Code: 6243

ENE TECHNOLOGY INC.

2019 Annual Report

http://mops.twse.com.tw
http://www.ene.com.tw

2020.May. 22nd

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Independent Auditor
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Auditors: CPA Mei-Yu Tseng and CPA Chien-Hui Lu
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1. Letter to Shareholders

Dear Shareholders,

Thank you all for attending 2020 Shareholders' General Meeting. I would like to briefly summarize ENE's 2019 business result and business plan for 2020 as follows:

2019 Financial and operation results

2019 Total revenue comes to NT$559,933 thousands, an increase of 8.4% (NT$43,542 thousands) over NT$ 516,391 thousands in 2018. 2019 Gross margin is 21.67%, slightly lower than 23.21% of 2018.

Total operation expense in 2019 is NT$182,987 thousands, a decrease of NT$19,547 thousands over NT$202,534 thousands in 2018. The cutback of operation expense is a result of expense control.

Cost of revenue is NT$438,581 thousands, an increase of 10.6% over NT$396,523 thousands in 2018. Net loss is NT$61,635 thousands, narrowing down from NT$82,666 thousands in Year 2018. Loss before income tax is NT$65,253 thousands over NT$60,138 thousands in 2018.

NT$ Thousands

Year / Item	2019	2018	Differences	% of Change
Operation Revenue	559,933	516,391	43,542	8.4%
Operation Cost	438,581	396,523	42,058	10.6%
Opertion Margin	121,352	119,868	1,484	1.2%
Operation Expense	182,987	202,534	(19,547)	(9.7%)
Operation Loss	(61,635)	(82,666)	21,031	(25.4%)
Non operation Income	(3,618)	22,528	(26,146)	(116.1%)
EBIT	(65,253)	(60,138)	(5,115)	8.5%
Net Loss	(65,253)	(60,138)	(5,115)	8.5%

Budget execution

ENE TECHNOLOGY INC. has not provided financial projection.

Financial and profitability ratios:

Item	Consolidated		Parent Only	
	2019	2018	2019	2018
Return on Assets (%)	-6.89%	-6.34%	-6.89%	-6.34%
Return on Equity (%)	-12.21%	-10.09%	-12.21%	-10.09%
Return on Capital Employed (%)	-8.70%	-8.02%	-8.70%	-8.02%
Net income to sales	-11.65%	-11.64%	-11.65%	-11.64%
Earnings Per Share	(0.87)	(0.80)	(0.87)	(0.80)

Status on Research and Development

For 2020, the direction of product research and development shall continue current product strategy and continue to develop niche products related to computer peripherals. On the one hand, it will continue to plan to expand gaming related products and improve the user interface. On the other hand, it will improve the functions and specifications of the microcontroller to facilitate the subsequent promotion of consumer electronic products. At the same time, the company continues to develop PD 3.0 integrated products, which are used in computer peripheral products that meet customized needs. The product development cooperation with major customers is also continuous, and we are committed to developing a full-spec product line that can meet different requirements and customer expectations.

Business plan for 2020

(1) Business focus: Continue to deepen the research and development and application of NB related ICs, actively consolidate existing customers, expand the operating business, develop multiple computer peripheral products and applications, and strengthen the product portfolio of existing customers; in terms of consumer electronics products, Strengthen the promotion of niche products, develop multi-faceted applications, and deepen cooperation with major customers。

(2) Operation goal: 5% increase in total revenue, revenue contribution % as 65:35 (mobile products: consumer electronics)

(3) Major sales and manufacturing policy: optimize product manufacturing processes, reduce costs and improve gross margins, expand existing product applications, strengthen relationships with customers and manufacturers to maintain product market share and shorten product development schedule。

Future Development Strategy

The company continues to adjust its physique in response to rapid changes in the market. In the future, its focus is still PC-related products to further develop multiple applications, accelerate new product development, improve product quality, shorten delivery and improve after-sales service. The supply chain relationship will be the operational focus of the next few years, the purpose is to deepen cooperation and develop relations and obtain stable production capacity。

Looking at the future development of the company from the perspective of corporate governance, although the company governance practice code has not yet been formulated, the company operates in accordance with the spirit of the company governance practice code. On November 12, 2019, the Board of Directors adopted the "Board of Directors Performance Appraisal" as a reference basis for selecting board members or nominating directors, fully demonstrating the company's active cooperation with corporate governance.

Impact of external competition, legislative environment and macro economics

The China-US trade war caused an unpredictable impact on the global economy, but it also allowed the company to re-examine the company's physique and operating strategy. With the adjustment of operating policies and the continuous optimization of internal processes, it gradually saw improvements in the reform of operations in 2019. However, at the end of 2019, the world faced a severe public health crisis of COVID-19. The rapid spread of the epidemic in the world had a huge impact. The operation of supply chain changed, the operation mode adjusted, the impact of the education system, the changes in the structure of the consumer market and changes in human habits, all these changes make the NB products becoming important item in life again-work, education or entertainment. Regarding the changes in the operation of the overall global economy, the company is optimistic about the development of the overall tech industry and is actively preparing for the next wave of growth opportunities

ENE TECHNOLOGY INC

Chairman   Jason Weng

2. Company Profile

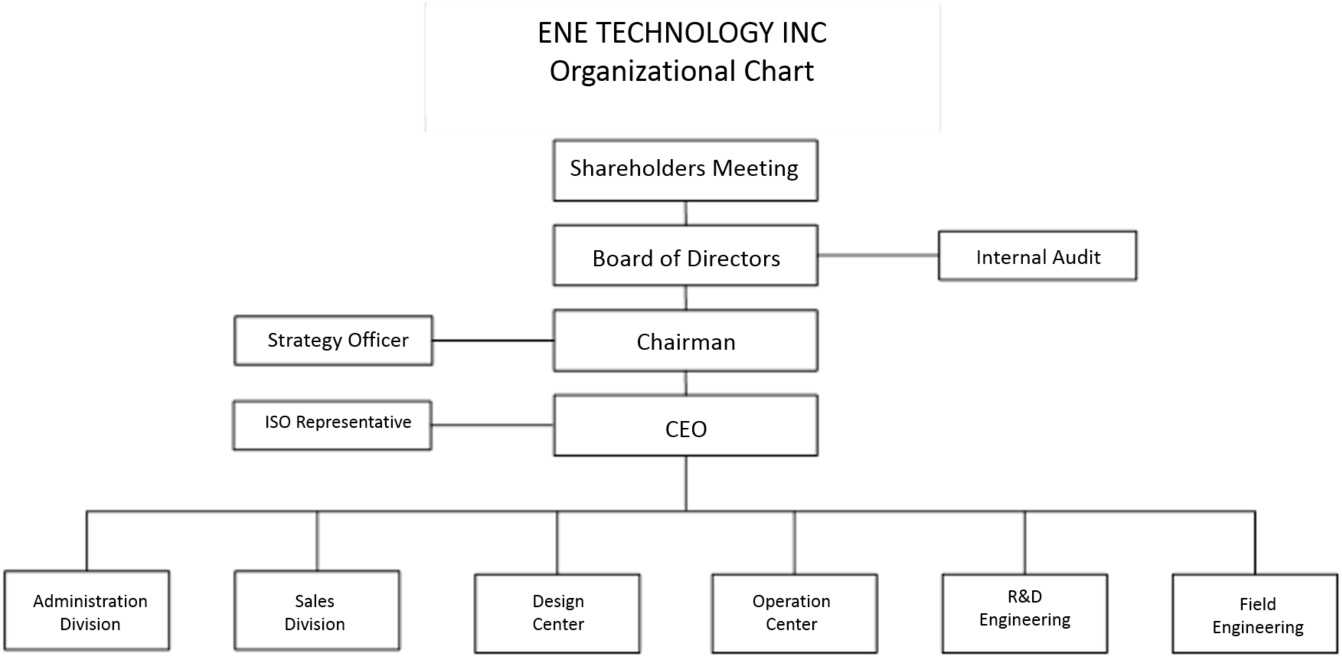
1. Establishment: May 20th, 1998
2. Milestones:

1998.05	Initial Capital NT$30 millions dollars
2000.11	Permission granted to operate in Hsinchu Science Industrial Park
2001.11	Pilot Run of first Keyboard Controller (KB3886）
2002.07	CardBus/MediaReader（CB710）certified by WindowsXP logo
2002.08	ISO9001 certified
2002.09	Enlisted onEmerging OTC market（Stock code R183）
2003.01	CardBus/MediaReader（CB720）certified by WindowsXP logo
2003.04	Listed on OTC market（Sotck code 6243）
2003.10	Excellent Award of the Second National Business Start-up
2004.03	USB2.0 Chip certified by USB-IF and WHQL.
2004.10	11th Small and Medium Enterprise Innovation Research Award
2004.12	Award of Research and Development of Creative New Technologies, SBIP
2005.05	U.S. Patent granted "COMPENSATION CIRCUIT FOR CURRENT CONTROL OSCILLATOR"
2005.06	Taiwan Patent granted "Keyboard Controller"
2005.12	12th Small and Medium Enterprise Innovation Research Award
2006.08	9th Rising Star Award
2006.10	Chosen as the Major supplier for MIT OLPC project
2007.09	Won Deloitte Award for Tech Fast 50 Taiwan
2007.10	16th National Award of Outstanding Small & Medium Enterprises
2008.06	ISO/IECQ QC080000 certified
2008.08	Chinese Annual Top Ten Most Promising Golden Torch Award
2008.12	HSPM-RoHS certified
2009.10	Establishement of Shenzen Office in China
2009.11	Award for Industrial Technology Advancement
2009.12	Listed on TWSE (6243)
2010.07	ISO 9001:2008 certified
2011.04	Establishment of Janus Power Technology Inc.
2014.11	WM6651 certified for WPC Qi standards
2015.12	IO361C PD E-Marker certified by USB-IF
2016.09	Enhanced MCU ene8K41 series
2016.11	New generation PD IC/PD E-Marker IC certified by USB-IF
2017.06	ISO 9001:2015 certified
2017.08	WM1511 certified for WPC Qi standards
2018.08	ENE Touch Technology Co. Ltd New generation PD 3.0 PPS IC certified by USB-IF
2019.01	MCU for gaming products

3. Corporate Governance

(1) Organisational

A. Organizational chart



B. Major functions

Department	Functions
CEO Office	Stipulate managerial objectives, set business targets, production planning and policies, investors communication and relations, legal affairs, new products evaluation, planning, evaluation, marketing, promotion and project management
Internal Audit	Internal audit affairs
Research & Development Engineering Division	Logic circuit verification, related firmware, drivers and softwares development
Sales	International and domestic activities relating to product marketing, sales, service and customer communiations
Field Engineering Division	Post sales services and application related technical issues
Design Center	Logic circuit design, integration and verification, analog circuit design, system application analysis, system verification, product verification and testing, product certification
Operation Center	Supplychain management, procurement, production planning, quality and reliability management, process control, vendor management, chip layout engineering, IP management
Administration	Financial planning and risk management, BOD and shareholder related affairs, accounting affairs, taxation, budgeting, human resource management

2. Directors

2.1 Information Regarding Board Members

2020.04.30

Title	Nationality Registery	Name	Gender	Date Elected	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholdings		Shareholding by Nominee arrangement		Selected Education and Experiences	Current positions at the Company and other companies	Managers who are Spouses or Within Two Degrees of Kinship			Title
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Taiwan	Jason Weng	Male	2019.6.21	3	1998.4.20	1,630,010	2.17	1,630,010	2.17	94,845	0.13	-	-	Utah State University, Master of Electrical Engineering National Taiwan University, EMBA Product Manager Asean Pacific Division, Intel Corp. Marketing manager, SiS Manager, ASIC Center, TI Taipei Branch	The Company: NA Others: Janus Power, Chairman	-	-	-	
Director	Taiwan	Siguard Microelectronics		2019.6.13	3	2016.6.14	1,373,798	1.83	1,373,798	1.83	-	-	-	-						
	Taiwan	Siguard Microelectronics Representative: Chi Chan Chen	Male	2019.6.14	3	2019.6.14	-	-	-	-	-	-	-	-	Fengjia University Department of International Trade Director of Accounting Department of Meige Technology Co., Ltd. Deputy Manager of Finance Department of Hongyu Semiconductor Head of Accounting and Director of Accounting Department	ENE：NA Others：Supervisor of Sixing (Suzhou) Integrated Circuit Technology Co., Ltd.	-	-	-	
Director	Taiwan	ASUSTEK Computer Inc		2019.6.13	3	2007.9.11	917,247	1.22	917,247	1.22	-	-	-	-						
	Taiwan	ASUSTEK Computer Inc Representative: ChinChiWu	Male	2019.6.13	3	2008.5.12	-	-	-		-	-	-	-	UCLA PhD in Material Science Alitech GM, CTO of Asus	ENE：NA Others： please refer to ASUS annual report	-	-	-	
Director	Taiwan	Wen Huei, Tsai	Male	2019.6.13	3	2005.5.27	1,198,978	1.60	1,198,978	1.60	45,704	0.06	-	-	Bachelor of Accounting, National Chengchi University	The Company: Chief Strategy Officer Others: Director, Sino-American Silicon Products Inc, Director, Chipwell Tech Corporation and Advanced Wireless Semiconductor Company	-	-	-	

Title	Nationality Registery	Name	Gender	Date Elected	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholdings		Shareholding by Nominee arrangement		Selected Education and Experiences	Current positions at the Company and other companies	Managers who are Spouses or Within Two Degrees of Kinship			Title
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	Taiwan	Dylan Chung	Male	2019.6.13	3	2007.5.22	204,904	0.27	204,904	0.27	50,817	0.07	-	-	National Taiwan University, Master of Accounting Taiwan CPA/ Internal Auditor	The Company: CEO Janus power: General manager、Independent Director, Magnate Technology IncSupervisor of Premtek, PigModel Animal Technology	-	-	-	
Director	Taiwan	Leo Wu	Male	2019.6.13	3	2016.6.14	50,208	0.07	50,208	0.07	1,411	0.00	-	-	Tamsui Institute of Business Administration, Industrial Engineering and Management	Special assistantto the CEO Supervisor of Janus Power	-	-	-	
Independent Director	Taiwan	Ming Jun Hou	Male	2019.6.13	3	2002.6.12	32,751	0.04	32,751	0.04	-	-	-	-	TBB manager	ENE:Audit Committee member, Remuneration Committee member Others:AWSC independent director and remuneration committee member	-	-	-	
Independent Director	Taiwan	Yi Fong Lin	Male	2019.6.13	3	2002.6.12	-	-	-	-	-	-	-	-	NCKU EE Masters, NTU EMAN, Intel Taiwan senior employee Founder of Migo Corp	ENE:Audit committee member, remuneration committee member Others:Director of Yu Hsin Tech, Focus Tech Chairman	-	-	-	

