

ENE TECHNOLOGY INC

Meeting Notice of Annual General Shareholders' Meeting

Important Information:

- (1) During COVID-19 pandemic period, it is strongly recommended that shareholders to make use of electronic voting through STOCVOTE platform to exercise their voting rights. (STOCKVOTE platform: <http://www.stockvote.com.tw>).
- (2) If shareholders wish to attend the Shareholder's Meeting in person, please put on your medical facial mask till the meeting is adjourned or till you leave the venue. Please also cooperate and allow our staff to measure your temperature at the entrance.
- (3) If a change in meeting venue is deemed necessary due to epidemic preventions, we will announce the updated information on ENE's website as well as on Market Observation Post System (MOPS).
(ENE: <http://www.ene.com.tw>) (MOPS: <http://mops.twse.com.tw>)

The 2021 Annual General Shareholders' Meeting (the "Meeting") of ENE Technology Inc. will be convened at 9:00 a.m., June 3rd, 2021 at the ASIP Meeting Room No. 202 (No. 2, Prosperity Rd I, Hsinchu Science Park, Hsinchu, Taiwan).

A. The Agenda for the Meeting is as follows:

1. Report items:

1. 2020 Business report
2. 2021 Audit Committee's review reports on 2020 Financial Statements

2. Acknowledgements:

1. To adopt 2020 Business Report and Financial Statements
2. To approve the Proposal for 2020 Deficit Appropriation

3. Discussion items:

1. Proposal for capital reduction to offset accumulated deficit
2. Proposal to issue new restricted stock awards shares for employees
3. Proposal for a cash offering by private placement and issuance of new shares

4. Extemporaneous motions

B. Explanatory note for the capital reduction proposal

1. Rationale: For improving financial structure and preparing for future development, the company proposes to reduce capital to offset the accumulated deficits.
2. Ratio and Amount: The BOD proposes to reduce capital by NT\$386,538,520 to offset the accumulated deficit. 38,653,852 shares will be retired with reduction ratio of 51.55449%. For every 1000 shares, 515.5449 shares will be reduced, in other words, 484,4551 shares will be exchanged per 1000 shares.

- C. Proposal for issuance of new Restricted Stock Awards (RSA) shares for employees, please see attachment.
- D. Proposal for a cash offering by private placement and issuance of new shares, please see attachment.
- E. Each attendance notification and proxy form will be attached in this meeting notice. If the shareholder(s) is attending the meeting in person, please sign or stamp on the attendance notification form and bring to the check-in counter on the day of the meeting. In the case that an agent(s) is entrusted attend the meeting, the shareholder(s) shall sign or stamp on the proxy form and personally fill out the name and address of the agent, then deliver the proxy form to the Stock Transfer & Registrar Department of Yuanta Securities at least 5 days prior to the day of the meeting. The signed proxy form will serve as the sign-in card for agent(s) to represent your vote at the meeting.
- F. The Stock Transfer & Registrar Department of Yuanta Securities is the proxy tallying and verification institution for this annual general meeting.
- G. If a proxy is solicited by the shareholder(s), ENE Technology Inc. is required to compile details on the proxy solicitation parties and disclose such information on the Securities and Futures Institute (SFI) website no later than May 3rd, 2021. Shareholder(s) can obtain information on proxy solicitation firms from the “Free proxy disclosure & related information system” (<http://free.sfi.org.tw>), via the “proxy disclosure and meeting notices” search page.
- H. Shareholders may exercise their right through electronic voting. Period for exercising electronic voting is May 4th ~ May 31st, 2021. Please visit voting site: <http://www.stockvote.com.tw>
- I. Electronic Voting and collection of shareholder gift: 1. Eligibility: Shareholdings more than 1000 shares or above. 2. Shareholder gift: 7-11 voucher valued at NT\$35 (or substitute of same value). 3. Assign an agent: please go to the agency (as listed on <http://free.sfi.org.tw>) during May 3rd –May 28th of 2021 (for holdings more than 1000 shares only). 4. To find a convenient solicitation firm, please go to “proxy disclosure and meeting notices” in the website: <http://free.sfi.org.tw> 5. To attend meeting in person, please bring

signed/stamped meeting notice to the meeting venue and collect shareholder gift which will only be distributed till end of the meeting. 6. Shareholder gift will not be distributed by post. 7. Shareholders using the electronic voting system may collect the shareholder gift at the Stock Transfer & Registrar Department of Yuanta Securities (1F, B1 or B2, No. 210, sec. 3, Chen-de Rd, Taipei) from June 2nd to June 4th, 2021, 9am-4:30pm.

