

**ENE TECHNOLOGY INC AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL
STATEMENTS AND REVIEW
REPORT OF INDEPENDENT
ACCOUNTANTS**

MARCH 31st, 2022 AND 2021

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Translated Independent Auditor’s Review Report

To the Board of Directors of ENE TECHNOLOGY INC.:

Introduction

We have reviewed the consolidated balance sheets of ENE TECHNOLOGY INC and subsidiaries as of March 31st, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flow for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of above said financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standards 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Statement of Auditing Stands No.65 “Review of Financial Information Performed by the Independent Auditor of the Equity”. A Review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to assure full awareness of all significant matters that might be identified in an audit. Thus, we are not able to express an audit opinion.

Qualified Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the

accompanying consolidated financial statements do not present fairly the consolidated financial status of ENE TECHNOLOGY INC. and subsidiaries as of March 31st, 2022 and 2021, and of its consolidated financial performance and cash flows for the three-month periods then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standards 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

KPMG
Tseng, Mei-Yu
Lu, Chien-Hui

May 3rd, 2022

The Balance Sheet as of March 31, 2022 and 2021 are reviewed, not audited
ENE TECHNOLOGY INC. and Subsidiaries
Consolidated Balance Sheets

Unit: NT\$ thousands

Assets		2022.3.31		2021.12.31		2021.3.31		Liabilities and Equity		2022.3.31		2021.12.31		2021.3.31	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current Assets :								Current Liabilities:							
1100	Cash & cash equivalents (N6(1))	\$ 379,247	33	400,584	37	144,887	17	2100	Short term loan (N6(9) & 8)	\$ 151,200	14	162,272	15	278,168	32
1170	Notes and accounts receivables (N6(3) (17) & 8)	223,634	20	189,091	17	186,133	22	2170	Account payable	110,581	9	102,119	9	69,813	8
1180	Accounts receivables from related parties (N6(3) (17), 7 & 8)	31,820	3	29,163	3	24,081	3	2180	Related parties account payable (N7)	2,799	-	5,491	-	4,979	1
130X	Inventories (N6(4))	195,077	18	176,969	16	147,092	17	2206	Salary payable	33,179	3	28,714	3	9,821	1
1470	Prepaid expenses & other current assets	19,041	2	18,654	2	20,775	2	2280	Lease liabilities – current (N6(11))	6,122	1	6,505	1	6,882	1
1476	Other financial assets – current (N6(8) & 8)	221,104	19	225,106	21	296,869	35	2300	Other current liabilities (N6(5))	13,441	1	13,553	1	10,591	1
		<u>1,069,923</u>	<u>95</u>	<u>1,039,567</u>	<u>96</u>	<u>819,837</u>	<u>96</u>	2322	Long term loan matured within 1 yr (N6(10))	<u>7,273</u>	<u>1</u>	<u>7,273</u>	<u>1</u>	<u>7,273</u>	<u>1</u>
										<u>324,595</u>	<u>29</u>	<u>325,927</u>	<u>30</u>	<u>387,527</u>	<u>45</u>
Non-Current Asset:								Non-current liabilities:							
1600	Property, plant and equipment (N6(5))	18,164	2	19,846	2	11,414	1	2541	Long term loan (N6(10))	1,818	-	3,636	-	9,091	1
1755	Right-of-use asset(N6(6))	6,976	1	8,658	1	13,720	2	2570	Deferred income tax liabilities	45	-	34	-	39	-
1780	Intangible asset (N6(7))	629	-	1,512	-	-	-	2580	Lease liabilities – non-current (N6(11))	<u>1,235</u>	<u>-</u>	<u>2,580</u>	<u>-</u>	<u>7,354</u>	<u>1</u>
1840	Deferred tax asset	6,871	1	6,871	1	3,573	-		Total Liabilities	<u>3,098</u>	<u>-</u>	<u>6,250</u>	<u>-</u>	<u>16,484</u>	<u>2</u>
	Net defined benefit asset – non-current (N6(12))	5,594	1	5,594	-	5,782	1		Equity (N6(14)(15)) :						
1975								3110	Ordinary share capital	453,028	41	443,228	41	749,767	87
1980	Other financial asset – non-current (N6(8) & 8)	<u>3,332</u>	<u>-</u>	<u>3,329</u>	<u>-</u>	<u>3,323</u>	<u>-</u>	3200	Capital surplus	285,027	26	254,767	23	81,967	10
		<u>41,566</u>	<u>5</u>	<u>45,810</u>	<u>4</u>	<u>37,812</u>	<u>4</u>	3350	Undistributed profits (Accumulated loss)	89,066	8	60,069	6	(373,252)	(44)
								3400	Other equity	<u>(43,325)</u>	<u>(4)</u>	<u>(4,864)</u>	<u>-</u>	<u>(4,844)</u>	<u>-</u>
									Total Equity	<u>783,796</u>	<u>71</u>	<u>753,200</u>	<u>70</u>	<u>453,638</u>	<u>53</u>
Total Asset		<u>\$ 1,111,489</u>	<u>100</u>	<u>1,085,377</u>	<u>100</u>	<u>857,649</u>	<u>100</u>	Total Liabilities & Equity		<u>\$ 1,111,489</u>	<u>100</u>	<u>1,085,377</u>	<u>100</u>	<u>857,649</u>	<u>100</u>

(Please refer to accompanying notes to consolidated financial statements)

Consolidated Statements of Comprehensive Income
as of March 31st 2022 are Reviewed, not Audited
ENE TECHNOLOGY INC and Subsidiaries
Consolidated Statements of Comprehensive Income

Unit: NTD\$ Thousands

		<u>20220101~20220331</u>		<u>20210101~20210331</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4110	Operating revenue (N6(17) & 7)	\$ 210,604	100	186,409	100
5000	Operating cost (N6(4) & 7)	146,990	70	136,736	73
	Gross profit	63,614	30	49,673	27
	Operating expenses (N6(3), (11) (18) & 7):				
6100	Selling expenses	18,470	9	12,029	7
6200	General and admin expenses	20,846	10	17,932	10
6300	Research and development expenses	17,415	8	15,201	8
6450	Expected credit loss	389	-	214	-
	Total operating expenses	57,120	27	45,376	25
	Operating loss	6,494	3	4,297	2
	Non-operating income & expenses:				
7020	Other gains and losses (N6(19))	22,785	11	9,637	5
7100	Interest income	163	-	189	-
7510	Interest expense (N6(11))	(445)	-	(836)	(1)
		22,503	11	8,990	4
	Loss before income tax	28,997	14	13,287	6
7590	Income tax expenses (N6(13))	-	-	-	-
	Net loss for the period	28,997	14	13,287	6
8300	Other comprehensive profit and loss:				
8360	Items may be reclassified to profit or loss				
8361	Cumulative translation differences of foreign operation	58	-	(2)	-
8399	Income tax relating to items may be reclassified (N6(13))	(11)	-	-	-
	Total items that be reclassified to profit & loss	47	-	(2)	-
8300	Other comprehensive profit and loss	47	-	(2)	-
	Total comprehensive income	<u>\$ 29,044</u>	<u>14</u>	<u>13,285</u>	<u>6</u>
	Earnings per share (in dollar) (N6(16))				
9750	Basic earnings per share	<u>\$ 0.65</u>		<u>0.37</u>	
9850	Diluted earnings per share	<u>\$ 0.65</u>		<u>0.37</u>	

(Please refer to accompanying notes to consolidated financial statements)

Consolidated Statements of Changes in Equity as of March 31st 2022 and 2021 are Reviewed, not Audited