Title	Nationality Registery	Name	Gender	Date Elected	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholdings		Shareholding by Nominee arrangement		Selected Education and Experiences	Current positions at the Company and other companies	Managers who are Spouses or Within Two Degrees of Kinship			Title
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Taiwan	Shen Yuan Chen	Male	2019.6.13	3	2016.6.14	-	-	-	-	2,288	0.00	-	-	NTU Finance management Masters Professor at Taipei Business University	ENE:Audit Committee member, remuneration committee member Others:Alcor microelectronic independent director, remuneration committee member, Audit Committee member	-	-	-	

Major Shareholders’ of Institutional Investoer

Name	Top-10 Shareholders of Institutional Investors	%
Asustek	Jonney Shih	4.05%
	ASUS’s Certificate of Depository with CitiBank (Taiwan)	3.31%
	Cathay United Bank managed Expert Union Limited Investment account	2.77%
	Silchester International Investors International Value Equity Trust	2.69%
	New Labor Pension Fund	2.60%
	Labor Insurance Funds	2.12%
	JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.68%
	CitiBank (Taiwan) managed Stewart Investors Global Emerging Markets Leaders Fund	1.47%
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	1.40%
	Silchester International Investors International Value Equity Trust Taiwan Bank	1.35%
Siguard Microelectronics	Yen Yun Investment	4.29%
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	3.21%
	JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	2.04%
	Norges Bank	2.01%
	Hsin Yan Huang	1.71%
	Taiwan Bank in custody of LSV emerging market investment fund	1.70%
	Ming Chun Chiu	1.37%
	Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	1.27%
	CitiBank (Taiwan) in custody for DFA Emerging Market investment projects	1.12%
	CitiBank (Taiwan) managed Stewart Investors Global Emerging Markets Leaders Fund	1.10%

Major Shareholders of the Compnay’s major institutional shareholders

Name of institutional shareholders	Major shareholders	%
Yen Yun Investment	Spil investment	32.21%
	UMC	30.87%
	King Yuan electronics	16.78%
	Unimicron	13.42%
	Siguard	4.03%
	Bao Hwa investment	2.68%

Professional Qualifications and Independence Analysis of Directors

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria（Note）												Number of other public companies concrrently serving as an independent director
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	11	12	
Jason Weng			✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	Na
Chi Chan Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		Na
Chin Chi Wu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		Na
Wen Hui Tsai			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	Na
Dylan Chung		✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Leo Wu			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Na
Ming Kun Hou			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Yi Fon Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Na
Shen Yuan Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.
6. Not a director, supervisor, or employee of the company which majority director seats or voting shares and those of any other company are controlled by the same person.
7. Not a director (or governor), supervisor, or employee of the company or institution which the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law

General Manager, vice presidents, directors, functional heads

2020.04.30

Title	Nationality	Name	Gender	Date of Election	Share holding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
CEO	Taiwan	Dylan Chung	Male	2015. 08.07	204,904	0.27	50,817	0.07	-	-	National Taiwan University, Master of Accounting Taiwan CPA/ Internal Auditor	The Company: CEO Janus power: General manager、 Independent Director, Magnate Technology IncSupervisor of Premtek, PigModel Animal Technology	-	-	-
Staretgy Officer	Taiwan	Wen Hui Tsai	Male	2007. 12.26	1,198,978	1.60	45,704	0.06	-	-	Bachelor of Accounting, National Chengchi University	The Company: Chief Strategy Officer Others: Director, Sino-American Silicon Products Inc, Director, Chipwell Tech Corporation and Advanced Wireless Semiconductor Company	-	-	-
Senior Executive VP	Taiwan	Galen Chai	Male	2015. 11.06	50,000	0.07	-	-	-	-	University of Texas at Austin, Master of Electrical and Computer Engineering	Supervisor of Janus Power	-	-	-
FAE VP	Taiwan	Dennis Lee	Male	2014. 08.08	5,000	0.01	-	-	-	-	National Chiao Tung University, Bachelor of Computer Science	None	-	-	-
Design Center VP	Taiwan	Kasper Tsai	Male	2016. 03.18	50,000	0.07	-	-	-	-	National Chiao Tung University, Master of Computer Science	None	-	-	-
Sales VP	Taiwan	Armingle Lee	Male	2020. 01.01	358,000	0.48	56,000	0.07	-	-	NTUT, masters of EE ITE Technical manager	None	-	-	-
R&D Engineering VP	Taiwan	SuWu Lo	Male	2020. 03.19	50,000	0.07	-	-	-	-	NCTU Bachelor of EE Faraday Technology, SiS	None	-	-	-

3. Remunerations Paid to Directors and Key Managers

3.1 Remuneration Paid to Directors (Including Independent Directors)

Unit: Thousands

Title	Name	Remuneration for Directors								Ratio of Total Compensation (A+B+C+D) to Net Income (%)		Relevant Compensation Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or parent Company
		Salary (A)		Pension (B)		Remuneration (C)		Allowances (D)				Salary, Bonus and special allowance (E)		Pension (F)		Salary (G)						
																The Company		Consolidated Entities				
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	Cash	Stock	Cash	Stock	The Company	Consolidated Entities	
Chairman	Jason Weng	1,207	1,207	-	-	-	-	1,491	1,491	-4.14	-4.14	-	-	-	-	-	-	-	-	-4.09	-4.09	NA
Institutional Director	Siguard Microelectronics	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	NA
Representative of Institutional Director	Ming Hung Wu (2019.6.13 resigned)	-	-	-	-	-	-	10	10	-0.02	-0.02	-	-	-	-	-	-	-	-	-0.02	-0.02	NA
Representative of Institutional Director	Chi Chan Chen (2019.6.14 on board)							15	15	-0.02	-0.02									-0.02	-0.02	NA
Institutional Director	ASUSTEK Computer Inc	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	NA
Representative of Institutional Director	Chin Chi Wu	-	-	-	-	-	-	10	10	-0.02	-0.02	-	-	-	-	-	-	-	-	-0.02	-0.02	NA
Director	Wen Hui Tsai	-	-	-	-	-	-	25	25	-0.04	-0.04	1,370	1,370	-	-	-	-	-	-	-2.10	-2.10	NA
Director	Dylan Chung	-	-	-	-	-	-	25	25	-0.04	-0.04	4,199	4,199	108	108	-	-	-	-	-6.64	-6.64	NA
Director	Leo Wu	-	-	-	-	-	-	25	25	-0.04	-0.04	2,881	2,881	108	108	-	-	-	-	-4.62	-4.62	NA
Independent Director	Ming Kun Hou	240	240	-	-	-	-	25	25	-0.41	-0.41	-	-	-	-	-	-	-	-	-0.41	-0.41	NA
Independent Director	Yi Fon Lin	240	240	-	-	-	-	25	25	-0.41	-0.41	-	-	-	-	-	-	-	-	-0.41	-0.41	NA
Independent Director	Shen Yuan Chen	240	240	-	-	-	-	25	25	-0.41	-0.41	-	-	-	-	-	-	-	-	-0.41	-0.41	NA

3.2 Remuneration Paid to Supervisors

Unit: Thousands

Title	Name	Remuneration for Supervisors						Ratio of Total Compensation (A+B+C) to Net Income		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or parent Company
		Salary(A)		Remuneration(B)		Allowances(C)				
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	
Supervisor	Hai Yen Hou	108	108	-	-	-	-	-0.17%	-0.17%	NA
Supervisor	Shi Ming Chen	108	108	-	-	10	10	-0.18%	-0.18%	NA
Supervisor	Chen Shen Lin	108	108	-	-	5	5	-0.17%	-0.17%	NA

Note: Audit Committee was established on June 13th, 2019 to replace supervisors.

3.3 Remuneration Paid to General Manager and Vice Presidents

Unit: Thousands

Title	Name	Salery(A)		Pension (B)		Bonus & Allowances (C)		Remuneration (D)				Ratio of Total Compensation (A+B+C+D) to Net Income		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or parent Company
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company		Consolidated Entities		The Company	Consolidated Entities	
								Cash	Stock	Cash	Stock			
CEO	Dylan Chung	17,087	17,087	628	628	1,223	1,223	-	-	-	-	-29.02%	-29.02%	NA
GM of Mobile Electronic Products	Leo Wu													
Chief Strategy Officer	Wen Hui Tsai													
Executive Vice President	Galen Chai													
Vice President	Dennis Lee													
Vice President	Kasper Tsai													
Vice President	Kim Chen (Retired on 2019.12.31)													

Compentation brackets table

Ranges of compensation paid to the CEO and vice presidents	Names of CEO and VPs	
	The Company	Consolidated Entities
Under NT$1,000,000		
NT$1,000,000～NT$2,000,000	Wen Hui Tsai, Kim Chen	Wen Hui Tsai, Kim Chen
NT$2,000,000～NT$3,500,000	Leo Wu, Galen Chai, Dennis Lee, Kasper Tsai	Leo Wu, Galen Chai, Dennis Lee, Kasper Tsai
NT$3,500,000～NT$5,000,000	Dylan Chung	Dylan Chung
NT$5,000,000～NT$10,000,000		
NT$10,000,000～NT$15,000,000		
NT$15,000,000～NT$30,000,000		
NT$30,000,000～NT$50,000,000		
NT$50,000,000～NT$100,000,000		
Over NT$100,000,000		
Total	18,938,000	18,938,000

3.4 Top five remuneration paid to the managers

Unit: Thousands

Title	Name	Salery(A)		Pension (B)		Bonus & Allowances (C)		Remuneration (D)				Ratio of Total Compensation (A+B+C+D) to Net Income		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or parent Company
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company		Consolidated Entities		The Company	Consolidated Entities	
								Cash	Stock	Cash	Stock			
CEO	Dylan Chung	1,733	1,733	108	108	2,491	2,491	-	-	-	-	-6.64%	-6.64%	-
GM of Mobile Electronic Products	Leo Wu	1,944	1,944	108	108	962	962	-	-	-	-	-4.62%	-4.62%	-
Executive VP	Galen Chai	1,755	1,755	108	108	936	936	-	-	-	-	-4.29%	-4.29%	-
Vice President	Dennis Lee	1,654	1,654	108	108	863	863	-	-	-	-	-4.02%	-4.02%	-
Vice President	Kasper Tsai	1,546	1,546	108	108	817	817	-	-	-	-	-3.79%	-3.79%	-

3.5 Comparison of compensation for Directors, supervisors, CEO and VPs in the most recent two fiscal years and compensation

1. Directors', Supervisors', CEO's, VPs' compensation paid in the last two years as a percentage to net income:

Item	2019		2018	
	The Company	Consolidated Entities	The Company	Consolidated Entities
Net income（Thousands）	(65,253)	(65,253)	(58,499)	(58,499)
Compensation to Directors (Thousands）	3,603	3,603	3,758	3,758
% of Compensation to Directors to Net income	(5.52%)	(5.52%)	(6.42%)	(6.42%)
Compensation to Supervisors（Thousands）	339	339	785	785
% of Compensation to Supervisors to Net income	(0.52%)	(0.52%)	(1.34%)	(1.34%)
Compensations to CEO and VPs (Thousands）	18,938	18,938	17,843	17,843
% of Compensation to CEO and VPs to Net income	(29.02%)	(29.02%)	(30.50%)	(30.50%)

2. The determimation of compensation for directors, supervisors, CEO and vice presidents:
   The Company has established Remuneration and Compensation Committee on December 6^{th}, 2011. The committee review directors, supervisors, and managers' compensation and related policies. Compensation to the Driectors and Managers of the subsidiaries will be proposed at the parent Remuneration and Compensation Committee then submit to BOD for discussions.
   (1) Directors and Supervisors:
      1. Salary: in according to Article 32 of the articles of Incorporations, 3% of the net profit as compensations to the directors and supervisors. The BOD will decide how much the compensation will be paidin according to the contribution.
      2. Remuneration: In according to Article 28, monthly remuneration shall be paid to the natural directors and supervisors that are not employees of the company.
      3. Allowances: paid as resolution of the Remuneration and Compensation Committee, including company car, special allowances and servie fee.
      4. Pension: paid in accordance to the resolution of the Remuneration and Compensation Committee.
   (2) CEO, President and VPs:
      1. Regular salary: paid in according to the standards set by the Remuneration and Compensation Committee.
      2. Flexible remuneration: including MBO, quarterly bonus, employee remuneration. MBO bonus shall be paid in accordance to the personal performance, department performance and overall revenue achievement rate. Quarterly bonus shall be paid in accordance to the quarterly revenue achievement. Employee remuneration shall be paid in according to the Article 32 of Articles of Incorporations.