Sincerely,

Board of Directors

ENE TECHNOLOGY INC.

Attachment

Explanatory on cash offering by private placement and issuance of new shares

1. In order to expand the future sales of the products, and considering the effectiveness, convenience, issuance cost and stability of shareholding structure, the Company proposes a private placement of ordinary shares in accordance with Article 43-6 of the Securities and Exchange Act. The total amount of private placement shall not exceed 8,000,000 shares with par value of NT\$10.
2. Basis and rationality of private placement pricing:

The reference price of private placement should not be lower than 80% of the higher price calculated based on the following two benchmarks before the price determination date. The actual price determination date and the actual price are to be set by BOD later on following discussions with the specific parties and the market conditions at the time.

 - 2.1 The simple average closing price of the common shares for either the 1,3 or 5 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction.
 - 2.2 The simple average closing price of the common shares for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction.

The basis for the aforementioned reference price is in line with the rules for issuing private placement, thus it is believed that the pricing set is reasonable.
3. Methods for selection of specific parties:
 - 3.1 The Company is aiming to bring in strategic investors by the private placement. There is no specific target at this stage. The Company shall follow the rules set in article 43-6 of the Securities and Exchange Act and Executive order 0910003455 of FSC when selecting candidates for the private placement.
 - 3.2 Selection method, objectives, necessity and the anticipated benefits for specific parties:
 - a. Method and objective

The technology is changing rapidly. Other than reinforcing R&D capabilities, it is necessary to team up with key customers to seize opportunities in the fierce competition.

The Company wants to bring in strategic investors in related industries, not only to reinforce R&D capabilities but also to work with the current supply chain and customers to elevate overall operation thereby improve profitability.

b. Necessity

The Company not only specialized in NB EC related RD and applications, but also develop niche consumer products. Therefore, in considering long term business development, it is essential to bring in strategic partners that are able to provide resources to the Company in aspects of funds and RD capabilities.

c. Anticipated benefits

The potential benefits to bring in strategic partners are improving operation efficiency, lowering cost, strengthening position in the industry, increasing shipment volume and improving financial structure. These shall improve the competencies of the Company and the shareholder's equity.

4. Rationale for private placement

4.1 Reasons for not using a public offering

In terms of the effectiveness, feasibility and issuance cost, private placement is more appropriate than the public offering in considering the current market. The 3-year lockup restriction of private placement shall reinforce the long term partnership between the Company and the strategic investors. Thus, the Company shall issue ordinary shares in accordance with the private placement related legislations.

4.2 Total amount of private placement

Total of 8,000,000 shares with par value of NT\$10 is proposed for the private placement. Board of Directors shall decide the related affairs within one year from the date of resolution made in the Shareholder's meeting. The private placement shall be commenced in two stages where the first stage with 5,000,000 shares and 3,000,000 for the remaining quota.

4.3 Purpose for incremental private placements

The purposes to commence private placement in two stages are to fulfill future operation funds, repay bank loans and other fund requirements for future developments.

4.4 Anticipated benefits

To improve financial structure, increase operation efficiency and gain better position in the industry to enhance long term competitiveness and ultimately gain positive injection to the shareholder's equity.

5. For any amendments on the rights and obligations of ordinary shares newly issued due to the change of legislations or recommendations from the authority, the BOD is fully authorized to handle related affairs.

6. For any amendments on the rights and obligations of ordinary shares or any other

unmentioned matters such as actual number of shares, actual pricing, selection of the places, base date, issuance conditions, project items, purpose of the funds and progress, anticipated benefits and other related affairs, the BOD is authorized to make adjustments and make instructions. If there is any changes required due to legislation, authority recommendations or operation evaluation updates, BOD is authorized to handle related matters.