ENE TECHNOLOGY INC and Subsidiaries

Consolidated Statements of Changes in Equity

Unit: NTD\$ Thousands

	Ordinary Share Capital	Capital Surplus	Accumulated Loss	Cumulative translation differences of foreign operation	Other Equity Items		Total	Total Equity
					Unrealized P&L From financial assets measured at fair value through comprehensive P&L	Unearned compensation - Employee		
Balance as of 20210101	\$ 749,767	81,967	(386,539)	158	(5,000)	-	(4,842)	440,353
Net profit of the period	-	-	13,287	-	-	-	-	13,287
Other comprehensive income of the period	-	-	-	(2)	-	-	(2)	(2)
Total comprehensive income	-	-	13,287	(2)	-	-	(2)	13,285
Balance as of 20210331	\$ 749,767	81,967	(373,252)	156	(5,000)	-	(4,844)	453,638
Balance as of 20220101	\$ 443,228	254,767	60,069	136	(5,000)	-	(4,864)	753,200
Net profit of the period	-	-	28,997	-	-	-	-	28,997
Other comprehensive income of the period	-	-	-	47	-	-	47	47
Total comprehensive income	-	-	28,997	47	-	-	47	29,044
Issuance of employee restricted stock	9,800	(9,800)	-	-	-	-	-	-
Allotment of employee restricted stock	-	40,060	-	-	-	(40,060)	(40,060)	-
Cost for employee restricted stock	-	-	-	-	-	1,552	1,552	1,552
Balance as of 20220331	\$ 453,028	285,027	89,066	183	(5,000)	(38,508)	(43,325)	783,796

(Please refer to accompanying notes to consolidated financial statements)

Consolidated Statements of Cash Flows
as of March 31st 2022 and 2021 are Reviewed, Not Audited
ENE TECHNOLOGY INC and Subsidiaries
Consolidated Statements of Cash Flows

Unit: NTD\$ Thousands

	<u>20220101-0331</u>	<u>20210101-0331</u>
Cash Flow from operating activities:		
Income before income tax	\$ 28,997	13,287
Adjustments:		
Income and expenses/loss items		
Depreciation	3,618	2,781
Amortization	883	-
Expected credit impairment loss	389	214
Allowance for inventory evaluation & obsolesce loss	1,188	2,344
Interest expense	445	836
Interest income	(163)	(189)
Cost for share distribution	1,552	-
Total of income and expense/loss items	7,912	5,986
Changes in operating assets and liabilities:		
Notes and account receivables	(34,932)	(17,933)
Account receivable from related parties	(2,657)	(2,901)
Inventory	(19,296)	(4,038)
Other operating asset	(1,589)	(3,113)
Total changes in operating assets and liabilities	(58,474)	(27,985)
Account payable	8,462	(52)
Account payable from related parties	(2,692)	1,048
Other operating liabilities	5,459	(2,590)
Total changes in operating liabilities	11,229	(1,594)
Net changes in operating assets and liabilities	(47,245)	(29,579)
Cash flows from operating activities	(10,336)	(10,306)
Interest received	143	198
Interest paid	(482)	(876)
Net cash flow from operating activities	(10,675)	(10,984)

(Continue)

(Please refer to accompanying notes to consolidated financial statements)

Consolidated Statements of Cash Flows
as of March 31st 2022 and 2021 are Reviewed, Not Audited
ENE TECHNOLOGY INC and Subsidiaries
Consolidated Statements of Cash Flows

Unit: NTD\$ Thousands

	<u>20220101~0331</u>	<u>20210101~0331</u>
Cash flows from investment activities:		
Acquisition of property, plant and equipment	(803)	(202)
Increase (decrease) in other financial asset - current	4,021	(5,213)
Net Cash flow from investment activities	<u>3,218</u>	<u>(5,415)</u>
Cash flows from financing activities:		
Increase in short term loan	-	18,989
Decrease in short term loan	(11,072)	(42,270)
Repayment of long term loan	(1,818)	(1,819)
Lease liabilities principle repayment	(1,735)	(1,670)
Net cash flows from financing activities	<u>(14,625)</u>	<u>(26,770)</u>
Effect of exchange rate to cash and cash equivalent	745	(3)
Net decrease in cash and cash equivalent	(21,337)	(43,172)
Cash and cash equivalent at beginning of period	400,584	188,059
Cash and cash equivalent at end of period	<u>\$ 379,247</u>	<u>144,887</u>

(Please refer to accompanying notes to consolidated financial statements)

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

(REVIEWED,NOT AUDITED)

**(All amounts are expressed in Thousands of New Taiwan Dollars,
excepted otherwise indicated)**

ENE TECHNOLOGY INC. and Subsidiaries
Notes to the Consolidated Financial Statements
Three-Month Periods Ended March 31st, 2022 and 2021

1. Company History

ENE TECHNOLOGY INC. (the “Company”) was incorporated as a company by shares on May 20th, 1998. The Company was inaugurated in Hsinchu Science Industrial Park on Aug 31st, 2001 with current registered address of 4F, No.21, Lixing Rd, Hsinchu Science Industrial Park. The Company was listed on Taipei Exchange on April 22nd, 2003 and listed on Taiwan Stock Exchange on December 17th, 2009.

The Company is focused on the R&D, design, development, production and sales of electronic components, information software and circuit design services.

The Company was merged with ENE International Investment Inc., a 100% own subsidiary by ENE TECHNOLOGY INC. on March 28th, 2017. ENE TECHNOLOGY INC. was the surviving company and ENE International Investment INC. was dissolved.

2. The date and procedure of authorization for issuance of the consolidated financial statements

These consolidated financial statements were approved and authorized by the Board of Directors on May 3rd, 2022.

3. Application of New Standards, Amendments, Principles and Interpretations

(1) Effects of the adoption of new issuances of or amendments to International Financial Reporting Standards (IFRS) as endorsed by the Financial Supervisory Commission (FSC)

The new standards, amendments, principles and interpretations endorsed by the FSC effective from 2022 adopted by the Company are as follows:

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

New Standards / Amendments / Principles and Interpretations	Effective date by International Accounting Standards Board
Amendments to IAS 16 “Property, Plant and Equipment-Proceeds before Intended Use”	2022.Jan.01
Amendments to IAS 37 “Onerous Contracts-Cost of Fulfilling a Contract”	2022.Jan.01
Annual Improvements to IFRS Standards 2018-2021	2022.Jan.01
Amendments to IFRS 3, “Reference to the conceptual framework”	2022.Jan.01

After assessing the above standards and interpretations, the Company found no major impact on the consolidated financial report.

(2) The impact of IFRSs issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture”
IFRS 17 “Insurance Contracts” and Amendments to IFRS 17
Amendments to IAS 1 “To classify debt as current or non-current”
Amendments to IAS 1 “Disclosure of Accounting Policy”
Amendments to IAS 8 “Definition of Accounting Estimates”
Amendments to IAS 12 “Deferred tax related to Assets and Liabilities Arising from Single Transaction”

After assessing the above standards and interpretations, the Company found no major impact on the consolidated financial report.

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and IAS 34, Interim Financial Reporting, as endorsed and issued into effect by the FSC.

Other than the below described, the significant accounting policies applied in the consolidated financial statements are the same as those applied in the consolidated financial statements for the year ended Dec 31st, 2021, and have been applied consistently to all periods presented in the

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

consolidated financial statements. Please refer to Note 4 of the consolidated financial statements dated Dec.31st 2021 for details.