4. Status of corporate governance:

4.1 Board meeting attendance

The Board meetings were held 5 times in 2019 (A)

Title	Name(Note1)	Attendance in Person (B)	Attendance by Proxy	Rate of attendance in person (%)	Note
Chairman	Jason Weng	5	0	100%	2019.6.21 reelected
Director	Wen Hui Tsai	5	0	100%	2019.6.13 reelected
Director	ASUSTEK Computer Inc. Representative: Ching Chi Wu	2	0	40%	2019.6.13 reelected
Director	Siguard Microelectronics Representative: Ming Hon Wu	2	0	100%	Representative 2019.6.13 resigned Expected attendance 2 times
Director	Siguard Microelectronics Representative: Chi Chan Chen	3	0	100%	Representative 2019.6.14 elected Expected attendance 3 times
Director	Dylan Chung	5	0	100%	2019.6.13 reelected
Director	Leo Wu	5	0	100%	2019.6.13 reelected
Independent Director	Ming Kun Hou	5	0	100%	2019.6.13 reelected
Independent Director	Yi Fon Lin	5	0	100%	2019.6.13 reelected
Independent Director	Shen Yuan Chen	5	0	100%	2019.6.13 reelected

1. If any of the following circumstances occur,, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified: (1) Matters referred to in Article 14-3 of the Securities and Exchange Act: please refer to the following section on Opinions or resolution of Independent Directors towards significant issues.
   (2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors : None
2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: none
3. A TWSE listed company should disclose information such as the evaluation cycle and period, evalyated scope, methodology, and content of the board's self (or peer) evaluation. The company has completed the evaluate for the period of 2019.06.13~2019.12.31. The result was
   Marked "exceptional". The aforementioned result has been reported to the Board on March 19th, 2020.
4. The objectives of strengthening the functionality of the Board of Directors for the present year and the most recent year and assessment on the implementation:
   (1) The company has followed the regulation to stipulate BOD opearation policy and disclose related information on MOPS.
   (2) The company has taken out Directors and Officers Liability Insurance for Director, Supervisors and Managers.
   (3) Remuneration Committee was established and a charter was stipulated on December 6th, 2011. Three independent directors were appointed as committee members by the BOD on June 21st, 2019. The main responsibilities of the committee are to review and assess the performance of directors and managers and their remuneration packages.
   (4) Auditing Committee was established to replace supervisors on the Board on June 13th, 2019.

Opinion or resolution of independent directors towards significant issues:

BOD	Agenda	Article 14-3 of the Securities and Exchange Act	Independent Directors' opinions or objections
2019/03/20 13th Meeting	Amendments to Procedures for Acquire or Disposalof Assets	✓	NA
	Amendments to Procedures for Endorsement and Guarantee	✓	NA
	Amentdments to Procedures for Loans to Others	✓	NA
	Discusson on Directors and Officers Liabilitiy Insurance for Directors and supervisors.	✓	NA
	Change of independent auditors.	✓	NA
	Appointment and remuneration proposal of 2018independent auditors.	✓	NA
2019/05/08 14th Meeting	Amendmentss to Regulations of Conducting Board Meeting	✓	NA
2019/08/07 8th Committee 2nd Meeting	Proposal for Internal Audit Regulations	✓	NA
2019/11/12 8th Committee 3rd Meeting	Proposal for Performance Evaluation of BOD	✓	NA
	Amendments to Remuneration Regulationsfor Directors and Supervisors	✓	NA
	Amendments to Codes of Ethics for Directors and Supervisors	✓	NA
	Compnesation and Remuneration Committee reviews eligibility of managers and proposed packages.	✓	NA
	Appointment and remuneration proposal of 2019 Independent Auditors	✓	NA
2020/03/19 8th Committee 4th Meeting	Performance Evaluation of BOD shall add new sections on Functional Committees Performance Evaluation and items of Cdes of Ethics	✓	NA
	Proposal for Effectiveness Evaluation of Independent Auditors and Auditor team of 2019	✓	NA
	Discusson on Directors and Officers Liabilitiy Insurance for Directors and eligible employees.	✓	NA
Opinion of Independent Directors: NA			
Subsequent actions for Independent Directors opinion: NA			

Evaluation of BOD

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Methods	Evaluation Content
Once a year	Start from the 8th Committee 2019/06/13 to 2019/12/31	Cover the evaluation of the board as a whole and individual directors	Include self-evaluation by individual board members and the internal evaluation of the board	The performance of the board of directors covered the following five aspects: 1.Participation in the operation of the company; 2.Improvement of the quality of the board of directors' decision making; 3.Composition and structure of the board of directors; 4.Election and continuing education of the directors; and 5.Internal control. The cr iter ia for evaluating the performance of the board members on themselves covered the following six aspects: 1.Familiarity with the goals and missions of the company; 2.Awareness of the duties of a director; 3.Participation in the operation of the company; 4.Management of internal relationship and communication; 5.The director's professionalism and continuing education; and 6.Internal control.

4.2 Audit Committee & Supervisors

4.2.1.Audit Committee

An Audit Committee was established on June 13th, 2019。

Three meetings were held in 2019: attendance rate of independent directors are as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate in person	Note
Convener	Shen Yuan Chen	3	0	100%	
Member	Ming Kun Hou	3	0	100%	
Member	Yi Fong Lin	3	0	100%	

Other noteworthy items:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

   (1) Matters referred to in Article 14-5 of the Securities and Exchange Act :Please refer to the Major Resolutions of Board Meetings in the following tatble

   (2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None

3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)

Abstract of communications:

Date	Contents
2019/03/20	Communication between accountants, independent directors, supervisors and internal audit. Interal auditor present Audit report to independent directors and supervisors. Internal auditor present internal self evaluation of each functions
2019/05/08	Interal auditor present Audit report to independent directors and supervisors.
2019/06/21	Interal auditor present Audit report to independent directors
2019/08/07	Interal auditor present Audit report to independent directors
2019/11/12	Interal auditor present Audit report to independent directors

(1) Internal auditor presents audit report to independent directors within one month after the audit is completed.

(2) Internal auditor sits in BOD meetings and present audit reports

(3) Accountant shall communicates with Audit committeeat least once a year

Opinions and resolutions on major items:

Audit committee	Agenda	Article 14-5 of the Securities and Exchange Act	Items approved by 2/3 of BOD but not yet approved by Audit Committee
2019/08/07 1st Committee 2nd Meeting	2019Q2 Consolidated Financial Report	✓	NA
	Proposal for Internal Control Regulations	✓	NA
2019/11/12 1st Committee 3rd Meeting	2019 Independent Auditor appointmentand remuneration	✓	NA
2020/03/19 1st Committee 4th Meeting	Proposal for evaluation of 2019 independent auditors and audit team	✓	NA
Resolution: approved unanimously			
Subsequent action towards opionions of independent directors: approved unanimously			

4.2.2.Supervisors

Audit Committee was established on June 13th, 2019.

BOD meeting was held 5 times in 2019, attendance of superviors are:

Title	Name	Attendance in person	By Proxy	Attendance Rate (%)	Note
Supervisor	Hai Yen Hou	2	0	100%	Resigned on 2019/06/13
Supervisor	Gen Shen Lin	2	0	100%	Resigned on 2019/06/13
Supervisor	His Ming Chen	2	0	100%	Resigned on 2019/06/13

Other Notes:

1. Composition and duties:
   (1) Communication between employees and shareholders:
   Supervisors shall review the operation of company spontaneously and communicate with shareholders through BOD and shareholder’s meeting.
   (2) Communication between internal auditor and accountant:
   Internal auditor shall report to the supervisor on internal auditing result and internal control outcome at lease once on quarterly basis. In case of significant issues shall submit the report immediately. Supervisors, internal auditor and accountant shall communicate at lease once a year on financial result, indenpendant auditor report, materials items and amendments on regulations. Communication in 2019:

Date	Content
2019/03/20	Communication between accountant and independent directors, supervisors and internal auditor Internal auditor submit audit report to independent directors and supervisors Internal auditor to report on the self evaluation of each function
2019/05/08	Internal auditor to submit audit report to independent directors and supervisors

2. Supervisors attending BOD meeting with opinions shall states the date, terms, agenda and resolutions of the BOD meeting and follow actions incountered by the company: NA

4.3 Corporate Governance Status and Deviations from the Corporate Governacne Best Practice Principles for TWSE/TPEx Listed Companies and Reasons

Items of Evaluation	Implementation			Deviations from“ the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”and Reasons
	Y	N	Summaries	
1. Does Company follow “Corporate Governance Best Practice Principles for TWSE/ TPEx Listed Companies” to establish and disclose its corporate governance practices?		✓	The company has not yet stipulated Corporate Governance Charter, but has incorporate corporate governance principles into its daily operation.	Related affairs shall be handled when necessary.
2. Shareholding Structure & Shareholders’ Rights (1) Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly? (2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders? (3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates? (4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	✓ ✓ ✓ ✓		(1) The company has designed Investor Relationship Window and Spokesperson system to be responsible for shareholder related affairs. (2) There is no single shareholder with 10% or above shareholding. The company has sufficient knowledge of major shareholders. (3) ENE and its subsidiaries and affiliates have established an effective risk management system. (4) The company has stipulated Ruless for Handling Material Information to prohibit insider tradings.	No discrepancy
3. Composition and Responsibilities of the Board of Directors (1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly? (2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up ther Board committees? (3) Has the Company established a methodology for evaluating the performance of its Board of Directors, performed evaluations on an annual basis, submitted the results of the performance evaluation to the board, and use it as a reference for individual directors’ remuneration and renomination? (4) Does the Company regularly evaluate its external auditors’ independence?	✓ ✓ ✓		(1)There are 9 BOD members including 3 independent directors. Please refer to credentials of directors and supervisors. (2)Other than Remuneration Committee, the company has also established Audit Committee on June 13th, 2019. There are no other functional committees established. (3)Performance Evaluation of the Board of Directors was established on November 12th, 2019. First evaluation was conducted at the end of 2019. The result was “outstanding” and has been reported to the BOD on March 19th, 2020. It will be the future reference when determining remuneration and nomination of directors. (4)The finance department evaluates individuality of CPA once a year. The result has been reported to the BOD on November 12th, 2019. The company also conduct the eligibility evaluation on independent auditors. Mei-Yu Tseng and Chien Hui Lu were both eligible.	(1) (3) (4) No discrepancy (2)Other functional committe will be established when required.

Items of Evaluation	Implementation			Deviations from“ the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”and Reasons
	Y	N	Summaries	
4. Has a TWSE/TPEx listed company appointed an appropriate number of suitable corporate governance personnel, and designated a corporate governance officer to be in charge of corporate governance affairs (including, but not limited to, providing directors and supervisors with the information necessary to execute business, assisting directors and supervisors in complying with laws, handling matters related to board meetings and shareholders meetings in accordance with the laws, processing corporate registration and amendment registration, and preparing minutes of board meetings and shareholders meetings)?		✓	The Compnay has not yet set up a CSR department but an administrator is designated to handle related affairs.	
5. Whether the company has established channels of communication with Stakeholders (including but not limited to shareholders, employees, customers and suppliers), and open the Stakeholders section on the company’s website, and respond appropriately to Stakeholders’ interests/ concerns regarding corporate social responsibility.	✓		The company has established channels of communication with stakeholders including multi-lingual company website with Stakeholder Section and contact window.	No discrepancy
6. Has the Company appointed a professional registrar for its Shareholders’ Meetings?	✓		The company has appoint Yuanta Securities for its Shareholder’s Meeting.	No discrepancy
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status? (2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? (3) Does the Company announce and report the annual financial report within two months of the fiscal year end, and announce and report the financial reports for the first, second and third quarter and each month’s operating performance ahead of the required deadline?	 ✓ ✓ ✓		(1)The company has set up a website containing the information regarding financials, business and corporate governance status (2)The company has a spokesperson and an acting spokesperson responsible for gathering and disclosing the information. Investors Seminars will be publicized on company website as well as on MOPS. (3)The company announces and report the annual financial report within the regulated deadline.	No discrepancy

<table>
<tr><th rowspan="2">Items of Evaluation</th><th colspan="3">Implementation</th><th rowspan="2">Deviations from“ the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”and Reasons</th></tr>
<tr><th>Y</th><th>N</th><th>Summaries</th></tr>
<tr><td>8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?</td><td>✓</td><td></td><td>■ Employee benefits and rights: Employees are able to express opinions and defend its right theough email and quarterly employee meetings.
■ Employment relationship: human resource regulations are complete and efficient. Employee Welfare Committee was established to enhance employee benefits and welfare.
■ Investor relationship: the company sets up multi-lingual company website, emails and spokesperson system as investors communication channel.
■ Supplier relationship: the company maintains good relationship with vendors and endeavors to achieve better CSR and ensure products comply with RoHS and REACH regulations.
■ Stakeholder’s right: the company has established company website with information on contact window and spokesperson system as stakeholder’s communication channel.
■ Continuing education of Directors and managers: please refer table below for details.
■ Implementation of risk management policy risk evaluation measure: please refer to P. 55 (6) for details.
■ The implementation of customer relations policies: the company is in a good relationship to be responsive to the market change.
■ Insurance for directors: the company has purchased Director and Officer Liability Insurance since April 21^{st}, 2003.</td><td>No discrepancy</td></tr>
<tr><td colspan="5">9. Please indicate the improvement of the results of the corporate governance evaluation issued by the Company's Center for Corporate Governance in the last year of the TWSE and provide priority measures and measures for those who have not yet improved.
Result of 2019 evaluation: in the bracket of 36%~50%
(1) Imrpoved:
Strengthening BOD structure and operation: established Audit Committee on June 13^{th}, 2019.
Strengthening BOD structure and operation:stipulate Evaluation of BOD performance on November 12^{th}, 2019.
(2) Future improvement plan:
Improvement information transpacrency: to provide English Annual Report and Financial Report with notes.</td></tr>
</table>

2019 evalution of eligibility and independency of CPA:

Item	Evaluation	Results
1	Do the accountants have direct or indirect financial interest with the Company?	No
2	Do the accountants have no fund lending with the Company?	No
3	Do the accountants have close commercial relationships or potential employment relationship?	No
4	Do the accountants serve the Company within two years before the practice?	No
5	Do the accountants provide non-audit services that may affectthe auditing activities for the company?	No
6	Do the accountants and the members of audit team have shares of the Company?	No
7	Do the accountant represent the company to arbitrate conflict with others?	No
8	Do the accountants are spouse, lineal relative, direct relative by marriage, or a collateral relative within the second degree of kinship of any responsible person or managerial officer of the Company?	No
9	Whether the accountants have being the audit accountants of the Company over 7 years?	No
10	Do the accountants permit others to practice under theirs name?	No
11	Do the accountants have relationship of collective investment or profit sharing with the company?	No

2019 continuing education of Directors and Managers:

Title	Name	Date	Hosted by	Course Content	Hours
Director	Jason Weng	2019/11/27	Accounting Research and Development Foundation	Please refer to Chinese version for details or contact IR contact window for details.	3
Director	Jason Weng	2019/11/06	TWSE		3
Director	Jason Weng	2019/10/04	TWSE		2
Representative of institutional director	Chi Chan Chen	2019/08/29 2019/08/30	Accounting Research and Development Foundation		12
Independent Director	Shen Yuan Chen	2019/10/08	TWSE		2
Independent Director	Shen Yuan Chen	2019/08/28	TPEX		3
Independent Director	Shen Yuan Chen	2019/07/26	GPT		3
Independent Director	Shen Yuan Chen	2019/04/26	Securities and Futures Institutes		3
Independent Director	Shen Yuan Chen	2019/02/21	Taiwan CorporateGovernance Association		3
Director	Dylan Chung	2019/11/19	TWSE		3
Director	Dylan Chung	2019/05/03	Securities and Futures Institutes		3

Title	Name	Date	Hosted by	Course Content	Hours
Independent Director	Ming Kun Hou	2019/12/20	Taiwan CorporateGovernance Association		3
Independent Director	Ming Jun Hou	2019/08/16	Securities and Futures Institutes		3
Director	Leo Wu	2019/07/31	Securities and Futures Institutes		3
Director	Leo Wu	2019/04/26	Securities and Futures Institutes		3
Representative of institutional director	Ching Chi Wu	2019/08/12	Securities and Futures Institutes		3
Director	Wen Hui Tsai	2019/11/12	Taiwan CorporateGovernance Association		3
Director	Wen Hui Tsai	2019/05/09	Taiwan CorporateGovernance Association		3
Independent Director	Yi Fong Lin	2019/07/17	Securities and Futures Institutes		3
Independent Director	Yi Fong Lin	2019/05/17	TWSE		3

4.4 Remuneration Committee

4.4.1.Composition of Remuneration Committee

Title	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note）										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Compensation Committee Member
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10	
Independent director	Yi Fong Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	NA
Independent director	Ming Kun Hou			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent director	Shen Yuan Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note : "✓ " is placed in the box below if the member met the following criteria at any time during active duty and two years prior to the date of appointment.
(1) Not an employee of the company or any of its affiliates.
(2) Not a director or supervisor of the company or any of its affiliates.
(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under any other's name, in an aggregate amount of 1 percent or more of the total number of issued shares of the company or ranking in the top 10 in shareholding.
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of issued shares of the company, or that ranks in the top 5 in shareholding, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.
(6) Not a director, supervisor, or employee of the company which majority director seats or voting shares and those of any other company are controlled by the same person.
(7) Not a director (or governor), supervisor, or employee of the company or institution which the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses.
(8) Not a director, supervisor, managerial officer, or shareholder holding 5 percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
(9) Not a professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided that this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
(10) Not have any of the circumstances set forth in Article 30 of the Company Act.

4.4.2.Operation of Remuneration Committee

(1) The committee consists three members.

(2) Tenure of the Committee: 2019.06.21 to 2022.06.12. The Committee convened 3 times in 2019:

Title	Name	Attendance in person	By Proxy	Attendance Rate (%)	Note
Convener	Ming Kun Hou	3	0	100%	Re-elected
Member	Shen Yuan Chen	3	0	100%	Re-elected
Member	Yi Fong Lin	3	0	100%	Re-elected

1. If the board of directors declines to adopt or modifies a recommendation of the compensation committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the compensation committee's opinion (eg., the compensation passed by the Board of Directors exceeds the recommendation of the compensation committee, the circumstances and cause for the difference shall be specified):None.
2. Resolutions of the compensation committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.
3. Discussion items and resolutions are listed in the table below.
4. Responsibilities of the Remuneration Committee:
Pursuant to Article 6 of the Company's "Compensation Committee Charter" the Compensation Committee has the following responsibilities:
(1) Design and periodically review the performance review and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers.
(2) Periodically evaluate and determine the remuneration of directors, supervisors, and managerial officers.

Discussion, resolutions and implantation from Remuneration Committee:

Remuneration Committee	Discussion	Resolution	Follow up actions from the Company	Implentation
2019/02/13 3rd Committee 6th Meeting	Review eligibility of managers	Approved unanimously	NA	Reported to and approved by the BOD on 2019/03/20
	Calculation of pension under the old system	Approved unanimously	NA	
	Adjustment of MBO percentage for Managers	Approved unanimously	NA	
	Travel subsidy forChairman	Approved unanimously	NA	
2019/06/21 4th Committee 1st Meeting	Election of convener of the committee	Approved unanimously, Ming Kun Hou as the Convener of the Committee	NA	NA
2019/10/16 4th Committee 2nd Meeting	Review eligibility of managers	Approved unanimously	NA	Reported to and approved by the BOD on 2019/11/12
	Salary adjustment for employees	Approved unanimously	NA	
	Health examination subsidy for the managers	Approved unanimously	NA	
2020/04/08 4th Committee 3rd Meeting	Review eligibility of managers	Approved unanimously	NA	Reported to and approved by the BOD on 2020/05/06

4.5 Social responsibility performance and deviations from “corporate social responsibility best practice principles for TWSE/TPExListed Companies” and reasons

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Implementation</th><th rowspan="2">Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Y</th><th>N</th><th>Summary</th></tr>
<tr><td>1. Does the Company conduct risk assessments of environmental, social and corporate governance issues related to the company’s operations and formulate relevant risk management policies or strategies in accordance with the materiality principle?</td><td>✓</td><td></td><td>The higest unit responsible of risk management is BOD.</td><td>No discrepancy</td></tr>
<tr><td>2. Does the Company have a dedicated (or ad-hoc) CSR organization with Board of Directors authorization for senior management, which reports to the Board of Directors?</td><td></td><td>✓</td><td>No dedicated department was appointedfor CSR, but CSR related affairs have been taken care of.</td><td>The company may promote CSR related activites and report to the BOD.</td></tr>
<tr><td>3. Environmental Issues
(1) Has the Company set an Environmental management system designed to industry characteristics?
(2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?
(3) Does the Company assess the current and future potential risks and opportunities of climate change for the company, and take measures in reaction to climate-related issues?
(4) Has the Company counted greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulated policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption or other waste management?</td><td>✓
✓
✓
✓</td><td></td><td>(1)An Environmental management system has been established.
(2)The company has been certified with ISO9001:2015 and is complied with RoHS Directive,REACH,China RoHS Packaging Directive regulations.
(3)The company has assessed the current and future potential risks and opportunities of climate change for the company and take measures in reaction to climate related issues, i.e. rubbish classification, materials control, reduction of convenient cuttery and paper cups, A/C temperature control.
(4)The company has set the target of decrease 1% greenhouse gas emission every year for the next three years:
<table><tr><th></th><th>2019</th><th>2018</th></tr><tr><td>CO2</td><td>190,532 Kg</td><td>135,289 Kg</td></tr><tr><td>Water usage</td><td>849 units</td><td>1,366 units</td></tr><tr><td>Wasted materials</td><td>94 Kg</td><td>0 Kg</td></tr></table></td><td>No discrepancy</td></tr>
<tr><td>4. Social Issues
(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?
(2) Has the Company established and</td><td>✓
✓</td><td></td><td>(1) The company respect the variety of human resource compositions.
(2) The company set up renumeration policy and states clearly in the</td><td>No discrepancy</td></tr>
</table>

Item	Implementation			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Y	N	Summary	
implemented a reasonable employee benefit policy (including remuneration, vacation and other benefits, etc.) where operating performance or results are appropriately reflected in employee compensation? (3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training? (4) Has the Company established effective career development training plans? (5) Does the Company comply with relevant laws, regulations and international standards regarding customer health and safety, customer privacy, and marketing and labeling of products and services, and develop relevant consumer protection policies and complaint procedures? (6) Has the Company formulated a supplier management policy that requires suppliers to follow relevant guidelines on issues such as environmental protection, occupational safety and health or labor rights, and their implementation?	✓ ✓ ✓ ✓		Articles of Corporation. The average salary adjustment for 2019 is 1~3%. (3) The company sets up SSTV to monitor employees. Periodical environmental cleaning is performed. Annual health examination is provided for eligible employees. (4) Human resource development plan is established. (5) The companyhas established a system of customer services to serve our customers. (6) The company has formulated a solid supplier management and communicate with our supplier on regular basis to ensure the regulations are followed.	
5. Does the Company refer to internationally accepted reporting standards or guidelines for compiling reports on corporate non-financial information such as corporate social responsibility reports? Has the aforementioned report obtained an assurance opinion of a third-party verification organization?		✓	The company has not prepared CSR report.	The company incorporated the principles of CSR in the daily operation and report the CSR related affiars to BOD periodically.
6. If the Company has established its corporate social responsibility code of practice according to "Listed Companies Corporate Social Responsibility Code of Practice," please describe the operational status and differences. The company has not prepared the CSR report but incorporated the principles of CSR in the daily operation and report the CSR related affiars to BOD periodically.				
7. Other important information to facilitate better understanding of the company's implementation of corporate social responsibility: (1) Environment: certified with ISO9001:2015 and is complied with RoHS Directive,REACH,China RoHS,Packaging Directive regulations. (2) Customer rights: the company frequently communicate with customers and create task force to tacle major RMA issues. (3)Human resource development: cooperate with National Taipei University of Business on business project, donation to NCKU to set up a scholarship.				

4.6 Ethic management performance and deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Implementation</th><th rowspan="2">Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons</th></tr>
<tr><th>Y</th><th>N</th><th>Summary</th></tr>
<tr><td>1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures
(1) Has the Company formulated a policy of ethical management approved by the board of directors, and clearly state, in the bylaw and external documents, the policies and practices of ethical management and the commitment of the board and senior management to actively implement the operating policy?
(2) Has the Company established a mechanism for evaluating the risk of unethical behavior, regularly analyzed and evaluated business activities with a higher risk of unethical behavior in the business scope, and formulated a plan, which covers at least the precautionary measures in the second paragraph of Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", to prevent unethical behavior?
(3) Has the Company clearly defined the operating procedures, behavior guidelines, punishment and appeal systems for violations in the unethical conduct prevention plan, and does it implement and regularly review and revise the aforementioned plan?</td><td>✓
✓
✓</td><td></td><td>(1)Codes of Ethics and Conduct has been established on November 7th, 2014.

(2)The company has clearly states the codes of ethics and conducts in various documents and manuals.

(3)The company periodically reviews and evaluates operations that might incur unethical behavior as well as emphasis the importance of ethical conduct to employees whenever necessary.</td><td>No Discrepency</td></tr>
<tr><td>2. Ethic Management Practice
(1) Does the Company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?
(2) Has the Company established a unit affiliated with the board to promote corporate ethical management, and regularly (at least once a year) report to the board its ethical management policies and plans to prevent unethical conduct and monitor implementation?</td><td>✓</td><td>✓</td><td>（1）Trading partners are able to follow the code of ethics of the company.
（2）HR and legal department is assigned as the responsible unit and prepares quarterly reports to BOD.
（3）Directors comply with the codes carefully and avoid conflict of interests whevever necessary.</td><td>(1)The company has not signed official document.

(2) (3) (4) (5) No discrepency</td></tr>
</table>

Item	Implementation			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Y	N	Summary	
(3) Does the Company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly? (4) Has the Company established an effective accounting system and internal control system for the implementation of ethical management, where the internal audit unit prepared relevant audit plans based on the result of risk assessment of unethical conducts, and checked the compliance with the plan to prevent unethical conducts, or delegated an accountant to perform the verification? (5) Does the Company provide internal and external ethical conduct training programs on any regular basis?	✓ ✓ ✓		（4）The company has established an effective accounting system and internal control system, internal auditor checks the internal systems periodically. （5）Directors participate ethic related training course to enforce the related knowledge and practice. Employees also participate internal training regarding ethics. Total number of employees participates in related courses are 65 in 2019.	
3. Implementation of Complaint Procedures. (1) Does the Company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received? (2) Has the Company established standard operating procedures for investigating the complaints received, take corresponding measures after investigation, and ensuring such complaints are handled in a confidential manner? (3) Does the Company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	✓ ✓ ✓		（1）The company has stipulate work regulation that includes codes of ethics. Any violation shall be punished. （2）the company has established SOP for investigating the compliabts received, HR and legal are responsible for taking correcsponding measures after investigation. （3）The company shall adopt proper measures to prevent complainant from retaliation for filing a complaint.	No discrepency
4. Information Disclosure Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System ("MOPS")?	✓		The company prepares quarterly report for the BOD as well disclose related information on the company websites and MOPS.	No discrepency
5. If the Company has established corporate governance policies based on TSE Corporate Conduct				

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Implementation</th><th rowspan="2">Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Y</th><th>N</th><th>Summary</th></tr>
<tr><td colspan="5">and Ethics Best Practice Principles, please describe any discrepancy between the policies and their implementation.
No discrepancy.</td></tr>
<tr><td colspan="5">6. Other important information to facilitate better understanding of the company’s corporate conduct and ethics compliance practices (e.g., review the company’s corporate conduct and ethics policy).
(1) The company follows all the related legislations and incorporated into daily operation.
(2) The company “Regulations for Board of Directors Meeting” has outlined clauses for conflicts of interests and related behavioral obligations.</td></tr>
</table>

4.7 Inquiry on corporate governace principles and related regulations of the company:

Please refer to the Company official website or MOPS for more details.

4.8 Other information material to the understanding of corporate governance within the company: none

4.9 Internal Control System Execution Status

A.Statement on Internal Control:

ENE TECHNOLOGY INC.

Statement on Internal Control

Date: March 19, 2020

Based on the findings of a self-assessment, ENE TEHCNOLOGY INC. states the following with regard to its internal control system during the year 2019:

1. ENE TECHNOLOGY INC's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and ENE TECHNOLOGY INC takes immediate remedial actions in response to any identified deficiencies.
3. ENE TECHNOLOGY INC evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. ENE TECHNOLOGY INC has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, ENE TECHNOLOGY INC believes that, as of December 31, 2019, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of ENE TECHNOLOGY INC's annual report for the year 2019 and Prospectus, and is publicly disclosed. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement was approved by the board of directors in their meeting held on March 24, 2020, with none of the nine attending directors expressing dissenting opinions. All attending directors have affirmed the content of this Statement.