7. If there is a significant change in managerial control within the 1 year period immediately preceding the on which the BOD resolves on the private placement, the Company shall engage a securities underwriter to provide an assessment opinion on the necessity and reasonableness for conducting the private placement, please refer to Attachment. Please see more details on <http://mops.twse.com.tw/> or www.ene.com.tw

Attachment

Explanatory on issuing new restricted stock award for employees

1. Total issuance: ordinary shares 1,000,000 shares, par value of \$10.
2. Issuance condition:
 - 2.1 Issuance price: New bonus shares
 - 2.2 Distribution restrictions:

One year of full time employment after bonus shares assigned: 20% of allocation
Two years of full time employment after bonus share assigned: 30% of allocation
Three years of full time employment after bonus share assigned: 50% of allocation
 - 2.3 Type of issuance: ordinary shares
 - 2.4 Upon unusual situation such as disqualification or inheritance, please refer to Regulations of New Restricted Employee Shares
3. Qualifications and quantities for the RSA shares allotments:
 - 3.1 Only full time employees of the company are qualified to participate RSA. The allotment shall be depending on the seniority, grades, performance, contribution and special credits etc. Potential recipients who are also members of the Board or professional managers shall obtain prior approval from the Compensation Committee.
 - 3.2 Allotments restrictions and qualifications of single stock holder shall follow the Article 60-9 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers.
4. Rationale for issuance of New Restricted Employee Shares: to attract and retain professional talents, provide incentives and reinforce cohesiveness.
5. Projected expenses, share dilutions and other matters that affect the shareholder's equity:
 - 5.1 Possible expenses incurred:

Based on the closing price of NT\$21.8 on the April 13th (a day before the issuance of BOD Meeting Notice), the conversion price after capital reduction is NT\$45, and the total of possible expenses would be NT\$45,000 thousands. Estimated expenses for the three years are \$9,000 thousands, \$13,500 thousands and \$22,500 thousands respectively. However, the actual expenses shall be confirmed on the day of the transfer.
 - 5.2 Impact on the share dilution and shareholder equity:

Total outstanding shares after the capital reduction is 36,322,841 shares. Based on the reduced capital, the current estimation for the three years EPS are \$0.24, \$0.37 and \$0.62 respectively, the company thinks the amount is considerably minimal to have significant impact on the shareholder's equity.
6. Other important engagements: please see Regulations of New Restricted Stock Awards

for Employees.

7. Please refer to the Shareholder's Meeting Agenda for New Restricted Stock Awards for Employees.
8. The proposal has been accepted by the BOD and submitted to the Shareholder's Meeting for approval. If there is any changes required due to legislations changes or authority's comment, the Chairman of the BOD shall be in full charge.

Attachment

Assessment on Necessity and Reasonableness of Private Placement by securities underwriter Fubon Securities Co. Ltd.

ENE TECHNOLOGY INC

Assessment on the Necessity and Reasonableness

of

Private Placement

Principle of the assessment report: ENE TECHNOLOGY INC

Trustee of the assessment report: ENE TECHNOLOGY INC

Purpose of the assessment report: for issuance of ordinary shares by private placement in 2021 only.

Type of report: Private placement necessity and reasonableness assessment report by securities underwriter.

Securities underwriter: Fubon Securities Co.,Ltd.

Representative: Wei-ting Han

(The purpose of this assessment report is only for the BOD meeting (April 21st, 2021) and the shareholder's meeting (June 3rd, 2021) to discuss the private placement proposal. The assessment report is prepared based on the financial information provided by the Company and the announcements on the MOPS. The underwriter shall take no responsibilities for any impact on the Company in case of future content changes of the private placement plan.)

2021. April. 21st

**Assessment Report on the feasibility and reasonableness
of cash offering by private placement in 2021
by
ENE TECHNOLOGY INC.**

1. Introduction

ENE Technology Co., Ltd. (hereinafter referred to as the Company or ENE) is planning to raise capital by private placement in accordance to the Article 43-6 of Securities and Exchange Act and Directions for Public Companies Conducting Private Placements of Securities. The purpose of the private placement is to expand the future sales of products, enrich working capital and repay bank loans. Furthermore, to respond to the company's future development in the long run. The BOD is planning to discuss and resolve the private placement proposal (hereinafter referred to as the private placement) on April 21st to issue new ordinary shares at total quantity not exceeding 8,000,000 shares at the price no less than 80 % of the reference price. The private placement shall be conducted two times within one year from the date of shareholder's meeting.