(2) Basis of consolidation

1. List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Subsidiaries	Business	Percentage of Ownership		
			2022.3.31	2021.12.31	2021.3.31
ENE	Janus Power Electronics Pty Ltd. (Janus Power) (Note)	Electronic components	100%	100%	100%
ENE	ENE Touch Technology Co., Ltd (ENE Touch)	Electronic materials distributor	100%	100%	100%

Note: Janus Power was eliminated after a simple merger with ENE.

2. List of subsidiaries which are not included in the consolidated financial statement: None.

(3) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the reporting date of the prior fiscal year, adjusted for significant market fluctuations subsequent to the end of prior fiscal year and for significant curtailments, settlements, or other significant one-time events.

(4) Income tax

The Company measures and discloses interim period income tax expense in accordance with paragraph B12 of IAS 34, Interim Financial Reporting

Income tax expense is best estimated by multiplying pre-tax income of the interim period by a projected annual effective tax rate, and is recognized as current tax expense.

Income taxes that are recognized directly in equity or other comprehensive income are measured in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases at the rates that are expected to be applied in the year in which the asset is realized or the liability is settled. °

(5) Share-based payment transaction

The share-based compensation for equity is based on the fair value on the date of payment. During the vesting period of the compensation, the expenses are recognized and the relative equity is increased. The recognized expenses is adjusted for the amount of rewards expected to meet the service conditions and the non-market acquired conditions. The final recognized amount is measured on the basis of the amount of rewards that meet the service conditions and non-market acquired conditions on the vesting date.

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

The non-acquired conditions for share-based payment awards have been reflected in the measurement of share-based payment and daily fair value, and differences between expected and actual results do not require verification adjustments.

The date on which the company's share-based payment is granted is the date when the BOD approves the subscription price, the number of shares that employees can subscribe for and the company and employees reach consensus on the terms and conditions of the agreement.

5. Major Sources of Accounting Judgements, Estimations and Assumptions of Uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and IAS 34, Interim Financial Reporting, as endorsed and issued into effect by the FSC requires management to make judgements estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparation of the consolidated financial statements, critical accounting judgements and key sources of estimation uncertainty used by management in the application of accounting policies are consistent with those described in Note 5 of the consolidated financial statements dated December 31st, 2021.

6. Descriptions on Significant Accounts

Other than items described below, the descriptions of significant accounts in the accompanying consolidated financial statement is not materially different from those described in Note 6 of the consolidated financial statement dated December 31st, 2021.

(1) Cash and Cash Equivalent

	2022.3.31	2021.12.31	2021.3.31
Cash	\$ 205	200	188
Cash in Bank and Cheque	176,660	311,702	118,299
Term Deposit	202,382	88,682	26,400
	\$ 379,247	400,584	144,887

Please refer to N6(20) for interest risk and sensitivity analysis.

(2) Financial Assets

1. Financial assets at fair value through profit and loss- non-current:

On the basis of long term strategic goals instead of trading purposes, the fair value of the

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

shareholdings of Touchsens Ltd have been evaluated through other comprehensive income. The Company holds Touchsens shares at the equivalent of NT5,000 thousands have been recognized as loss in prior year.

The Company has not sold any strategic investment for the period ending March 31st 2022 and 2021, thus there was no transfer of equity gain or loss during the period.

2. Please refer to Note 6(20) for information on the credit risks and market risks.
3. The above said financial assets were not pledged for collateral.

(3) Notes and account receivable (including related parties)

	2022.3.31	2021.12.31	2021.3.31
Notes receivable	\$ 190	-	134
Account receivable	226,169	191,427	189,039
Receivables from related parties	31,820	29,163	24,081
	258,179	220,590	213,254
Less: allowance for doubtful accounts	(2,725)	(2,336)	(3,040)
	\$ 255,454	218,254	210,214

The Company applies the simplified approach to provide for its loss allowance used for ECL, which permit the use of lifetime expected loss provision for notes and accounts receivables. The ECL on notes and accounts receivable by reference to past default experience of the customers and credit risk characteristics, as well as forward looking information.

1. Loss allowances for customers with credit rating A (including related parties) are as following:

	2022.3.31	Weighted	Loss
Notes & account	carrying amount	average loss	Allowance
receivables	rate	rate	Allowance
Not past due	\$ 242,996	0.00%	-
Past due 0~30 days	1,457	0.00%	-
Past due over 121 days	-	100.00%	-
Total	\$ 244,453		-

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

	2021.12.31		
	Notes & account receivables carrying amount	Weighted average loss rate	Loss Allowance
Not past due	\$ 206,208	0.00%	-
Past due 0~30 days	4,319	0.00%	-
Past due over 121 days	-	100.00%	-
Total	\$ 210,527		-

	2022.3.31		
	Notes & account receivables carrying amount	Weighted average loss rate	Loss Allowance
Not past due	\$ 170,224	0.00%	-
Past due 0~30 days	27	0.00%	-
Past due over 121 days	-	100.00%	-
Total	\$ 170,251		-

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

2. Loss allowances for customers with credit rating B are as following:

	2022.3.31		
	Notes & account receivables carrying amount	Weighted average loss rate	Loss Allowance
Not past due	\$ 7,571	0.73%	55
Past due 0~30 days	3,848	9.44%	363
Past due over 121 days	2,307	100.00%	2,307
Total	\$ 13,726		2,725

	2021.12.31		
	Notes & account receivables carrying amount	Weighted average loss rate	Loss Allowance
Not past due	\$ 7,298	0.73%	53
Past due 0~30 days	532	9.44%	50
Past due over 121 days	2,233	100.00%	2,233
Total	\$ 10,063		2,336

	2021.3.31		
	Notes & account receivables carrying amount	Weighted average loss rate	Loss Allowance
Not past due	\$ 36,134	0.49%	177
Past due 0~30 days	4,967	21.26%	1,056
Past due 31-60 days	89	68.07%	61
Past due 61-90 days	301	83.39%	251
Past due 91-120 days	131	86.90%	114
Past due over 121 days	1,381	100.00%	1,381
Total	\$ 43,003		3,040

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

Changes for loss allowances:

	2022	2021
	0101~0331	0101~0331
Balance of January 1 st	\$ 2,336	2,826
Recognized loss	389	214
Balance of March 31 st	\$ 2,725	3,040

Please refer to Note 6(20) for details on other credit risks.

3. The company entered separate factoring agreement with financial institutions to sell its account receivables. Under the agreement, the company is liable for the losses incurred on any business dispute and has the responsibility to assume the default risk of the transferred account receivables. Therefore, these financial assets is not qualified for derecognition.

Relevant information on account receivables and notes factored but not yet derecognized as of March 31, 2022 were as follows:

2022.3.31

Purchaser	Amount transferred	Quota	Amount advanced (recognized in short term loan)	Interest rate collar	Collateral
CTBC Bank	\$ 45,440 (USD1,588 Thousands)	80,000	-	-	Account receivables and Bank note \$80,000

2021.12.31

Purchaser	Amount transferred	Quota	Amount advanced (recognized in short term loan)	Interest rate collar	Collateral
CTBC Bank	\$ 51,122 (USD1,847 thousands)	80,000	11,072 (USD400 thousands)	1.42%	Account receivables and Bank note \$80,000

2021.3.31

Purchaser	Amount transferred	Quota	Amount advanced (recognized in short term loan)	Interest rate collar	Collateral
CTBC Bank	\$ 27,202 (USD951 thousands)	80,000	20,868 (USD729 thousands)	1.5% ~1.55%	Account receivables and Bank note \$80,000

Please refer to Note (8) for details on notes receivables and account receivables

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

(including related parties) for the period ending March 31st, 2022, December 31st and March 31st of 2021.