ENE TECHNOLOGY INC

Chairman: Jason Weng

CEO: Dylan Chung

B.If CPA was retained to conduct a special audit opf the internal control system, disclose the audit report: none.

4.10 Legal penalties by competent authority to the Company or its employees, and the Company's punishment on its employees for violation of internal control system, major deficiencies and improvement measures in the most recent year and as of the publishment of this annual report: None

4.11 Major Resolutions of Shareholder's Meeting and Board Meetings

1.Resolutions fo shareholder's Meeting

Item	Resolutions	Implementation Status
To adopt 2018 Business Report and Financial Statements	Approved as proposed	Implemented accordingly
To approve the Proposal for 2018 Deficit Appropriation	Approved as proposed	Implemented accordingly
Amendments on the Articles of Incorporations	Approved as proposed	The company has completed the new registration on June 27th, 2019.
Amendments on the Procedures for Acquire or Disposal of Assets	Approved as proposed	Announced on June 27th 2019.
Amendments on the Procedures for Endorsement and Guarantee	Approved as proposed	Announced on June 27th 2019.
Amendments on the Procedures for Loaning Funds to Others	Approved as proposed	Announced on June 27th 2019.
Amendments on the Procedures for Election of Directors and Supervisors of the Board	Approved as proposed	Announced on June 27th 2019.
Election of new Board of Directors, including 3 independent directors	Approved as proposed	The company has completed the new registration on June 27th, 2019.
To exempt new Directors from the Non-Competition Clause	Approved as proposed	Announced on June 27th 2019.

2.Major Resolutions of the BOD Meetings:

Dates	Important Resolutions	Implementation
2019/03/20	1. Amendments on Articles of Corporation 2. Amendments on Procedures for Aqcuire or disposal of asset 3. Amendments on Procedures for Guarantee and Endorsement. 4. Amendments on Loaning funds to others. 5. Amendment on Procedures for Electrion of Directors and Supervisors. 6. 2019 Business Plan 7. 2018 Internal Control declaration 8. 2018 Business report, Parent only Financial report and Consolidated Financial Report. 9. 2018 approrpiation of loss 10. Election of Directors 11. Exampt new directors from Competiton Clause. 12. 2019 Shareholder's meeting arrangements. 13. Shareholders' proposal. 14. Shareholders to nominate Directors and Independent Directors. 15. Nomination of Directors, independent directors. 16. Insurance of Liabilities for Director, supervisor and managers. 17. Proposal for new VP. 18. Review eligibility of managers and remuneration packages. 19. Proposal for change of independent auditor. 20. 2018 CPA assignment and remuneration. 21. Cathay Bank short term loan 22. Taipei Fubon Bank short term loan.	Approved unanimously
2019/05/08	1. Charters of Audit Committee 2. Amendments on Charters of BOD Meetings 3. Amendments on Charters of Remuneration Committee	Approved unanimously
2019/06/21	1. Election of Chairman 2. 4^{th} Remuneration Committee members	1.Approved unanimously. Jason Weng was elected by Chairman. 2.Approved unanimously.
2019/08/07	1. Internal Control proposal 2. Internal Audit proposal 3. Amendments on 2019 internal audit plan. 4. China Trust Bank short term loan for operation funds.	Approved unanimously

Dates	Important Resolutions	Implementation
2019/11/12	1. BOD Performance Appraisal Regulations 2. Remuneration for Directors and Supervisors 3. Amendments for Codes of Ethics for Directors and Supervisors. 4. Amendments for Codes of Ethics 5. 2020 Internal Audit Plan 6. New appointment of director 7. Review of eligibility of managers and remuneration proposals 8. 2019 assignment of independent auditor and remuneration 9. Additional short term loan from Taipei Fubon Bank	Approved unanimously
2020/03/19	1. Amendments to BOD Performance Aapraisal, new stipulation of PA for functional committee 2. Additional evaluation items for appointment of independent auditor and audit team 3. 2019 Internal Audit Declaration 4. 2019 Business report, Parent only Financial report and Consolidated Financial Report. 5. 2019 arprorpiation of loss 6. 2020 Business plan 7. 2020 Shareholder's meeting arrangement 8. Shareholder's proposal 9. Liability Insurance 10. HR arrangement 11. Cathay Bank short term loan 12. Taipei Fubon Bank short term loan	Approved unanimously
2020/05/06	Taipei Fubon Bank short term loan	Approved unanimously

4.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors : None.

4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate governance officer and R&D : None

5. Information Regarding the Company's Audit Fee and Independence

Unit: NTD Thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee	Period Covered by CPA's Audit
KPMG	Mei Yu Tseng Chien Hui Lu	1,920	0	108/01/01 ～108/12/31

6. Replacement of CPA:

Replacement of CPA within 2 years:

(1) Former CPA

<table>
<tr><td>Replacement date</td><td colspan="4">2019.03.20</td></tr>
<tr><td>Reason and descriptions</td><td colspan="4">Internal job rotation of KPMG</td></tr>
<tr><td rowspan="3">Termination by the Company or appointment declined by CPA</td><td colspan="2">Status</td><td>CPA</td><td>The Company</td></tr>
<tr><td colspan="2">Termination by Company</td><td>NA</td><td>NA</td></tr>
<tr><td colspan="2">Declined by CPA</td><td>NA</td><td>NA</td></tr>
<tr><td>Other issues (except for unqualified issues) in the audit reports within the last two years</td><td colspan="4">None</td></tr>
<tr><td rowspan="7">Opinions differ from the Company</td><td rowspan="5">Y</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of Financial Statements</td></tr>
<tr><td></td><td colspan="2">Audit scope or steps</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td>N</td><td colspan="3">✓</td></tr>
<tr><td colspan="4">description</td></tr>
<tr><td>Other disclosures</td><td colspan="4">None</td></tr>
</table>

(2)Successor CPA

Name of accounting firm	KPMG
Name of CPA	Mei Yu Tsang, Chien Hui Lu
Date of appointment	2019.03. 20
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA’s written opinion of disagreement toward the former CPA	None

7. The Company’s Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company’s independent auditing firm or its affiliates during 2019.

8. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

(1)

Title	Name	2019		As of Apr. 20, 2020	
		Holding increase (decrease)	Pledged holding increase (decrease)	Holding increase (Decrease)	Pledged holding increase (decrease)
Chairman	Jason Weng	-	-	-	-
Director	Asustek	-	-	-	-
Director	Asustek Representative Chin Chi Wu	-	-	-	-
Director	Siguard	-	-	-	-
Director	Siguard Representative Chi Chan Chen (elected 2019/06/14)	-	-	-	-
Director/CSO	Wen Huei Tsai	-	-	-	-
Director/CEO	Dylan Chung	-	-	-	-
Director/Special assistant to CEO	Leo Wu	-	-	-	-
Independent Director	Ming Kun Hou	-	-	-	-
Independent Director	Yi Fong Lin	-	-	-	-
Independent Director	Shen Yuan Chen	-	-	-	-
Supervisor	Hai Yen Hou (Resigned 2019/06/13)	-	-	-	-
Supervisor	Chan Shen Lin (Resigned 108/06/13)	-	-	-	-
Supervisor	Shi Ming Chen (Resigned 108/06/13)	-	-	-	-
VP	Galen Chai	-	-	-	-
VP	Dennis Lee	-	-	-	-
VP	Kasper Tsai	-	-	-	-
VP	Kim Chen (Resigned 2019/12/31)	-	-	-	-
Director	Armingle Lee (Appointed 2020/01/01)	-	-	-	-
Director	Su Wu Lo (Appointed 2020/03/19)	-	-	-	-

9． Relationship among the top tem shareholders

2020.04.11

NAME	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees	
	Shares	%	Shares	%	Shares	%	Name	Relationship
Jason Weng	1,630,010	2.17%	94,845	0.13%	-	-	None	None
Siguard	1,373,798	1.83%	-	-	-	-	None	None
Siguard representative-Chi Chan Chen	0	0.00%	-	-	-	-	None	None
Wen Huei Tsai	1,198,978	1.60%	45,704	0.06%	-	-	None	None
Asustek	917,247	1.22%	-	-	-	-	None	None
Asustek representative-Chin Chi Wu	0	0.00%	-	-	-	-	None	None
Chein Chi Yu	465,010	0.62%					None	None
Rai Hwa Hsu	430,000	0.57%		-	-	-	None	None
Armingle Lee	358,000	0.48%	56,000	0.07%	-	-	None	None
Yi Yen Lin	331,000	0.44%		-	-	-	None	None
Chaw Shen Tsai	300,000	0.40%		-	-	-	None	None
Ching Lee	297,000	0.40%		-	-	-	None	None

10. Ownershhip of Shares in Affiliated Enterprises

2020.04.30 (Unit: Thousand shares; %)

Investment (Note)	Ownership by the Company		Direct or indirect ownership by Directors, Supervisors, Manager		Total Ownership	
	Shares	%	Shares	%	Shares	%
Janus Power	700	100%	-	-	700	100%
ENE Touch Technology	-	100%	-	-	-	100%

Note: Equity Method

4. **Fund Raising**

4.1 Capiral and Shares

(1) Changes in share capital

1.Issued Shares

Month/Year	Par Value NT$	Authorized Capital		Actual Capital		Remark		
		Shares (K)	Amount (K $)	Shares (K)	Amount (K $)	Source of Capital	Capital increased by assets other than cash	Other
2016. June	10	95,000	950,000	74,977	749,767	Decrease in treasury stock NT$ 3,210 ,000	None	Note
Note: 2016.June.30 #1050017515								

2.Type of Stock

Shares / Category	Authorized Capital (Thousands)			Note
	Issued Shares（note）	Non-Issued	Total	
Common Shares	74,977	20,023	95,000	-

Note: the company shaores are listed shares.

(2)Shareholder Structure

2020.04.11

Category	Government Institution	Financial Insttitution	Other Instituion	Individual	FINI	Total
No. of Shareholders	1	0	215	32,373	31	32,620
Shareholding (shares)	139	0	3,091,174	71,674,533	210,847	74,976,693
%	0%	0%	4.12%	95.60%	0.28%	100%

(3)Distribution of Shareholdings

2020.04.11

Catogory by shareholdings	No. of Shareholders	No. of Shares	%
1 ~ 999	22,107	534,978	0.71
1,000 ~ 5,000	7,741	16,410,152	21.89
5,000 ~ 10,000	1,470	11,407,161	15.21
10,001 ~ 15,000	465	5,717,437	7.63
15,001 ~ 20,000	263	4,842,439	6.46
20,001 ~ 30,000	218	5,444,658	7.26
30,001 ~ 40,000	108	3,840,516	5.12
40,001 ~ 50,000	68	3,147,835	4.20
50,001 ~ 100,000	122	8,365,096	11.16
100,001 ~ 200,000	37	5,232,467	6.98
200,001 ~ 400,000	15	4,018,911	5.36
400,001 ~ 600,000	2	895,010	1.19
600,001 ~ 800,000	0	0	0
800,001 ~ 1,000,000	1	917,247	1.22
1,000,001 and above	3	4,202,786	5.61
Total	32,620	74,976,693	100.00

(4) List of major shareholders

2020.04.11

Major Shareholders	Shareholdings	%
1.Jason Weng	1,630,010	2.17%
2.Siguard	1,373,798	1.83%
3.Wen Huei Tsai	1,198,978	1.60%
4.Asustek	917,247	1.22%
5.Chien Chi Yu	465,010	0.62%
6.Rai Hwa Hsu	430,000	0.57%
7.Armingle Lee	358,000	0.48%
8.Yi Yen Lin	331,000	0.44%
9.Chaw Shen Tsai	300,000	0.40%
10.Ching Lee	297,000	0.40%
Total	7,301,043	9.73%

(5) Market Price, Net Worth, Earnings, and Dividends per Shar

Unit: NTD$

Item \ Year			2018	2019	Q1/2020
Market Price per share	Highest		19.70	12.60	11.30
	Lowest		9.57	8.66	5.05
	Average		13.96	10.33	8.87
Net Worth per share	Before distribution		7.56	6.69	6.56
	After distribution		-	-	-
Earning per share	Weighted Average Shares (thousand shares)		74,977	74,977	74,977
	Diluted Earnings Per Share		(0.8)	(0.87)	(0.13)
	Adjusted Diluted Earnings Per Share		-	-	-
Divideds per share	Cash		-	-	-
	Stock dividends	From retained earnings	-	-	-
		From Capital surplus	-	-	-
	Accumulated Undistributed Dividends		-	-	-
ROI	Price/Earning Ratio		-	-	-
	Price/Dividends Ratio		-	-	-
	Cash Dividends Yield Rate		-	-	-

(6) Dividend Policy and Implementation Status

1.Dividend Policy

No less than 50% of net earnings shall be allocated to the dividends. No less than 50% shallbe cash dividends, rest shall be stock dividends. The proposal shall be prepared by the BOD and sent to Shareholder’s Meeting for approval.

2.Proposed Distribution of Dividends: None

(7) Compensation of employees, directors and supervisors

The company did not allocate any compensation to employees, directors and supervisors for 2019 as the company is still in deficit.

(8) Buy-back of treasury stock

None.

4.2 Corporate Bonds: None

4.3 Special Shares: None

4.4 Global Despository Receipts: None

4.5 Employee Stock Option: None

4.6 Issuance of New restrickted Employee Shares: None

4.7 New Shares Issuance relating to Mergers and Acquisitions: None

4.8 Financing Plans and Implementation: None

5. Operation Highlights

A. Business Activities

(1) Business Scope

1.Distribution of Revenue

Major Division	%
NB related IC	76.25%
Computer peripheral and consumer electronics related IC	22.76%
Others	0.99%
Total	100.00%

2.Products and services

(1) NB related IC
(2) Computer peripherals and consumer electronics ICs
(3) ASICs

3.New products in planning

(1) eSPI EC series cost down version
(2) eSPI EC series power saving version
(3) eSPI EC series ARM M3
(4) ARM M0 gaming LED MCU IC
(5) Capacitive touch controller IC with LCD display and multi channel PWM MCU

(2) Industry Overview

1.Current Status and development

According to statistics from the market survey agency, total NB shipments were approximately 164 million units in 2019, a slight increase compared with 2018. Although the market still has doubts about CPU shortages and the impact of the China-US trade war, manufacturers based in the North American market have prepared stocks in advance to respond, and other notebook related companies have strategically developed differentiated application models such as educational market or gaming market, etc., relatively slowed the impact of shortages and trade wars.