Article 4-3 of Directions for Public Companies Conducting Private Placements of Securities states that if there is significant change in managerial control within the 1 year period immediately preceding the day on which the BOD resolves on the private placement, or if there will be a significant change in managerial control after the introduction of strategic investors through private placement, the Company shall engage a securities underwriter to provide an assessment on the necessity and reasonableness for conducting the private placement and shall

state the opinions in the Shareholder's Meeting Notice. Under this Article, an assessment report prepared by securities underwriters is as following:

2. Current status of the Company and content of the private placement

(1) Current status of the Company

ENE TECHNOLOGY INC. (the "Company") was incorporated as a company by shares on May 20th, 1998. The Company is focused on the R&D, design, development, production and sales of electronic components, information software and circuit design services. The Company endeavors to extend the business into various applications of computer peripherals. It is observed that the market demand is getting diversified. Therefore, the prime goal for the Company is to develop niche products, enhance the related product promotion and sales, to refine the cost structure to further improve the overall profits.

It is worthwhile mentioning the emerging needs for special demand PC and related peripheral products. The Company continues to work closely with the major customers in many aspects in terms of product roll out and applications. Meanwhile, the company has reached out to multiple international customers specializing in consumer products, trying to deepening and diversify product applications. Gaming products are amongst of all the most encouraging as the Company has been recognized and certified by many major players of gaming sector.

It is ENE's the product planning strategy, the focus of research and development is on computer peripheral products. On the one hand, the Company is to develop more gaming related products, improving user interface.

Affected by the structural changes in the end market demand and the US-China trade war, the NB market has developed towards more diversified applications. The impact of COVID-19 since 2019 further changes the lifestyle in many different aspects such as work, education and entertainment. The commercial and consumer markets continue to depend on electronic devices even more, hence the future demand for laptops is expecting to grow continuously.

Most Recent 5 year Condensed Financial Information

1. Condensed Balance Sheet-IFRS-Consolidated

Unit: NT\$ thousands

		Financial standing for the last 5 years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		860,083	849,430	929,214	839,990	832,378
Property, Plant and Equipment		14,622	16,138	11,980	8,854	12,509
Intangible assets		2,792	788	112	0	0
Other assets		10,796	12,714	12,618	17,864	28,086
Total assets		888,293	879,070	953,924	866,708	872,973
Current liabilities	Before distribution	145,343	252,626	387,296	362,802	412,614
	After distribution	145,343	252,626	387,296	362,802	412,614
Non-current liabilities		2,155	1,350	33	2,316	20,006
Total liabilities	Before distribution	147,498	253,976	387,329	365,118	432,620
	After distribution	147,498	253,976	387,329	365,118	432,620
Equity attributable to shareholders of the parent		740,795	625,094	566,595	501,590	440,353
Capital stock		749,767	749,767	749,767	749,767	749,767
Capital surplus		88,085	81,967	81,967	81,967	81,967
Retained earnings	Before distribution	(97,320)	(206,640)	(260,272)	(325,252)	(386,539)
	After distribution	(97,320)	(206,640)	(260,272)	(325,252)	(386,539)
Other equity interest		263	0	(4,867)	(4,892)	(4,842)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	740,795	625,094	566,595	501,590	440,353
	After distribution	740,795	625,094	566,595	501,590	440,353

Note 1: Audited financial reports provided by the Company.

2. Condensed Statement of Comprehensive Income-IFRS-Consolidated

Unit: NT\$ thousands

	Financial standing for the last 5 years (Note 1)				
	2016	2017	2018	2019	2020
Operating revenue	516,275	496,929	516,391	559,933	636,513
Gross margin	137,369	123,902	119,868	121,352	145,920
Profit from operations	(97,936)	(94,763)	(82,666)	(61,635)	(25,572)
Non-operating income & expenses	(4,303)	(15,287)	22,528	(3,618)	(35,786)
Income before tax	(102,239)	(110,050)	(60,138)	(65,253)	(61,358)
Net income (Loss) (continuing business)	(100,693)	(110,050)	(60,138)	(65,253)	(61,358)
Net income (Loss) (discontinued business)	0	0	0	0	0
Net profit (loss)	(100,693)	(110,050)	(60,138)	(65,253)	(61,358)
Other comprehensive income (income after tax)	3,275	467	1,639	248	121
Total comprehensive income	(97,418)	(109,583)	(58,499)	(65,005)	(61,237)
Net income attributable to shareholders of the parent	(100,693)	(110,050)	(60,138)	(65,253)	(61,358)
Net income attributable to non-controlling interest	0	0	0	0	0
Comprehensive income attributable to Shareholders of the parent	(97,418)	(109,583)	(58,499)	(65,005)	(61,237)
Comprehensive income attributable to non-controlling interest	0	0	0	0	0
Earnings per share	(1.34)	(1.47)	(0.80)	(0.87)	(0.82)

Note 1: Audited financial reports provided by the Company.