(4) Inventory

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Raw materials	\$ 11,944	6,124	9,322
Work in Process	63,323	131,213	114,463
Finished product	<u>119,810</u>	<u>39,632</u>	<u>23,307</u>
	<u>\$ 195,077</u>	<u>176,969</u>	<u>147,092</u>

Details of operating cost are :

	<u>2022</u>	<u>2021</u>
	<u>0101~0331</u>	<u>0101~0331</u>
Cost of goods sold	\$ 126,830	134,392
Allowance for inventory valuation loss	1,188	2,344
Cost to secure production capacity	<u>18,972</u>	<u>-</u>
	<u>\$ 146,990</u>	<u>136,736</u>

For the period ending 2022.March.31st, 2021 December 31st and 2021 March 31st, the inventories were not pledged for collateral.

(5) Property, plant and equipment

- Information on cost and amortization of the real estate, plant and equipment of the Company is:

	<u>R&D equipment</u>	<u>Improvement on lease</u>	<u>Office and other equipment</u>	<u>Total</u>
Carrying amount:				
January 1 st 2022	<u>\$ -</u>	<u>1,400</u>	<u>18,446</u>	<u>19,846</u>
March 31 st 2022	<u>\$ -</u>	<u>1,326</u>	<u>16,838</u>	<u>18,164</u>
January 1 st 2021	<u>\$ -</u>	<u>1,699</u>	<u>10,810</u>	<u>12,509</u>
March 31 st 2021	<u>\$ -</u>	<u>1,624</u>	<u>9,790</u>	<u>11,414</u>

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

2. Due to acquisition of property, plant and equipment, net changes of related payments (other current liabilities) are decreased \$555 thousands and \$202 thousands for 2022Q1 and 2021Q1.
3. Property, plant and equipment of the Company dated on March 31st of 2022 and 2021 were not pledged for collateral.

(6) Right-of-use asset

Changes in cost and depreciation of rent and building, transportation vehicles and other equipment of the Company are:

	<u>Buildings</u>	<u>Transportation Vehicles</u>	<u>Other equipment</u>	<u>Total</u>
Carrying amount:				
Balance at 2022.01.01	<u>\$ 7,146</u>	<u>1,512</u>	-	<u>8,658</u>
Balance of 2022.03.31	<u>\$ 5,764</u>	<u>1,212</u>	-	<u>6,976</u>
Balance at 2021.01.01	<u>\$ 12,697</u>	<u>2,711</u>	-	<u>15,408</u>
Balance of 2021.03.31	<u>\$ 11,309</u>	<u>2,411</u>	-	<u>13,720</u>

(7) Intangible asset

	<u>Computer Software</u>
Carrying amount:	
Balance at 2022.01.01	<u>\$ 1,512</u>
Balance of 2022.03.31	<u>\$ 629</u>
Balance at 2021.01.01	<u>\$ -</u>
Balance of 2021.03.31	<u>\$ -</u>

There was no significant acquisition, disposal, allowances for impairment or reversal. Please refer to N12 for amortization for actual amounts and N6(7) of 2021 consolidated financial report for other details.

Intangible assets of the Company dated on March 31st of 2022 and 2021 were not pledged for collateral.

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

(8) Other financial assets - current and non-current

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Current:			
Restricted cash in bank	\$ 198,898	203,479	291,846
Term deposit (> 3 months)	22,169	21,609	5,000
Others	<u>37</u>	<u>18</u>	<u>23</u>
	<u>\$ 221,104</u>	<u>225,106</u>	<u>296,869</u>
Non-Current			
Refundable deposit	\$ 2,294	2,291	2,291
Restricted cash in bank	<u>1,038</u>	<u>1,038</u>	<u>1,032</u>
	<u>\$ 3,332</u>	<u>3,329</u>	<u>3,323</u>

There is no loss in other financial assets – current and non-current (excluding other receivables) for the period ended 2022.03.31, 2021.12.31 and 2021.03.31.

Restricted cash in bank is deemed as a guarantee for short term loan, purchase and tariff. Please see Note 8 for details.

Please refer to Note 6(20) for other credit risks.

(9) Short term loan

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Guarantee bank loan	\$ 151,200	151,200	257,300
Financing on AR	<u>-</u>	<u>11,072</u>	<u>20,868</u>
	<u>\$ 151,200</u>	<u>162,272</u>	<u>278,168</u>
Unused quota	<u>\$ 307,415</u>	<u>297,711</u>	<u>211,949</u>
Range of interests	<u>0.89%~</u>	<u>0.89%~</u>	<u>0.89%~</u>
	<u>1.19%</u>	<u>1.42%</u>	<u>1.55%</u>
Maturity date of loan	<u>2022.4~2022.6</u>	<u>2022.1~2022.6</u>	<u>2021.3~2021.7</u>

For the period ending March 31st 2022 and 2021, new loan amount is NT\$0 thousands and NT\$18,989 thousands. Repayments are \$11,072 thousands and \$42,270 thousands. Interest rate for 2021 ranges from 0.89%~1.55%.

Please refer to Note 8 for details on assets set as bank loan guarantee.

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

(10) Long Term Liabilities

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Guarantee bank loan	\$ 7,727	9,273	13,909
Non-guarantee bank loan	<u>1,364</u>	<u>1,636</u>	<u>2,455</u>
	9,091	10,909	16,364
less : maturity within one year	<u>(7,273)</u>	<u>(7,273)</u>	<u>(7,273)</u>
Total	<u>\$ 1,818</u>	<u>3,636</u>	<u>9,091</u>
Unused quota	<u>\$ -</u>	<u>-</u>	<u>-</u>
Range of interests	<u>1.2685%~</u>	<u>1.2685%~</u>	<u>1.2685%~</u>
	<u>2.1617%</u>	<u>2.1617%</u>	<u>2.1617%</u>

The long term loan is guaranteed by the Small and Medium Enterprise Credit Guarantee Fund of Taiwan (Taiwan SMEG).

(11) Lease Liabilities

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Current	<u>\$ 6,122</u>	<u>6,505</u>	<u>6,882</u>
Non-current	<u>\$ 1,235</u>	<u>2,580</u>	<u>7,354</u>

Please refer to Note 6(20) for maturity analysis.

Amount recognized in comprehensive income statement:

	<u>2022</u>	<u>2021</u>
	<u>Jan-Mar</u>	<u>Jan-Mar</u>
Interest expenses from lease liabilities	<u>\$ 34</u>	<u>67</u>
Expenses of short term lease	<u>\$ 34</u>	<u>34</u>
Expenses of low-value lease liabilities (excluding short term low value lease)	<u>\$ 25</u>	<u>25</u>

Amount recognized in cash flow statement:

	<u>2022</u>	<u>2021</u>
	<u>Jan-Mar</u>	<u>Jan-Mar</u>
Total cash outflow for lease	<u>\$ 1,828</u>	<u>1,796</u>

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

1. Housing and building leases

The office lease contract is normally 3 years.

2. Other lease

Lease contracts for transportation vehicles and other equipment are 2 to 5 years.

Some of the transportation vehicle and equipment contracts are 1 to 2 years. These contracts are recognized as short-term or low-value lease, the Company decide to exempt the related right-to-use assets and lease liabilities.

(12) Employee benefits

There was no significant market fluctuations, significant curtailments, settlements or other significant one-off event in the prior fiscal year, pension costs in the financial statements are measured and disclosed according to the actuarial results determined on December 31st, 2021 and 2020.