With the changes in work and life styles, as well as the deepening of mobile and electronic, the content of electronic products and the cloudization of various services have become a trend. Device integration and information security issues are also becoming more and more important, and these will become the focus of the development of notebook-related products.

2.Correlation of the industry supply chain:

Please refer to the company website for information.

3.Product development trend and competition

NB products can be categorized into commercial notebooks, consumer notebooks, educational notebooks and gaming notebooks. In the past two years, gaming laptops have attracted more attention from various parties. Various manufacturers provide more gaming product choices and novel designs in response to the needs of players of all levels. Subsequent product development and market growth are expected. Due to the flexibility and convenience of application, 2-in-1 products also have their niche market positioning, and market observers continue to track their development.

Market share information:

Product	Vendor	Nationality	Market share
Keyboard Controller	ENE	Taiwan	20%~30%
	ITE	Taiwan	70%~80%
	Nuvoton	Taiwan	
	Others	Japan, USA	

(consolidated by ENE)

(3)Technology and RD development

1.R&D expenses Unit: NTD thousands

	2019	Q1/2020
R&D expenses	59,883	18,271
Consolidated Revenue	559,933	123,189
%	10.69%	14.83%

2.Recent products development

	Result
Mobile Products	1. LPC & eSPI duo interface EC: Improve computing performance and enhance power saving features
	2. USB2.0 controller IC for NB and tablets: USB related products will be widely used, the company continues to focus on NB / Tablet related products to provide products that meet customer needs
	3. USB Type-C PD3.0 single port IC: USB PD is the future trend, the company shall continue develop related products
Peripherals and consumer products	1. Enhanced MCU IC for LCD display For home appliances with LCD and LED controllers
	2. Cortex-M0 gaming controller IC: High-end multi-channel RGB LED and communication protocol

(4)Mid to long term sales development plan

Mid Term sales development plan:

1. Continue to maintain partnerships with upstream and downstream manufacturers
2. Deepen cooperation with existing customers to expand product lines
3. Develop new applications of existing products to expand customer base

Long term sales development plan:

1. Cultivate core technology and provide customers with competitive solutions
2. Adjust the organization and improve the operating efficiency

B. Market and Sales Overview

(1) Market analysis

1.Sales Region

Unit: Thousand dollars; %

Year / Region	2019		2018	
	Revenue	%	Revenue	%
China	373,004	66.61	324,124	62.77
Taiwan	182,351	32.57	188,651	36.53
Others	4,578	0.82	3,616	0.70
Total	559,933	100.00	516,391	100.00

2.Market share

Product	2019	2018
NB shipment	164 million units	163 million units
Market share of the Consolidated	20%~30%	20%~30%

3.Market analysis and future outlook

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. NB Shipments have been in the range of approximately 160 million to 165 million in the past two years. With the fierced market competition, the dominated NB players are occupied by the big brand manufacturers in Taiwan, the United States and China. The impact of COVID-19 in 2019 will further deepen the market demand for laptops. Whether it is a replacement or a new addition, the future demand for laptops should continue to grow.

4.Competitive factors

(1) The management team has accumulated many years of product research and development experience, and can master the performance and schedule of product development, and fully grasp the market opportunities.

(2) Maintain a good cooperative relationship with customers, endeavor to provide good product quality, yield, delivery and after-sales service.

5.Advantages and unfavorable factors to long run development and responding measures

A.Advantages

(1)The eco system of semiconductor industry is complete, and the effect of industrial clustering is conducive to shortening the product launch time.

(2)The fabs are committed to expanding production capacity and upgrading processes, which is conducive to improving product quality and reducing costs.

(3)Ability to design and research and develop products tailored to customer needs.

B.Unfavorable factors

(1) Short product life cycle, fierced competition

(2) High concentration of application markets and customer base.

C.Responding measures

(1) Enhancing personnel training, improve product development capabilities and respond to rapid product changes。

(2) Seek market opportunities, plan and develop products that fits customer needs.

(3) Expand non NB related products and applications.

(2) Core applications of major products and manufacturing processes:

Core applications of major products

Major products	Core application
Embedded controller IC	For personal computers, consumer electronic products, personal mobile devices

(3) Supply status of major materials

The main material is wafer. The company continues to cooperate with wafer manufacturing partners to maintain a close cooperative relationship to obtain stable supply of wafer.

(4) Major accounts in the last two years

1.Key customers

thousands; %

	2018				2019				2020Q1			
	Name	Amount	%	Relation with Issuer	Name	Amount	%	Relation with Issuer	Name	Amount	%	Relation with Issuer
1	C	213,250	41	NA	C	267,109	48	NA	C	53,307	43	NA
2	D	59,303	12	NA	B	55,902	10	NA	Asus	13,729	11	Related party
3	B	52,107	10	NA	Asus	53,535	10	Related party	B	10,053	8	NA
4	Others	191,731	37	NA	Others	183,387	32		Other	46,100	38	
	Total	516,391	100		Total	559,933	100		Total	123,189	100	

2.Major suppliers

thousands; %

	2018				2019				2020Q1			
	Name	Amount	%	Relation with Issuer	Name	Amount	%	Relation with Issuer	Name	Amount	%	Relation with Issuer
1	A	189,405	96	NA	A	312,235	96	NA	A	39,751	94	NA
2	B	4,197	2	NA	B	7,112	2	NA	C	2,553	6	NA
3	Other	4,707	2	NA	Other	5,860	2	NA	Other			
	Total	198,310	100		Total	325,207	100		Total	42,304	100	

(5) Production information in the last two years

thousand unit; thousand dollars

Year / Production / Major products	2019			2018		
	Capacity	Quantity	Value	Capacity	Quantity	Value
NB related products	-	50,995	443,735	-	45,676	383,613
Others	-	0	0	-	0	0
Total	-	50,995	443,735	-	45,676	383,613

(6) Sales vlue in the last two years

thousand unit; thousand dollars

Year / Sales Value / Major Products	2019				2018			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
NB related products and others	9,238	83,616	39,855	476,317	10,728	100,071	36,034	416,320
Total	9,238	83,616	39,855	479,317	10,728	100,071	36,034	416,320

C.Employee Data

Year		As of March 31st, 2020	2019	2018
Employee Number	Direct	-	-	-
	Indirect	66	64	67
	Total	66	64	67
Average age		43.84	43.58	42.79
Average senority		8.78	8.78	8.22
Academic demographic	PHD	-	-	-
	Masters	39%	41%	39%
	Bachelor	58%	56%	58%
	High School	3%	3%	3%

D.Environmental related information

(1) The loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report: None

(2) Countermeasures and possible disbursements to be made in the future: Major expenses relating to environment is for domestic waste cleaning fee and IC scrap disposal fee. Total of NTD$210 thousands in 2019. it is estimated to be 200 thousands every year hereinafter.

E.Labor relations

(1) Detailed descriptions of employee benefits, training and development, retirement plan and each of the implementation, as well as the labor management agreemtn and employee rights protection policies are listed in the following:

1. Employee benefits: please refer to company website for information.

2. Training and development:

2019 training information for the employees are:

Type	No. of employees	Hours	Amount $
Job related	50	275	50,120
Common	41	155	0
2019	91	430	50,120

3. Retirement

The company has set up "Retirement Management Measures", and established the Labor Retirement Reserve Supervision Committee, and held three meetings in 2019. If a colleague meets the retirement conditions stipulated in Article 53 of the Labor Standards Law, one can apply for retirement according to the relevant regulations. The outstanding part of the pension is deposited in the Taiwan Bank retirement pension account for 2% of the total salary. 6% of the employee salaries are allocated to the Labor Insurance Bureau ’s personal pension account for employees according to the insurance coverage set by the Labor Insurance Bureau to ensure labor rights.

Subsidiaries in China participate in a social insurance plan managed and co-ordinated by local government agencies in China. This plan is a definite allocation system and is paid to the government-managed social insurance plan for pension insurance premiums.

4. Labor relations：

Quarter Labor Meetings were held for communications betwewen the management and employees. no major disputes.

(2) At the time of printing this publication, loss incurred bvy labor dispute and the amounts of anticipated losses and countermeasures: none.

F.Important contracts: none.

6. Financial Standing

6.1 Most Recent 5 year Condensed Financial Information

(1) Condensed Balance Sheet-IFRS-Consolidated

Unit: thousands dollars

		Financial standing for the last 5 years					As of Mar 31, 2020
		2015	2016	2017	2018	2019	
Current assets		871,990	860,083	849,430	929,214	839,990	857,586
Property, Plant and Equipment		18,081	14,622	16,138	11,980	8,854	7,793
Intangible assets		6,592	2,792	788	112	0	0
Other assets		11,242	10,796	12,714	12,618	17,864	16,248
Total assets		907,905	888,293	879,070	953,924	866,708	881,627
Current liabilities	Before distribution	65,252	145,343	252,626	387,296	362,802	387,714
	After distribution	65,252	145,343	252,626	387,296	362,802	387,714
Non-current liabilities		4,440	2,155	1,350	33	2,316	2,046
Total liabilities	Before distribution	69,692	147,498	253,976	387,329	365,118	389,760
	After distribution	69,692	147,498	253,976	387,329	365,118	389,760
Equity attributable to shareholders of the parent		838,213	740,795	625,094	566,595	501,590	491,867
Capital stock		752,977	749,767	749,767	749,767	749,767	749,767
Capital surplus		216,970	88,085	81,967	81,967	81,967	81,967
Retained earnings	Before distribution	(127,749)	(97,320)	(206,640)	(260,272)	(325,252)	(334,972)
	After distribution	(127,749)	(97,320)	(206,640)	(260,272)	(325,252)	(334,972)
Other equity interest		361	263	0	(4,867)	(4,892)	(4,895)
Treasury stock		(4,346)	0	0	0	0	0
Non-controlling interest		0	0	0	0	0	0
Total equity	Before distribution	838,213	740,795	625,094	566,595	501,590	491,867
	After distribution	838,213	740,795	625,094	566,595	501,590	491,867

(2)Condensed Statement of Comprehensive Income-IFRS-Consolidated

Unit: Thousands

	Financial standing for the last 5 years					As of Mar 31, 2020
	2015	2016	2017	2018	2019	
Operating revenue	473,056	516,275	496,929	516,391	559,933	123,189
Gross profit	125,500	137,369	123,902	119,868	121,352	29,110
Income from operations	(146,534)	(97,936)	(94,763)	(82,666)	(61,635)	(14,952)
Non-operating income	16,593	(4,303)	(15,287)	22,528	(3,618)	5,232
Non-operating expenses	(129,941)	(102,239)	(110,050)	(60,138)	(65,253)	(9,720)
Income before tax	(127,391)	(100,693)	(110,050)	(60,138)	(65,253)	(9,720)
Net income (Loss)	(127,391)	(100,693)	(110,050)	(60,138)	(65,253)	(9,720)
Other comprehensive income (income after tax)	(32)	3,275	467	1,639	248	(3)
Total comprehensive income	(127,423)	(97,418)	(109,583)	(58,499)	(65,005)	(9,720)
Net income attributable to shareholders of the parent	(127,391)	(100,693)	(110,050)	(60,138)	(65,253)	(9,723)
Net income attributable to non-controlling interest	0	0	0	0	0	0
Comprehensive income attributable to Shareholders of the parent	(127,423)	(97,418)	(109,583)	(58,499)	(65,005)	(9,723)
Comprehensive income attributable to non-controlling interest	0	0	0	0	0	0
Earnings per share	(1.70)	(1.34)	(1.47)	(0.80)	(0.87)	(0.13)

(3)Condensed Balance Sheet _IFRS_Parent Only

Unit: Thousands

		Financial standing for the last 5 years					As of Mar 31, 2020
		2015	2016	2017	2018	2019	
Current assets		839,535	827,754	846,773	922,631	836,338	NA
Property, Plant and Equipment		35,662	32,555	2,657	6,699	3,616	
Intangible assets		18,081	14,622	16,138	11,980	8,854	
Other assets		6,592	2,792	788	112	0	
Total assets		8,035	10,570	12,714	12,467	17,432	
Current assets		907,905	888,293	879,070	953,889	866,240	
Current liabilities	Before distribution	65,252	145,343	252,626	387,261	362,334	
	After distribution	65,252	145,343	252,626	387,261	362,334	
Non-current liabilities		4,440	2,155	1,350	33	2,316	
Total liabilities	Before distribution	69,692	147,498	253,976	387,294	364,650	
	After distribution	69,692	147,498	253,976	387,294	364,650	
Capital stock		752,977	749,767	749,767	749,767	749,767	
Capital surplus		216,970	88,085	81,967	81,967	81,967	
Retained earnings	Before distribution	(127,749)	(97,320)	(206,640)	(260,272)	(325,252)	
	After distribution	(127,749)	(97,320)	(206,640)	(260,272)	(325,252)	
Other equity interest		361	263	0	(4,867)	(4,892)	
Treasury stock		(4,346)	0	0	0	0	
Total equity	Before distribution	838,213	740,795	625,094	566,595	501,590	
	After distribution	838,213	740,795	625,094	566,595	501,590	

(4)Condensed Statement of Comprehensive Income-IFRS-Parent only

Unit: Thousands

	Financial standing for the last 5 years					As of Mar 31, 2020
	2015	2016	2017	2018	2019	
Operating revenue	473,056	516,275	496,929	516,391	559,923	NA
Gross profit	125,500	137,369	123,902	119,868	121,342	
Income from operations	(146,461)	(97,821)	(94,785)	(82,076)	(58,615)	
Non-operating income	16,520	(4,514)	(15,265)	21,938	(6,638)	
Income before tax	(129,941)	(102,335)	(110,050)	(60,138)	(65,253)	
Net income (Loss)	(127,391)	(100,693)	(110,050)	(60,138)	(65,253)	
Net income (Loss)	(127,391)	(100,693)	(110,050)	(60,138)	(65,253)	
Other comprehensive income(income after tax)	(32)	3,275	467	1,639	248	
Total comprehensive income	(127,423)	(97,418)	(109,583)	(58,499)	(65,005)	
Earnings per share	(1.70)	(1.34)	(1.47)	(0.80)	(0.87)	