(2) Proposal for the private placement

In order to expand the future sales of the products, and considering the effectiveness, convenience, issuance cost and stability of shareholding structure, the Company proposes a private placement of ordinary shares in accordance with Article 43-6 of the Securities and Exchange Act. The total amount of private placement shall not exceed 8,000,000 shares. The Company is planning to conduct the private placement in two stages and shall be completed within one year date from the shareholder's resolution. The reference price of private placement should not be lower than 80% of the higher price calculated based on the following two benchmarks before the price determination date:

1. The simple average closing price of the common shares for either the 1,3 or 5 business

days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction.

2. The simple average closing price of the common shares for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction.

The pricing of the private placement shall not be lower than 80% of the reference price.

3. Assessment on the potential private placement partners and significant changes in managerial control

- (1) Review on any significant managerial control change one year prior to the BOD resolution on private placement

After reviewing the official information released by the Company and the materials on the MOPS, the latest election of the new BOD is on 2019.06.13. There are 9 Directors on the Board (including 3 independent directors). There is no change in the BOD up till April 2021. Thus, there is no concern regarding matters mentioned in Article 4-3 of Directions for Public Companies Conducting Private Placements of Securities.

- (2) Any significant managerial changes after private placement with strategic partners

The Company shall conduct the private placement after the shareholder's meeting (June 3rd, 2021). The Company has no particular potential candidate for the private placement at the moment, so it is not able to assess whether there will be any significant change of managerial control after private placement. The Company shall follow the rules set in article 43-6 of the Securities and Exchange Act and Executive order 0910003455 of FSC to obtain stable fund injection to the Company, and it is regarded as a positive action for the future operation of the Company,

The company's paid in capital is NT\$749,766,930, a total of 74,976,693 shares issued. To improve financial structure, the BOD proposes to reduce capital to offset the accumulated deficit. 38,653,852 shares will be retired with reduction ratio of 51.55449%. The capital after the capital reduction is 36,323 thousand shares.

The new capital shall be 44,323 thousands shares (reduced capital of 36,323 thousands plus 8,000 thousands of private placement new shares). The private placement shares shall take 18.05% of the new capital, thus it is possible that there will be significant change of

managerial control after strategic partners are in place.

Possible impact to the sales, finance and shareholder's equity as a result to the significant change in managerial control:

1. Impact to the sales:

As the Company is specialized in IC design for mobile device, peripheral and consumer products. However, the company is facing fierce competition as its major product application is for NB, PC tablets etc. NB market has been very saturated since 2012, and the business has been difficult. Due to structural change of the end market demand and trade war between US and China, the development of NB has been more diversified. It is obvious that the leading position of NB markets is dominated by the brands from Taiwan, US and China. In addition, the prosperous home economics due to COVID-19 has further enlightened the shipment of global NB. In according to TrendForce, the shipment is to grow 14.4% to 187 million units in 2020 in a conservative estimation. The institution further estimates the 2021 NB shipment shall be 218 million units in 2021 with annual growth of 22.5%. It is an obvious trend for NB growth. In conclusion, it is regarded as a positive move to conduct a cash offering by private placement as the injected fund shall be able to expand the operation and diversify the product development further to enhance the competitiveness.

2. Impact to the finance

Due to continuous loss in the past years, the operation fund of the Company is at a considerable low level. Therefore, the injected fund from the private placement shall be used to expand new business and sales. In addition, considering the effectiveness, fund stabilization, exploring new opportunities, improvement of the corporate wellbeing, fortifying the basis for continuous operation and elevating the overall competitiveness, it is believed that the private placement shall bring positive effect for the company finance situation.

3. Impact for the shareholder's equity

The pricing of private placement shall use either of the two following methods: the simple average closing price of the common shares for either the 1,3 or 5 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction; or The simple average closing price of the common shares for the 30 business days before the price determination

date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction. The one with higher price between the two methods shall be set as the reference price, and the actual pricing shall not be lower than 80% of the reference price. The injected fund shall be used as working capital, bank loan repayments and other fund requirement for future product development. Therefore, it is regarded as positive to improve the shareholder's equity.