Please refer to Note12 for information related to the Company pension costs for the period ending March 31st, 2022 and 2021.

(13) Income tax

1. The amount of income tax expenses was:

	2022	2021
	Jan-Mar	Jan-Mar
Current income tax expense	\$ -	-

2. The amount of income tax expense (benefit) recognized in other comprehensive income

	2022	2021
	Jan-Mar	Jan-Mar
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of foreign affiliates	\$ 11	-

3. Approval of income tax return

The company's tax returns for the years through 2020 were examined and approved by the Taiwan National Tax Administration.

(14) Capital and other equity interest

Other than items described in the following, there were no significant changes in the Company capital and other equity interest for the three months ended March 31st, 2022 and 2021. Please refer to Note 6(14) of the consolidated financial statements for the year ended December 31st, 2021 for related information about the shareholder's equity.

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

Audit Committee has approved to issue restricted employee shares of 980 thousands shares on 2022.03.10 and set 2022.03.16 as the base date for capital increase. All legislation procedures have been completed.

1. Capital reservation

	2022.3.31	2021.12.31	2021.3.31
Issue stock premium	\$ 241,083	241,083	68,283
Treasury stock trading	11,534	11,534	11,534
Long term investment	2,150	2,150	2,150
Employee restricted stock	30,260	-	-
	\$ 285,027	254,767	81,967

The Company BOD has proposed to allocate cash dividends \$8,865 thousands through capital reserve (NT\$0.2 per share). The proposal is yet to be approved by the shareholders meeting. Please refer to the MOPS for related information.

2. Retained earnings

According to the Articles of Incorporation of the Company, when the Company has profit as a result of the accounting year the Company shall pay taxes first, then offset its losses in previous years and set aside a legal reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled the total capital of the Company, followed by setting aside special capital reserve in accordance with relevant laws or regulations or as requested by business. Any remaining balance added together to the accumulated undistributed earnings in previous years, shall be allocated by the Board of Directors and be approved in shareholders meeting.

The dividends policy of the Company is stipulated in accordance with the Company Law and the Articles of Incorporations of the Company, and take into account of the capital and financial structure, business performance, earnings and related industrial elements. The amount of dividends distributed to shareholders shall be no less than 50% of the distributable earnings of the year and no less than 50% of the shareholder's dividends shall be in the form of cash.

The calculation basis for the share dividends is depending on the closing price one day prior to the shareholder meeting and take into account of the impact of dividends effects. If there is any differences between the actual dividend amount and the estimation, it will be regarded as accounting estimation change and recognized as loss of the year.

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

There were no differences between the 2020 Loss Appropriation Statement proposed by the Board of the Directors and the ones approved in the shareholder meeting on 2021.08.3rd . Related details can be viewed in MOPS website.

The Board of the Company has prepared the Profit Appropriation Statement of 2021 on March 10th, 2022. Details:

	2021
Cash dividends for shareholders	
(\$1 per share)	\$ 44,323

The proposal for the profit appropriation is yet to be approved by the shareholders' meeting. Please refer to MOPS for details.

3. Other equity interest (earnings after tax)

	Exchange differences on translation of financial statements of foreign affiliates	Unrealized profit and loss through other complicated profit and loss through fair value of financial assets	Employee Remuneration earned	Total
Balance on 2022.01.01	\$ 136	(5,000)	-	(4,864)
Exchange differences on translation of financial statements of foreign affiliates	47	-	-	47
Allotment of employee restricted stocks	-	-	(40,060)	(40,060)
Cost of employee restricted stocks	-	-	1,552	1,552
Balance on 2022.03.31	\$ 183	(5,000)	(38,508)	(43,325)
Balance on 2021.01.01	\$ 158	(5,000)	-	(4,842)
Exchange differences on translation of financial statements of foreign affiliates	(2)	-	-	(2)
Balance on 2021.03.31	\$ 156	(5,000)	-	(4,844)

(15) Share-based payments

1. Share-based payments for the equity settlements for period ending 2022.03.31:

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

	Restricted employee stocks
	2022 issuance
Allotment date	2022.03.16
Allotted quantity (thousand shares)	980
Period of contract	1~3 years
Criteria	Note
Subscription price per share (NT\$)	0

Note: For those who meet the service years and performance conditions stipulated in the Regulations on Employee Restricted Shares, the conditions are as follows:

Service with one year: 20%, Service with two years: 30%, Service with three years: 50%

2. The Company adopts the closing share price on the date of payment as the fair value of the share-based payment.
3. Employee restricted shares:

The BOD of the company decided on 2022.03.10 to issue 980,000 new shares with restricted employee rights. The recipients of the grants were those who met the service requirements and performance conditions stipulated in the Regulations on Employee Restricted Shares. It has been reported to the Securities and Futures Bureau and must be issued within one year. 2022.03.16 is set as the base date for the new shares. This capital increase has been registered in accordance with the legislation. Before the vested conditions are met, all restricted shares allocated to employees must be kept with a designated institution for trust and custody. The restricted shares shall not be sold, pledged, transferred, given to others or disposed of in any ways. The rights are the same as the issued ordinary shares of the company, except for the rights that are delivered to the trustee for safekeeping and restricted before the vested conditions are met. Also, for those whom do not fulfill the conditions, the company will retrieve and cancel all the shares from the employees free of charge.

Information on employee restricted shares:

	Unit: Thousand shares
	2022
	Jan~Mar
Balance on 2022.01.01	-
Allotment	980
Balance on 2022.03.31	980

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

The company issued 980,000 new employee restricted shares which are recognized as ordinary share capital of NT\$9,800 thousands, capital reserve-employee restricted shares of NT\$30,260 thousands, and other equity deductions-unearned employee remuneration of \$40,060 thousands. The remuneration cost recognized by the Company for the period of 2022.01.01~2022.03.31 was NT\$1,552 thousands.

(16) Earnings per share

The calculation of basic earnings per share was as following:

	2022 Jan-Mar	2021 Jan-Mar
Basic earnings per share:		
Net income for the period	<u>\$ 28,997</u>	<u>13,287</u>
Weighted average number of ordinary shares outstanding during the year (in thousands)	<u>44,323</u>	<u>74,977</u>
Basic earnings per share (NT dollars)	<u>\$ 0.65</u>	<u>0.18</u>
Basic earnings per share (NT dollars)-retrospective adjustments		<u>\$ 0.37</u>
Diluted earnings per share:		
Net profits belong to ordinary shares equity holder	<u>\$ 28,997</u>	<u>13,287</u>
Weighted average number of ordinary shares outstanding during the year (basic) (in thousands)	44,323	74,977
Effect on potential diluted ordinary shares:		
--employee remuneration by shares (thousand shares)	397	-
--restricted employee shares not yet acquired (thousand shares)	<u>22</u>	<u>-</u>
Weighted average number of ordinary shares outstanding during the year (diluted) (in thousands)	<u>44,742</u>	<u>74,977</u>
Diluted earnings per share (NT dollars)	<u>\$ 0.65</u>	<u>0.18</u>
Diluted earnings per share (NT dollars)-retrospective adjustments		<u>\$ 0.37</u>

When calculating earnings per share, capital reduction to compensate for losses has been retrospectively adjusted. The base date for capital reduction is 2021.09.15. As a result, the basic and diluted EPS are:

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

	2021 Jan-Mar Before retrospective adjustment	2021 Jan-Mar After retrospective adjustment
Net profits belong to ordinary shares equity holder	\$ 13,287	13,287
Weighted average number of ordinary shares outstanding during the year (basic) (in thousands)	74,977	36,323
Basic EPS	\$ 0.18	0.37
Diluted EPS	\$ 0.18	0.37

(17) Revenue from Contracts with Customers

1. Segmentation of revenue

	2022 Jan-Mar	2021 Jan-Mar
Major regional markets		
China	\$ 138,238	99,268
Taiwan	72,354	85,069
Others	12	2,072
	\$ 210,604	186,409
Major products		
NB computer and peripheral consumer related ICs	\$ 200,814	163,732
Others	9,790	22,677
	\$ 210,604	186,409

2. Contract Balance

	2022.3.31	2021.12.31	2021.3.31	2021.1.1
Notes and account receivables (including related parties)	\$ 258,179	220,590	213,254	192,420
Less: allowances for loss	(2,725)	(2,336)	(3,040)	(2,826)
Total	\$ 255,454	218,254	210,214	189,594
Contract liabilities-current (recognized in other current liabilities)	\$ 3,284	-	-	-

Please refer to Note 6(3) for details.