(5)CPA's Opinions

Year	Accounting Firm	CPA	Opinion
2019	KPMG	Mei-Yu Tseng, Chien Huei Lu	No reserved opinion
2018	KPMG	Mei-Yu Tseng, Heidi Huang	No reserved opinion
2017	KPMG	Heidi Huang Mei-Yu Tseng	No reserved opinion
2016	KPMG	Heidi Huang Hsin Hai Wei	No reserved opinion
2015	KPMG	Heidi Huang Hsin Hai Wei	No reserved opinion

6.2 Financial ayalysis

(1) Financial Analysis-IFRS-Consolidated

		Financial Analysis for the Last Five Years					As of March31, 2020
		2015	2016	2017	2018	2019	
Financial structure (%)	Debt Ratio	8	17	29	41	42	44
	Ratio of long-term capital to property, plant and equipment	4,660	5,081	3,882	4,730	5,691	6,338
Solvency (%)	Current ratio	1336	592	336	240	232	221
	Quick ratio	1211	524	284	208	165	160
	Interest earned ratio (times)	0	0	(211)	(23)	(20)	(9)
Operating performance	Accounts receivable turnover (times)	2.27	2.81	2.78	3.02	3.14	2.94
	Average collection period	161	130	131	121	116	124
	Inventory turnover (times)	3.08	4.09	3.20	3.01	2.33	1.53
	Accounts payable turnover (times)	5.53	5.19	4.26	4.39	5.37	6.80
	Average days in sales	119	89	114	121	157	239
	Property, plant and equipment turnover (times)	31	32	32	37	54	59
	Total assets turnover (times)	0.47	0.57	0.56	0.56	0.61	0.56
Profitability	Return on total assets (%)	(12.72)	(11.21)	(12.40)	(6.34)	(6.89)	(4.08)
	Return on stockholders' equity (%)	(14.13)	(12.75)	(16.11)	(10.09)	(12.21)	(7.80)
	Pre-tax income to paid-in capital (%)	(17.25)	(13.63)	(14.67)	(8.02)	(8.70)	(5.16)
	Profit ratio (%)	(26.92)	(19.5)	(22.14)	(11.64)	(11.65)	(7.89)
	Earnings per share (NT$)	(1.70)	(1.34)	(1.47)	(0.80)	(0.87)	(0.13)
Cash flow	Cash flow ratio (%)	(77.96)	(25.98)	(68.24)	1.18	(69.60)	10.88
	Cash flow adequacy ratio (%)	(41.21)	(184.14)	(194.61)	(221.32)	(234.44)	(202.18)
	Cash reinvestment ratio (%)	(5.52)	(4.72)	(24.98)	0.72	(44.02)	7.48
Leverage	Operating leverage	(0.10)	(0.41)	(0.34)	(0.36)	(0.63)	(0.63)
	Financial leverage	1.00	1.00	0.99	0.97	0.95	0.93

The reasons for the changes in financial ratios in the last two years:
1. The ratio of long-term funds to real estate, plant and equipment: due to the long-term lease liability of IFRS16, the decrease in real estate, plant and equipment was 2018.
2. Quick ratio, inventory turnover rate, account payable turnover rate and average sales days: mainly due to higher inventory at the end of 2019.
3. Turnover rate of real estate, plant and equipment: It was due to the growth of operating income in 2019, and the decrease of real estate, plant and equipment compared with 2018.
4. Return on equity: due to the increase in losses in the current period.
5. Cash flow ratio, cash flow allowance ratio and cash flow reinvestment ratio: detailed P54 cash flow review and analysis.
6. Operating leverage: Mainly due to higher operating costs in 2019.

(2) Financial Analysis -IFRS-Parent only

		Financial Analysis for the Last Five Years					As of March31, 2020
		2015	2016	2017	2018	2019	
Financial Structure (%)	Debt Ratio	7	17	29	41	42	NA
	Ratio of long-term capital to property, plant and equipment	4660	5081	3882	4730	5691	
Solvency (%)	Current ratio	1349	570	335	238	231	
	Quick ratio	1217	502	283	206	165	
	Interest earned ratio (times)	0	0	(211)	(23)	(20)	
Operating performance	Accounts receivable turnover (times)	2.28	2.82	2.78	3.03	3.15	
	Average collection period	160	129	131	121	116	
	Inventory turnover (times)	3.08	4.09	3.20	3.02	2.33	
	Accounts payable turnover (times)	5.53	5.2	4.26	4.39	5.38	
	Average days in sales	118	89	114	121	156	
	Property, plant and equipment turnover (times)	26	35	32	43	63	
	Total assets turnover (times)	0.52	0.58	0.56	0.54	0.65	
Profitability	Return on total assets (%)	(12.72)	(11.21)	(12.40)	(6.33)	(6.89)	
	Return on stockholders' equity (%)	(14.13)	(12.75)	(16.11)	(10.09)	(12.21)	
	Pre-tax income to paid-in capital (%)	(17.26)	(13.64)	(14.67)	(8.02)	(8.7)	
	Profit ratio (%)	(26.92)	(19.5)	(22.14)	(11.64)	(11.65)	
	Earnings per share (NT$)	(1.7)	(1.34)	(1.47)	(0.8)	(0.87)	
Cash Flow	Cash flow ratio (%)	(81.62)	(25.83)	(68.25)	(1.24)	(68.94)	
	Cash flow adequacy ratio (%)	(6.29)	(150.45)	(180.57)	(208.16)	(234.49)	
	Cash reinvestment ratio (%)	(5.52)	(4.51)	(24.89)	0.75	(44.43)	
Leverage	Operating leverage	(0.10)	(0.41)	(0.34)	(0.37)	(0.69)	
	Financial leverage	1.00	1.00	0.99	0.97	0.95	

The reasons for the changes in financial ratios in the last two years:
1. The ratio of long-term funds to real estate, plant and equipment: due to the long-term lease liability of IFRS16, the decrease in real estate, plant and equipment in 2018.
2. Quick ratio, inventory turnover rate, account payable turnover rate and average sales days: mainly due to higher inventory at the end of 2019.
3. Turnover rate of real estate, plant and equipment: It was due to the growth of operating income in 2019, and the decrease of real estate, plant and equipment compared with 2018.
4. Return on equity: due to the increase in losses in the current period.
5. Cash flow ratio, cash flow allowance ratio and cash flow reinvestment ratio: detailed P54 cash flow review and analysis.
6. Operating leverage: Mainly due to higher operating costs in 2019

6.3 Audit Committee's Review Report

ENE TECHNOLOGY INC
Audit Committee's Review Report

The Board of Directors has prepared the Financial Statements and Consolidated Statements of 2019. The CPA firm of KPMG was retained to audit ENE Technology Inc.'s financial statements. CPA Mei-Yu Tseng and CPA Chien-Hui Lu of KPMG have reviewed and audited the above said financial statements and issued an audit report relating to the financial statements. The Committee has reviewed the above said financial statements, consolidated statements, business report and appropriation of loss statement and found no negligence. In pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

ENE TECHNOLOGY INC.

Chairman of the Audit Committee:

2020. March. 19th

6.4 Consolidated financial report for the 2019 and 2018 (Appendix I)

6.5 Parent only financial report for the 2019 and 2018 (Appendix II)

7. Financial Standing

7.1 Financial status

Unit: NT$Thousands

	2019	2018	Differences	
			Amount	%
Current Assets	839,990	929,214	(89,224)	(9.60)
Investment by equitymethod	0	0	0	0.00
Property, plant and equipment	8,854	11,980	(3,126)	(26.09)
Other non current assets	17,864	12,730	5,134	40.33
Total Asset	866,708	953,924	(87,216)	(9.14)
Current liability	362,802	387,296	(24,494)	(6.32)
Non current liability	2,316	33	2,283	6,918
Total liability	365,118	387,329	(22,211)	(5.73)
Capital	749,767	749,767	0	0.00
Capital surplus	81,967	81,967	0	0.00
Retained earning	(325,252)	(260,272)	(64,980)	24.97
Total equity	501,590	566,595	(65,005)	(11.47)

7.2 Analysis of financial performance:

Unit: NT$Thousands

	2019	2018	Amount	%
Gross Sales	559,933	516,391	43,542	8.43
Operation cost	438,581	396,523	42,058	10.61
Gross margin	121,352	119,868	1,484	1.24
Operation expenses	182,987	202,534	(19,547)	(9.65)
Net income (loss)	(61,635)	(82,666)	21,031	(25.44)
Net income (before income tax)	(65,253)	(60,138)	(5,115)	8.51
Net income after income tax	(65,253)	(60,138)	(5,115)	8.51

Description of major changes: those with a change amount of NT $ 10 million and a change rate of 20%

1. Operating net profit (loss): Mainly due to the decrease of operating expenses of NT$ 19,547 thousands in 2019.
2. Possible impact on future business and corresponding plan: None.

7.3 Cash flow

1.Cash flow analysis

	2019	2018	%
Cash flow form operation	(252,533)	4,606	(5,582.70)
Cash flow from investment	(21,519)	(115,126)	81.31
Cash flow from financing activities	38,578	87,500	(55.91)

2. Cash deficit and liquidity analysis

	2019	2018	%
Cash Flow Ratio (%)	(69.60)	1.18	(70.78)
Cash Flow Adequacy Ratio (%)	(234.44)	(221.32)	13.12
Cash Reinvestment Ratio (%)	(44.02)	0.72	(44.74)

3.Cash flow analysis for the coming year

Unit: NT$Thousands

Estimated Cash and Cash Equivalents, Beginning of Year	Estimated Net Cash Flow from Operating Activities	Estimated Cash Outflow (Inflow)	Cash Surplus (Deficit)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
97,750	80,000	70,000	167,750	-	-

7.4 Major capital expenditure items: none

7.5 Investment policy in the last year, main reason for profit/loss, improvement plans and investmentplan for the coming year: ENE Touch Technology was established in Shenzen to fulfilled customers needs in China. It is at the early stage of the business, thus it is still in loss. The Company shall focus on getting more sales from the Chinese customers to improve operation and cash flow.

7.6 Risk items:

(1) Effects of changes in interest rates, foreign exchange rates and inflation on finance status of the company and future response measures:

1. Interest rate: For the company's financial assets and financial liabilities interest rate risk, if the interest rate increases or decreases by 0.25%, and other variables remain unchanged, the net loss after tax in 2019 is reduced by NT$10,000, the first quarter 2020 net loss will be reduced by NT$ 373,000, which will have no significant impact on the company's operations and profit or loss. The company will always pay attention to the trend of interest rates in the financial market, regularly evaluate bank interest rates, and closely contact banks to strive for more favorable interest rate conditions.
2. Exchange rate: The operating income of the merged company is mainly denominated in US dollars. The exchange rate risk mainly comes from the equivalent cash, receivables, other financial assets, accounts payable and other current liabilities denominated in US dollars. Exchange gains and losses. If the New Taiwan Dollar depreciates or appreciates by 5% against foreign currencies, and other factors remain unchanged, the net loss after tax in 2019 will be reduced by NT$19,611 thousands, and the net loss in the first quarter of 2020 will be reduced by NT$19,428 thousands. Hedging and making good use of various hedging tools are the first consideration, and always pay attention to the changes in the international financial market, keep close contact with banks, collect exchange rate fluctuations and financial market related information, in order to fully grasp the exchange rate trends and changes, and adjust in time USD positions to reduce exchange rate risk.
3. Inflation: The price of raw materials required by the merged company is stable, and short-term

inflation has not significantly affected the company's operations and development.

(2) Policies, main aauses of gain or loss and future response measures with respect to high-risk, high-leveraged investments, lending or endorsement guarantees, and derivatives transactions

1. The company has not engaged with any high risk, high-leverage investments, lending or endorsement and guarantee.
2. Policy for lending funds to others: please refer to company website for policy details. ◦
3. Policy for endorsement and gurantee: please refer to compay website for policy details.
4. Derivatives transactions: none in 2019.

(3) Future R&D projects and budgets:

Product	Name
Mobile products	1. eSPI interface: enforced specification 2. USB Type-C PD3.0 IC: new applications
Peripheral and consumer products	1. Enhanced Touch IC: integrated MCU

Total RD expenses in 2019 were NT$59,883 thousands. Projected RD expenses in 2020 will be NT$60,000 thousands.

(4) Effects of and response to changes in policies and regulations relating to corporate finance and sales: the company watches closely on the related policies and regulations and operate accordingly.

(5) Effects of and response to changes in technology and the industry relating to corporate financeand sales:

By strengthening research and development capabilities, paying attention to domestic and foreign technology and market development directions, in order to respond to changes in technology and industry, on the other hand, in the face of technological changes, it is also a business opportunity. In addition to working hard to improve product functions and cost control, it is more active R & D of new products to respond to unpredictable changes in the industry.

(6) Impact of changes in corporate image on corporate risk management and the company's corresponding measures: the company has endeavor to improve corporate image in many aspects.

(7) Expected benefits from, risk relating to and response to merger and acquisition plans: none

(8) Expected benefits from, risk relating to and response to factory expansion plan: none

(9) Risk relating to and response to excessive concentration of purchasing sources and excessive customer concentration:

1. Risks and countermeasures for the concentration of purchases: As most domestic professional IC design companies do not have their own fabs, they will choose professional wafer foundries. As a long-term cooperation target, the two companies are currently focusing on purchasing from HHNEC and HeJian. In order to avoid full capacity of fabs during the peak season, the company is planned to divert some products to other professional foundries.
2. Risks and countermeasures for the concentration of sales: The main products areNB-related application ICs. As Taiwan 's notebook computer vendors account for approximately 90% of

the global market share, sales are concentrated in big names such as Compal etc. In the future, the company will continue to maintain good relations with its current customers, and actively establish other product lines and improve marketing channels to diversify risks.