(3) Selection of specific parties for private placement, feasibility and necessity assessment

1. Selection of specific parties

In according to the BOD meeting material as of April 21st, 2021, the Company shall follow the rules set in article 43-6 of the Securities and Exchange Act and Executive order 0910003455 of FSC when selecting candidates for the private placement. However, the Company has not yet contact any specific parties at the moment. All candidates shall be selected and decided in according to the legislation. The selection process is thus deemed appropriate

2. Objectives, necessity and anticipated benefits

As the Company is at loss for the past few years, in considering the continuous business and development, the company hopes to bring in strategic partners that will bring benefits such as improving operation efficiency, lowering cost, strengthening position in the industry, increasing shipment volume and improving financial structure. Furthermore, to improve the competencies of the Company and the shareholder's equity.

Due to the above mentioned anticipated benefits, it is quite necessary to conduct the private placement as BOD proposed.

4. Necessity and reasonableness assessment

(1) Legislative assessment

ENE TECHNOLOGY Inc. 2020 financial report has been audited with annual loss of NT\$61,358 thousands and accumulated deficit of NT\$386, 539 thousands. It is then not legally bonded under Article 3 of Directions for Public Companies Conducting Private Placements of Securities.

(2) Reasons for not adopting public cash offering and the necessity of conducting private placement

COVID-19 has severe impact on the global economy in 2020. Due to the global pandemic, work from home (WFH) and online education, the demand for electronic devices has been enormously strong which ultimately leads to the growth of semiconductor industry. Taiwan as the major player in semiconductor industry, related semiconductor vendors are even more critical. In according to the WSTS: World Semiconductor Trade Statistics, it is estimated that the semiconductor market has grown to US\$43,310 million, 5.1% growth comparing to 2019. Looking forward to 2021, growing demand on 5G infrastructure and applications, AI, IoT and cloud servers shall place the spotlight on high performance computing (HPC). Semiconductor again shall play an essential role as future electronic devices will be has more AI features and this will be the major growth momentum for semiconductor industry. It is estimated that the total market productivity and value shall be US\$940 million.

In order to meet the market requirements, the Company has aggressively to adjust its fundamentals in search of better competitiveness, lowering risks due to market fluctuation. However, the working capital is considerably insufficient. If the Company is to be able develop new products, having sufficient working capital is vital. If the Company continues to borrow money from banks, the increasing interest expenses shall further erode the profit. If to raise capital by public offering, the Company is in a relative disadvantage and unattractive position as the Company has been at loss for years. On the contrary, if the Company conducts private placement, it is relatively efficient and is able to avoid its dependence on the financial institutions and is able to use the fund flexibly. Therefore, it is regarded as positive and necessary to conduct private placement for a better future operation and profits.

(3) Reasonableness for conducting private placement

After reviewing the related materials and information regarding the proposed private placement such as BOD discussion, pricing methods, selection methods of specific parties, proposed stages of private placement, fund usage and anticipated benefits, it is confirmed that the Company has complied with the Securities and Exchanges Act and other related regulations. The Private Placement Proposal is submitted to shareholder's meeting for approval on June 3rd, 2021. Related matters are also listed in the Shareholder's Meeting Agenda by the Securities and Exchange Act. It is confirmed that the Company has handled the matter in a legally appropriate manner.

As the main financing source of the Company is from financial institutions, the Company may face the risks of quota reduction if the financial policies are tightening and also liquidity issues. Thus, it is important to reduce its dependence on the financial institutions. By conducting private placement, the company is expecting to obtain long term and stable funds to improve the financial structures, lowering interest expenses, increase operation competitiveness and increase flexibility of funds usage. Thus, it is positive for improving shareholder's equity. The proposed anticipated benefits are deemed reasonable.

Through the private placement, there is a restriction of three year lock-up period. This will be able to ensure the long term corporative relationship with the strategic partners, and opens up the opportunities for new products or sales. It is helpful for the future operation and development. Moreover, the Company has complies with the legislation by set the price of the private placement no less than the 80% of the reference price.

In conclusion, we abide by the regulations of Directions for Public Companies Conducting Private Placements of Securities declares that it is necessary and reasonable for ENE TECHNOLOGY INC to conduct a private placement.