The contract liabilities mainly arise from the contractual advanced receipts from the customers of the consolidated company, and will be recognized as revenue when the control of the product is transferred to the customer.

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

(18) Remuneration to employee and directors

According to the Articles of Incorporations of the Company, the allocation for employee remuneration shall be no less than 20% of distributable profit of the current year.

Remuneration of directors shall be no more than 3% of distributable profit of the current year.

However, the Company shall firstly compensate the accumulated loss.

The Company has not allocated any remuneration to employees and directors as the Company was at loss for the period January 1st - March31st 2021. For 2022, estimated remuneration for employees is NT\$7,532 thousands, remuneration for BOD is NT\$1,130 thousands. The amount is estimated based on the amount of the company's pre-tax net profit deducting the remuneration of employees and directors for the period multiplied by the proportion of employees and directors' remuneration as stipulated in the company's articles of association, and is reported as operating costs or operating expenses for the period. If there is a difference between the actual distribution amount in the next year and the estimated amount, it will be handled according to the change in the accounting estimate, and the difference will be recognized as the profit and loss of the next year. If the board of directors decides to pay employee compensation in stock, the basis for calculating the number of shares for stock compensation is based on the closing price of ordinary shares on the day before the decision of the board of directors. Relevant information can be found at the MOPS.

In 2020, the company was a loss after tax, there was no allocation for employee and directors' remuneration.

On March 10, 2022, the BOD decided to distribute the remuneration of NT\$14,808 thousands to employees and the remuneration of directors of NT\$2,221 thousands in cash in the form of cash. There is no difference in the amount included in the account, relevant information can be found at the MOPS.

(19) Non-operating income and expenses

The details of other gains and losses were as follows:

	2022	2021
	Jan to Mar	Jan to Mar
Foreign exchange gains (losses)	\$ 22,685	9,641
Miscellaneous income and expenses	100	(4)
	\$ 22,785	9,637

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

(20) Financial instruments

1. Credit risk

(1) Concentration of credit risk

The customer base is concentrated in NB industry. The credit risk is relatively high as 5 customers are taking up 94%, 92.68% and 88% of the balance for account receivables (including related parties) on March 31st, 2022, December 31st, 2021 and March 31st, 2021 respectively. To decrease the credit risk, the Company continuously evaluate financial status of customers and conduct periodical review on the recovery possibility of A/R. Currently, the recovery of account receivables has been successful and has no concern for major loss.

(2) Credit risks on account receivables and debt securities

A. Please refer to Note 6(3) for details on credit risk exposure of notes and trade receivables.

B. Other financial assets at amortized cost include other receivables and term deposits.

<u>Credit Rating</u>	2022.3.31		
	Evaluation after amortized cost		
	12 months expected loss	Impairment provision during the period – not impaired	Impairment provision during the period – impaired
BBB ~ AAA	\$ 224,436	-	-
Carrying amount	\$ 224,436	-	-

<u>Credit Rating</u>	2021.12.31		
	Evaluation after amortized cost		
	12 months expected loss	Impairment provision during the period – not impaired	Impairment provision during the period – impaired
BBB ~ AAA	\$ 228,435	-	-
Carrying amount	\$ 228,435	-	-

<u>Credit Rating</u>	2021.3.31		
	Evaluation after amortized cost		
	12 months expected loss	Impairment provision during the period – not impaired	Impairment provision during the period – impaired
BBB ~ AAA	\$ 300,192	-	-
Carrying amount	\$ 300,192	-	-

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

There is no impairment provision or reversal after amortized cost of financial assets for the period January 1st to March 31st, 2022 and 2021.

2. Liquidity risk

Other than account payables (including related parties) and other current liabilities will be paid within one year, the following table shows the contractual maturities of financial liabilities:

	<u>Contractual cash flow</u>	<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>Over 1 year</u>
2022.03.31				
Non-derivative financial liabilities				
Bank Loan	\$ (151,557)	(151,557)	-	-
Lease liabilities (current and non-current)	(7,430)	(3,093)	(3,093)	(1,244)
Long term loan (including maturity within 1 yr)	(9,239)	(3,729)	(3,684)	(1,826)
	<u>\$ (168,226)</u>	<u>(158,379)</u>	<u>(6,777)</u>	<u>(3,070)</u>

	<u>Contractual cash flow</u>	<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>Over 1 year</u>
2021.12.31				
Non-derivative financial liabilities				
Bank Loan	\$ (162,736)	(162,736)	-	-
Lease liabilities (current and non-current)	(9,193)	(3,298)	(3,298)	(2,597)
Long term loan (including maturity within 1 yr)	(11,093)	(3,736)	(3,698)	(3,659)
	<u>\$ (183,022)</u>	<u>(169,770)</u>	<u>(6,996)</u>	<u>(6,256)</u>

2021.03.31				
Non-derivative financial liabilities				
Bank Loan	\$ (283,279)	(283,279)	-	-
Lease liabilities (current and non-current)	(14,494)	(3,533)	(3,534)	(7,427)
Long term loan (including maturity within 1 yr)	(16,736)	(3,760)	(3,756)	(9,220)
	<u>\$ (314,509)</u>	<u>(290,572)</u>	<u>(7,290)</u>	<u>(16,647)</u>

There is no expectation that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

3. Market risk

(1) Exposure to currency risk

The Company financial assets and liabilities exposed to exchange rate risk were as following:

Unit: FX in thousands

	2022.3.31			2021.12.31			2021.3.31			
	FX	Ex. rate	NTD	FX	Ex. rate	NTD	FX	Ex. rate	NTD	
<u>Financial assets</u>										
Monetary items										
USD	\$	25,135	28.615	719,237	25,039	27.681	693,109	20,847	28.610	596,442
RMD		464	4.487	2,083	552	4.346	2,397	465	4.377	2,036
<u>Financial liabilities</u>										
<u>Monetary items</u>										
USD		2,473	28.615	70,761	2,314	27.681	64,064	2,284	28.610	65,346

(2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, account receivables (including related parties, other financial assets (current and non-current), account payables and other current liabilities that are denominated in foreign currency.

A strengthening (weakening) 5 % of the TWD against the USD and the RMB as of March 31, 2022 and 2021, would change the net profit after tax by NTD\$32,528 thousands and NTD\$26,657 thousands respectively. The analysis assumes that all other variables remain constant.

