounts Payable	(122,520)	(473,729)
Accounts Payable - Related Parties	13,953	19,390
Other Payables	241,848	617,605
Net Defined benefit liability-Noncurrent	(1,662)	(1,545)
Total	<u>171,062</u>	<u>190,919</u>
Total Adjustment from Change in Assets and Liabilities related to Operating Activities	<u>1,000,791</u>	<u>(652,889)</u>
Total Adjusted Items	<u>1,419,346</u>	<u>(188,451)</u>
Cash Flow generated from Operations	2,367,416	3,333,413
Interest Collected	21,059	14,092
Dividends Collected	619	3,734
Interest Paid	(16,494)	(24,199)
Income Tax Paid	(838,867)	(241,725)
Net Cash Flows generated from Operating activities	<u>1,533,733</u>	<u>3,085,315</u>
Cash Flows generated from Investing Activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	903
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	45,523	11,904
Acquisition of financial assets designated at fair value through profit or loss	-	(10,823)
Proceeds from disposal of financial assets designated at fair value through profit or loss	26,655	20,561
Acquisition of investments accounted for using equity method	-	(9,475)
Proceeds from disposal of subsidiaries	(351)	-
Acquisition of property, plant and equipment	(777,546)	(863,864)
Proceeds from disposal of property, plant and equipment	3,084	2,625
Acquisition of Intangible Assets	(1,270)	(1,278)
Decrease (Increase) in Other Non-current Assets	(3,261)	1,535
Decrease in prepayments for business facilities	53,969	(165,844)
Dividends Received	20,542	25,050
Net Cash Flows generated from (used in) Investing Activities	<u>(632,655)</u>	<u>(988,706)</u>
Cash Flows generated from Financing Activities:		
Increase (Decrease) in Short-term Loans	428,948	(41,134)
Proceeds from long-term debt	50,000	-
Repayments of long-term debt	(15,141)	(2,016)
Payments of lease liabilities	(20,368)	-
Increase (Decrease) in Other Noncurrent Liabilities	(36)	54
Cash Dividend Distribution	(1,421,917)	(837,351)
Disposal of ownership interests in subsidiaries (without losing control)	-	163
Changes in Non-Controlling Equity	211,383	205,451
Net Cash Flows used in Financing Activities	<u>(767,131)</u>	<u>(674,833)</u>
Effect of Exchange Rate Changes in Cash and Cash Equivalents	461	9,994
Increase (Decrease) in Cash and Cash in Banks of Current Period	134,408	1,431,770
Cash and Cash in Banks at Beginning of the Period	4,441,678	3,009,908
Cash and Cash in Banks at End of the Period	<u>\$ 4,576,086</u>	<u>4,441,678</u>

The accompanying notes are an integral part of the financial statements.

Chairman: Jing-Rong Tang

President: Jing-Rong Tang

Accountant Manager: Shu-Ying Chang

【Attachment 5】**Holy Stone Enterprise Co., Ltd.
Earnings Distribution Table**

December 31, 2019

Unit: NT\$

Item	Amount	Total Amount
Net Income of 2019	792,800,274	
Add : Adjustment on Actuarial gains and losses	(4,542,308)	
Changes in ownership equity in subsidiaries	(21,315,072)	
2019 Unappropriated Earnings	766,942,894	
Less: Legal Capital Surplus (Note 2)	0	
Add : Decrease in Reversal Equity Special Reserve	4,094,109	
2019 Unappropriated retained earnings		771,037,003
Add: Beginning Unappropriated retained earnings		1,605,569,168
Total Unappropriated retained earnings		2,376,606,171
Less : Distribution Item		
Cash Dividends		789,953,895
Ending Unappropriated retained earnings		1,586,652,276

1. The outstanding shares are 157,990,779 shares which are based on February 29, 2020.

2. The Company's legal surplus has reached total paid-in capital; according to Art.237 of the Company Act and No.20 Regulation in Article of Association, legal reserve is not allowed in this case.

Chairman: Jing-Rong Tang

President: Jing-Rong Tang

Accountant Manager: Shu-Ying Chan

【Attachment 6】

**Holy Stone Enterprise Co., Ltd. (“the Company”)
Article of Association Revision Chart**

(Please refer to the Chinese Version)

【Attachment 7】

**Holy Stone Enterprise Co., Ltd. (“the Company”)
Rules of Procedure for Annual General Meeting Revision Chart**

(Please refer to the Chinese Version)

【Attachment 8】

**Holy Stone Enterprise Co., Ltd. (“the Company”)
Guidelines for Lending of Capital Revision Chart**

(Please refer to the Chinese Version)

【Attachment 9】

**Holy Stone Enterprise Co., Ltd. (“the Company”)
Guidelines for Endorsements and Guarantees Revision Chart**

(Please refer to the Chinese Version)

【Appendix】

Holy Stone Enterprise Co., Ltd. (“the Company”)

- 1. Rules of Procedure for Annual General Meeting**
- 2. Article of Association**
- 3. Number of shares held and Minimum number of shares to be held for each Shareholder and Supervisor**
- 4. Other Instructions**

(Please refer to the Chinese Version)