(3) Foreign exchange gain (losses) on monetary items

The Company foreign exchange gains (losses), including realized and unrealized, on monetary items are:

	202201~202203		202101~202103		
	FX gain/loss	Ave FX rate	FX gain/loss	Ave FX rate	
USD	\$	22,619	28.001	9,585	28.361
RMB		66	4.406	56	4.378

(4) Interest risk

Please refer to the note on Liquidity Risk management for details on the financial asset and financial liability risk of the Company.

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

The sensitivity analysis was determined by the interest risk of the non-derivative on the reporting date. When reporting to the management, the interest rate has a range plus or minus 0.25%, which also represents the evaluation made by the management for the possible interest rate fluctuation.

If the interest rate changes by 0.25%, with other factors remain constant, the net profit/loss after tax would change by NTD\$122 thousands or NTD\$360 thousands respectively for the period January 1st to March 31st 2022 and 2021. This is due to the cash and cash equivalent, short term loan and other current financial assets (current & non-current) and long term loan (including maturity within 1 year).

4. Fair value of financial instruments

(1) Categories of financial instruments and fair value

The fair value of financial assets and liabilities at fair value through profit or loss and fair value through other comprehensive income is measured on a recurring basis. The carrying amount and the fair value of financial assets and liabilities (including information for fair value rating scale, but excluding financial instrument with fair value close to the carrying amounts and equity investments which cannot be estimated reliably in an active market) are:

	2022.3.31				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalent	\$ 379,247	-	-	-	-
Net account receivables (including related parties)	255,454	-	-	-	-
Other financial assets (current and non-current)	224,436	-	-	-	-
Sub-total	\$ 859,137	-	-	-	-
Financial liabilities measured at amortized cost					
Short term loan	\$ 151,200	-	-	-	-
Account payable (including related parties)	113,380	-	-	-	-
Lease liabilities (current and non-current)	7,357	-	-	-	-
Salary and bonus to pay	33,179				
Long term loan (including maturity within 1 yr)	9,091	-	-	-	-

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

Sub-total \$ 314,207 - - - -

		2021.12.31			
		Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalent	\$ 400,584	-	-	-	-
Net account receivables (including related parties)	218,254	-	-	-	-
Other financial assets (current and non-current)	<u>228,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total	<u>\$ 847,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Financial liabilities measured at amortized cost					
Short term loan	\$ 162,272	-	-	-	-
Account payable (including related parties)	107,610	-	-	-	-
Lease liabilities (current and non-current)	9,085	-	-	-	-
Salary and bonus to pay	28,714				
Long term loan (including maturity within 1 yr)	<u>10,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total	<u>\$ 318,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

		2021.3.31			
		Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalent	\$ 144,887	-	-	-	-
Net account receivables (including related parties)	210,214	-	-	-	-
Other financial assets (current and non-current)	<u>300,192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total	<u>\$ 655,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Financial liabilities measured at amortized cost					
Short term loan	\$ 278,168	-	-	-	-
Account payable (including related parties)	74,792	-	-	-	-
Lease liabilities (current and	14,236	-	-	-	-

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

non-current)					
Long term loan (including maturity within 1 yr)	16,364	-	-	-	-
Sub-total	\$ 383,560	-	-	-	-

When the Company is evaluating assets and liabilities, observable market information/inputs are preferable. Hierarchy of inputs used to measure fair value are:

- A. Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- B. Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability (directly or indirectly).
- C. Level 3: Assets or liabilities that are not observable market information (unobservable parameters).

(2) Valuation techniques for financial instruments measured at fair value

If financial instrument has quoted prices available in the active market, the quote in the active market shall be used as fair value. Both the market prices announced by significant exchanges and those of Central Government bonds determined as popular securities announced by the TPEX are basis of fair value for equity instruments booked in the Exchange (Taipei Exchange).

If public quoted prices can be timely obtained from the exchanges, brokers, underwriters or the competent authority, and the prices can represent actual and frequent transactions in the market, the financial instruments are considered to have public quoted prices in the active market. If the above condition is not met, the market is considered inactive. Generally speaking, if there is great differences between the sales price and purchase price, or there is significant increase in such difference or the transactions are not frequent, there is indication that the market is not active.

Except for the above-mentioned financial instruments with active markets, the fair values of other financial instruments are obtained through evaluation techniques or with reference to the quotations of counterparties. The fair value obtained through evaluation technology can be calculated by referring to the current fair value of other financial instruments with similar substantive conditions and characteristics, discounted cash flow method or other evaluation technology, including the use of market information available on the reporting date. (For example, the counter buying center refers to the yield curve, the average quotation of the Reuters commercial promissory note interest

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

rate).

If the financial instruments held by the consolidated company are in the non-active market, they are deemed as equity instruments without public quotation, the fair value will be booked as its net asset value.

- (3) There was no transfer of levels during January 1st to March 31st 2022 and 2021.
- (4) Quantitative information on the fair value measurement of significant unobservable inputs (Level 3)

The fair value measurement of the consolidated company classified as Level 3 are mainly equity investment, financial assets measured at fair value through other comprehensive gain or loss.

The significance of the consolidated company’s fair value classified as Level 3 has only a single significant unobservable input value, and only an equity instrument investment without an active market has multiple significant unobservable inputs.

The significant unobservable inputs of equity instrument investments in an inactive market are independent of each other and therefore are not interrelated. The list of quantitative information for significant unobservable inputs is as follows:

Item	Valuation techniques	Significant unobservable inputs	Relationship between inputs and fair value measurement
Financial assets at FVOCI- equity investments without an active market	Net Asset Value Method	Net Asset Value	Not applicable

(21) Financial risk management

There were no significant changes in the objectives and policies in the financial risk management from Note 6(20) outlined in the consolidated financial statement for the year ended December 31st 2021.

(22) Capital management

The objective, policies and processes for capital management were consistent with the consolidated financial statements for the year ended December 31st 2021. There were no significant changes in quantified factors of capital management from information disclosed in

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

the consolidated financial statement for the year ended December 31st 2021. Please refer to Note 6(21) of the consolidated financial statement dated December 31st 2021 for details.

(23) Financing activities not affecting current cash flow

The financing activities not affecting current cash flow in the 3 months ended March 31st 2022 and 2021 were:

1. Please refer to Note 6(5) for recognized related liabilities on real estate, plant and equipment.
2. Please refer to Note 6(6) for Acquisition of right-of-use assets at leases.

Reconciliation of liabilities arising from financing activities were as follows:

	<u>Short term loan</u>	<u>Lease liabilities</u>	<u>Loan term loan</u>
Balancing at January 1 st 2022	\$ 162,272	9,085	10,909
Changes in cash flow from financing activities			
Loan repayments	(11,072)	-	(1,818)
Payment on lease liabilities	-	(1,735)	-
Sub-total cash flow from financing activities	<u>(11,072)</u>	<u>(1,735)</u>	<u>(1,818)</u>
Other changes in liabilities related items			
Interest expense	-	34	-
Interest paid	-	(34)	-
Effects on foreign exchanges	-	7	-
Sub-total other changes related to liabilities	<u>-</u>	<u>7</u>	<u>-</u>
Balance at March 31 st 2022	<u>\$ 151,200</u>	<u>7,357</u>	<u>9,091</u>
Balance at January 1 st 2021	\$ 301,449	15,906	18,183
Changes in cash flow from financing activities			
New loan	18,989	-	-
Loan repayment	(42,270)	-	(1,819)
Repayments on lease liabilities	-	(1,670)	-
Sub-total cash flow from financing activities	<u>(23,281)</u>	<u>(1,670)</u>	<u>(1,819)</u>
Other changes in liabilities related items			
Interest expenses	-	67	-
Interest paid	-	(67)	-
Balance at March 31 st 2021	<u>\$ 278,168</u>	<u>14,236</u>	<u>16,364</u>

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

7. Related-Party Transactions

(1) Names and relationship

Related parties had transactions with the Company during the period covered:

<u>Names</u>	<u>Relationship</u>
ASUSTek Computer Inc.	Key personnel of the Company (Institutional Director)
Siguard Microelectronic Corp. (Siguard)	Key personnel of the Company (Institutional Director)

(2) Significant transactions with related parties

1. Sales

The amounts of significant sales were:

	<u>Sales</u>	
	<u>2022</u>	<u>2021</u>
	<u>0101~0331</u>	<u>0101~0331</u>
Key personnel of the Company-Asus	<u>\$ 31,243</u>	<u>24,437</u>

	<u>Related parties account receivables</u>		
	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
	Key personnel of the Company-Asus	<u>\$ 31,820</u>	<u>29,163</u>

Product prices quoted to the related parties were determined by the product specification. Some discounts were given depending on the total sales quantity. Therefore, prices quoted to the related parties were of no big difference to other customers. Payment term for the related parties were 60 days while the payment terms for other customers can be varied from advance payment, T/T on demand, or 30 to 90 days on open account depending on the experiences and the result from the credit valuation.

2. Purchasing and OEM

Amounts relating to purchase and OEM from the related parties were:

	<u>Purchase and OEM</u>	
	<u>2022</u>	<u>2021</u>
	<u>0101~0331</u>	<u>0101~0331</u>
Key personnel of the Company—Siguard	<u>\$ 4,086</u>	<u>6,881</u>

	<u>Related parties account payables</u>		
	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
	Key personnel of the Company—Siguard	<u>\$ 2,799</u>	<u>5,491</u>

The trading conditions between the Company and related parties are no different to those with general suppliers.

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

3. Other transactions

The Company signed technical contracts and paid royalties to related parties accordingly.
Amounts to be balanced were:

		Amount	
		2022	2021
		0101~0331	0101~0331
	Trading items		
Key personnel of the Company	Machines rentals	\$ -	1

All of the above payables have been paid.

(3) Transactions with key personnel

Compensation of the key personnel were:

		2022	2021
		0101~0331	0101~0331
Short term employee benefits		\$ 7,549	6,051
Post-employment benefits		169	159
Share-based payment		602	-
		\$ 8,320	6,210

8. Pledged Assets

Assets	Purpose	20220331	20211231	20210331
Term deposit (other financial assets-non-current)	Purchase and Guarantee deposits of customs duty – non-current)	\$ 1,038	1,038	1,032
Term deposit (other financial assets-current)	Guarantee for short term loan	198,898	203,479	291,846
Account Receivables	Guarantee for short term loan	45,440	51,122	27,202
		\$ 245,376	255,639	320,080

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

9. Significant Commitments and Contingencies

Other than items described in Note 6(10) and Note 7, the significant commitments of the Company for the period ending March 31st, 2022 and 2021 were as following:

- (1) According to the technical authorization contracts signed with other companies, the Company pays technical royalties and royalties by designated production quantity.
- (2) The Company has signed agreements with Taipei Fubon Commercial Bank Co Ltd, Cathay United Bank and CTBC Bank Co Ltd to provide promised note as guarantee for account receivables:

	2022.3.31	2021.12.31	2021.3.31
Guarantee Notes	\$ 488,615	487,681	538,610

10. Losses due to major disasters: None

11. Significant subsequent events: None

12. Other

Current summary statement of employee benefits, depreciation and amortization expenses by functions:

By Function Classification	20220101~20220331			20210101~20210331		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries	-	33,085	33,085	-	21,992	21,992
Labor and health insurance	-	1,889	1,889	-	1,695	1,695
Pension	-	1,149	1,149	-	1,900	1,900
Others	-	506	506	-	501	501
Depreciations	-	3,618	3,618	-	2,781	2,781
Amortizations	-	883	883	-	-	-

13. Other disclosures

(1) Information on significant transactions

Information on significant transactions required by the “Regulations Governing the

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

Preparation of Financial Reports by Securities Issuers” for the period ending March 31st, 2022:

1. Loans to other parties: none
2. Guarantees and endorsements for other parties: none
3. Securities held as of March 31st 2022 (other than investments in subsidiaries, associates and JVs):

Unit: NTD\$ thousands/ thousand shares

Name of Holder	Category & Name of Security	Relationship with The Company	Account title	Ending balance				Note
				Shares	Book Value	Ownership %	Fair Value	
The Company	Shares of Touchsens Ltd	-	Financial assets measured at fair value through other comprehensive profit and loss – non-current	250	-	7.59 %	Note	

Note: the shares are not traded in open market. The evaluation was made by Net Asset Valuation Method. Please refer to Note 6(20) for details.

4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: none
5. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: none
6. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: none
7. Related party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: none
8. Receivables from related parties with amount exceeding the lower of NT\$100 million or 20% of capital stock: none
9. Trading in derivative instruments: none
10. Business relationship and significant intercompany transactions: none

(2) Investment

Investment information for the period 20220101~20220331 (excluding investees in China)

Investor Company	Investee Company	Location	Business scope and products	Original Investment amount		Balance as of 20220331			Net income (loss) of investee	Share of P/L of investee	Note
				20220331	20211231	Shares	Ownership %	Book value			
The Company	Janus Power	New Taipei City	Electronic components	-	6,798	-	-%	-	-	-	Note 1

Note1: Janus Power has been eliminated after a simple merger with the Company on 2022.03.16.

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

(3) Investment in China

1. Information on investment in Mainland China :

Unit: NTDS\$ thousands

Investee	Business Scope	Capital Surplus	Method	Accumulated outflow from TW as of 20220101	Investment Flow		Accumulated outflow from TW As of 2022331	Net Income/loss %	Ownership %	Gain/loss (Note4)	Book Value	Accumulated remittance of Earnings
					Outflow	Inflow						
ENE Touch Technology Inc	Distribution of electronic parts	9,047 (USD300)	(Note1)	9,047 (USD300)	-	-	9,047 (USD300)	(655)	100.00%	(655)	1,518	-

2. Limitation on investment in Mainland China :

Accumulated Investment in Mainland China as of 20210331 (Note2)	Investment amount Authorized by MOEA (Note2)	Maximum limit on Investment (Note3)
9,047 (USD300 Thousands)	8,585 (USD300 Thousands)	470,278

Note1 : Direct investment in China

Note2 : Accumulated investment in Mainland China were calculated in NTD using exchange rate on the remitting date. Investment amounts authorized by Investment Commission MOEA are calculated in NTD using exchange rate on the reporting date.

Note3 : According to “Principles of investment or Technical Cooperation in Mainland China”, the accumulated investment in mainland China of the Company does not exceed the maximum limit.

Note4 : Financial statements were reviewed by the certificated auditors of the Company.

3. Significant transactions between investees in China:

Please refer to “Information on significant transactions” for details.

(4) Major shareholders: no single shareholding exceeding 5%.

Major Shareholder	Shares	Holding	%
Alcor Micro		8,000,000	17.66%

14. Segment Information

The Company is focus on the research and development, design, manufacture and sales of NB related application ICs. The Company operates as a single operation entity. The segment financial information is consistent with the consolidated financial statements. Please refer to the consolidated statements of comprehensive income for sales and income before income tax. Please refer to the consolidated balance sheets for information on assets.