(10) Effects of, risk relating to and response to large share transfers or changes in shareholdings bydirectors, supervisors, or shareholders with shareholdings of over 10%: none.

(11) Effects of, risk relating to and response to the changes in management ownership: none.

(12) Litigation or non-litigation matters: none.

(13) Information technological risk: the company has established Information Technological Committee to be responsible for the safety of information technology. The chief of IT manager shall prepare reports to the BOD on regular basis. Information Technology Policies have been stipulated and in operation. The company review and evaluation info-tech risks and prepare contingency plans. There were no major info-tech issues in 2019.

8. Special Disclosure

A. Summary of affiliated companies:

(1) Organizational chart

ENE TECHNOLGY

100% → Janus Power

100% → ENE Touch Technology Inc

(2) Main information of affiliated companies:

Name	Date of establishement	address	Capital	Business items
Janus Power	2011.4.25	5F, No.88, Bao Chiao Rd., Shindian, New Taipei City.	NT$ 7 millions	Components sales
ENE Touch Technology	2018.8.10	601, East Block, Phase 2, Tianan Innovation and Technology Plaza, Tianran Community, Tianan Community, Shatou Street, Futian District, Shenzhen	USD$ 150 Thousands	Electronic material sales

(3) Directors, Supervisor and GM and shareholdings:

Name	Title	Name/Representative	Shareholding	
			Shares K	%
Janus Power	Chairman	ENE Rep.:Jason Weng	700	100%
	Director	ENE Rep: Leo Wu		
	Director	ENE Rep: Dylan Chung		
	Supervisor	ENE Rep: Galen Chai		
	GM	Dylan Chung	0	0%
ENE Touch Technology	Representative	Dylan Chung	0	0%

(4) Operation of the affiliates

Unit: NT$ thousands

Name	Capital	Total Assets	Total Liability	Net Worth	Revenue	Operation profit	Net Porfit/Loss	EPS ($)
Janus Power	7,000	2,655	0	2,655	0	0	0	0
ENE Touch Technology	4,484	2,016	1,557	459	1,125	(520)	(498)	–

(5) Disclosure items for the affiliates:

Name of subsidiaries, relationship, business scope, shareholdings:

Subsidiaries	Relationship	Business Scope	%
Janus Power	100％ subsidiaries	Components manufacturing	100％
ENE Touch Technology Co (Shenshen)	100％ subsidiaries	Distribution of Electronic materials	100％

B. Subscription of marketable securities privately in the most recent years and up to the date of the report printed: None

C. The stock shares of the Company held or disposed by the subsidiaries in the most recent years and up to the date of the report printed: None

D. Supplementary disclosure: none

E. Occurrence of events defined in Securities Transaction Law Article 36.2.2 that has great impact on shareholder’s equity or security price in the most recent years and up to the date of the report printed: None

Stock Code：6243

ENE TECHNOLOGY INC AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

December 31st, 2019 AND 2018

This document is a translated version from the Chinese version for the convenience of reader and for information purpose only. Any discrepancy between the English and Chinese version, the Chinese version shall prevail.

ADDRESS：4F, No.21, LIXING RD. HSINCHU SCIENCE PARK
Contact Number：886-3-666-2888

Representation Letter

The entities included in the consolidated financial statements as of December 31st, 2019, and for the year then ended prepared under the International Financial Reporting Standards, No.10 as recognized by the FSC are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. The Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

ENE TECHNOLOGY INC
Jason Weng
March 19th, 2020

Independent Auditors' Report

The Board of Directors and Shareholders
ENE TECHNOLOGY INC.

Opinion

We have audited the accompanying consolidated financial statements of ENE TECHNOLOGY INC and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing stands generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

1. Inventory valuation

Please refer to Note 4(8) and Note 5 for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainty of the valuation of inventory, respectively. Information of estimation of the valuation of inventory are disclosed in Note 6(4) of the consolidated financial statements.

Description of key audit matters

The inventory is measured at the lower of cost or net realized value. The Customers of the Company mainly are from personal computer systems or consumer electronic products. Due to the rapid change of technologies, fierce competition and shortening of product life cycle, the ASP and the demand of the related products may decline. Therefore, valuation of inventory is one of the key audit matters.

Our key audit procedures performed in respect of the mentioned item included the following:

In order to verify the rationality of assessment of inventory valuation, our key audit procedures included inspecting the inventory aging reports, sample testing on the accuracy of last effective inventory change orders and net realizable value, evaluating the policy on inventory valuation and obsolescence loss as well as the reasonableness of allowances on inventory valuation and obsolescence loss. For those with longer inventory days (more than 1 year), we also reviewed follow up sales to verify the appropriateness of inventory valuation as well as to assess whether the disclosure on inventory valuation was appropriate.

2. Allowances for Bad Debts

Please refer to Note 4(7) for the accounting policy regarding allowances for bad debts. Information on allowances for bad debts and uncertainty of hypothesis are shown in Note 5. Please refer to Note 6(3) for explanatory on allowances for bad debts including notes receivables and account receivables of related parties.

Description of key audit matters

Account receivables are of material items to the Company. The Management adopts simplified method of IFRS 9 to evaluate the allowances by estimating the credit loss during the account receivable duration. Expected credit loss from the duration shall take into account of customer financial status, historical records, aging report, industrial and economic outlook to conduct forward-looking adjustment to reflect the estimated credit loss. Therefore, Allowances for bad debts has been identified as a key audit matter since it implies material judgement from the management.

Our Key audit procedures performed in respect of the above mentioned item included the following:

To verify the accuracy of the account receivable aging report and evaluate the rationality of the forward-looking adjustment and to recalculate the allowance for bad debts proposed by the management. Moreover, to review the collection result of overdue account receivable at the end of the period, to evaluate the sufficiency of the allowances for bad debt, and the appropriateness of the management disclosure on allowances for bad debts.

Other Matter

ENE TECHNOLOGY INC has prepared the parent company only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unqualified opinion.

Responsibilities of Management and Those Charges with Governance for the Consolidated Financial Statements

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statement.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditor's report are Mei-Yu Tseng and Chien-Hui Lu.

KPMG

Hsinchu, Taiwan
March 19th, 2019

ENE TEHCNOLOGY INC

Consolidated Balance Sheets

2019.12.31 and 2018.12.31

Unit: NTD$ Thousands

	Asset	2019.12.31 Amount	%	2018.12.31 Amount	%
	Current Asset:				
1100	Cash and Cash equivalent(N6(1))	$ 97,750	11	333,262	35
1170	Notes and accounts receivables (N6(3) & 8)	166,141	19	165,491	17
1180	Accounts receivables from related parties (N6(3) &7&8)	14,584	2	5,385	1
130X	Inventories (N6(4))	229,079	26	113,836	12
1470	Prepaid expenses & other current assets	20,281	2	16,301	2
1476	Other financial assets – current (N6(8) & 8)	312,155	36	294,939	31
		839,990	96	929,214	98
	Non-Current Asset:				
1600	Real estate, plant and equipment (N6(5))	8,854	1	11,980	1
1755	Right-of-use asset (N6(6))	5,451	1	-	-
1780	Intangible asset (N6(7))	-	-	112	-
1840	Deferred tax asset (N6(13))	3,573	1	3,573	-
1975	Net defined benefit asset – non-current (N6(12))	5,640	1	5,534	1
1980	Other financial asset – non-current (N6(8) & 8)	3,200	-	3,511	-
		26,718	4	24,710	2
	Total Asset	**$ 866,708**	**100**	**953,924**	**100**

	Liabilities and Equity	2019.12.31 Amount	%	2018.12.31 Amount	%
	Current Liabilities:				
2100	Short term loan (N6(3)(9) & 8)	$ 291,149	34	245,500	26
2170	Account payables	41,494	5	105,837	11
2180	Related parties account payable (N7)	5,624	1	10,217	1
2201	Salary payable	8,633	1	12,473	1
2280	Lease liabilities – current (N6(10))	3,258	-	-	-
2300	Other current liabilities (N6(5))	12,644	2	13,269	1
		362,802	43	387,296	40
	Non-Current Liabilities:				
2570	Deferred income tax liabilities (N6(13))	27	-	33	-
2580	Lease liabilities – non-current (N6(10))	2,289	-	-	-
		2,316	-	33	-
	Total Liabilities	365,118	43	387,329	40
	Equity (N6(14))：				
3110	Ordinary share capital	749,767	87	749,767	79
3200	Capital surplus	81,967	9	81,967	9
3350	Accumulated loss	(325,252)	(38)	(260,272)	(27)
3400	Other equity	(4,892)	(1)	(4,867)	(1)
	Total Equity	501,590	57	566,595	60
	Total Liabilities & Equity	**$ 866,708**	**100**	**953,924**	**100**

ENE TECHNOLOGY INC and Subsidiaries

Consolidated Statements of Comprehensive Income
January 1st to December 31st, 2019 & 2018

Unit: NTD$ Thousands

		2019		2018	
		Amount	**%**	**Amount**	**%**
4110	**Operating revenue** (N6(16) & 7)	$ 559,933	100	516,391	100
5000	**Operating cost** (N6(4) & 7)	438,581	78	396,523	77
	Gross profit	121,352	22	119,868	23
	Operating expenses (note6(3)(10)(11)(12), 7 & 12):				
6100	Selling expenses	57,945	10	63,140	12
6200	General and admin expenses	65,148	12	68,771	13
6300	Research and development expenses	59,883	11	69,837	14
6450	Allowances for credit loss	11	-	786	-
	Total operating expenses	182,987	33	202,534	39
	Operating loss	(61,635)	(11)	(82,666)	(16)
	Non-operating income & expenses:				
7020	Other gains and losses (N6(18))	(9,788)	(2)	17,001	3
7100	Interest income	9,322	2	8,039	2
7510	Interest expense (N6(10))	(3,152)	(1)	(2,512)	-
		(3,618)	(1)	22,528	5
	Loss before income tax	(65,253)	(12)	(60,138)	(11)
	Income tax expenses (N6(13))	-	-	-	-
	Net loss for the period	(65,253)	(12)	(60,138)	(11)
8300	**Other comprehensive profit and loss:**				
8310	**Items not be reclassified to profit or loss**				
8311	Gain/Loss of remeasurement of defined benefit plan (N6(12))	273	-	1,448	-
8316	Unrealized gain/loss from investments in equity instruments measured at fair value through other comprehensive income	-	-	58	-
	Total for Items not be reclassified to profit or loss	273	-	1,506	-
8360	**Items may be reclassified to profit or loss**				
8361	Cumulative translation differences of foreign operation	(31)	-	166	-
8399	Income tax relating to items may be reclassified (N6(13))	6	-	(33)	-
	Total items that be reclassified to profit & loss	(25)	-	133	-
8300	**Other comprehensive profit and loss**	248	-	1,639	-
	Total comprehensive income	$ (65,005)	(12)	(58,499)	(11)
	Earnings per share (in dollar)(N6(15))				
9750	**Basic earnings per share**	$	(0.87)		(0.80)

ENE TECHNOLOGY INC and Subsidiaries
Consolidated Statements of Changes in Equity
January 1st to December 31st , 2019 and 2018

Unit: NTD$ Thousands

	Ordinary Share Capital	Capital Surplus	Accumulated Loss	Other Equity Items: Cumulative translation differences of foreign operation	Other Equity Items: Unrealized P&L From financial assets measured at fair value through comprehensive P&L	Other Equity Items: Total	Total Equity
Balance as of 20180101	$ 749,767	81,967	(206,640)	-	-	-	625,094
Adjustments of retrospective approach	-	-	5,000	-	(5,000)	(5,000)	-
Balance at 20180101 after adjustment	749,767	81,967	(201,640)	-	(5,000)	(5,000)	625,094
Net loss of the period	-	-	(60,138)	-	-	-	(60,138)
Other comprehensive income of the period	-	-	1,448	133	58	191	1,639
Total comprehensive income	-	-	(58,690)	133	58	191	(58,499)
Disposal of investment in equity instruments designated at fair value through other comprehensive income	-	-	58	-	(58)	(58)	-
Balance as of 20181231	**$ 749,767**	**81,967**	**(260,272)**	**133**	**(5,000)**	**(4,867)**	**566,595**
Net loss of the period	$ -	-	(65,253)	-	-	-	(65,253)
Other comprehensive income of the period	-	-	273	(25)	-	(25)	248
Total comprehensive income	-	-	(64,980)	(25)	-	(25)	(65,005)
Balance as of 20191231	**$ 749,767**	**81,967**	**(325,252)**	**108**	**(5,000)**	**(4,892)**	**501,590**

ENE TECHNOLOGY INC and Subsidiaries
Consolidated Statements of Cash Flows
January 1st to December 31st , 2019 and 2018

Unit: NTD$ Thousands

		2019	2018
Cash Flow from operating activities:			
Income before income tax	$	(65,253)	(60,138)
Adjustments:			
Income and expenses/loss items			
Depreciation		13,504	9,236
Amortization		112	676
Expected credit impairment loss		11	786
Allowance for inventory evaluation & obsolesce loss		8,487	5,455
Gain on financial assets at fair value through profit or loss		-	1,930
Interest expense		3,152	2,512
Interest income		(9,322)	(8,039)
Disposal of real estate, plant and equipment		-	13
Others not affecting cash flow		83	(41)
Total of income and expense/loss items		16,027	12,528
Changes in operating assets and liabilities:			
Increase in financial asset measured at fair value through profit and loss		-	4,858
Decrease in notes and account receivables		(664)	(2,191)
Decrease (Increase) account receivable from related parties		(9,196)	(2,562)
Inventory (increase) decrease		(123,730)	1,412
Decrease of other operating asset		(3,983)	(833)
Total changes in operating assets and liabilities		(137,573)	684
Increase (decrease) in account payable		(64,343)	48,325
Decrease in account payable from related parties		(4,593)	3,294
Decrease in other operating liabilities		(3,181)	(5,397)
Total changes in operating liabilities		(72,117)	46,222
Net changes in operating assets and liabilities		(209,690)	46,906
Cash flows from operating activities		(258,916)	(704)
Interest received		9,503	7,814
Interest paid		(3,120)	(2,504)
Net cash flow from operating activities		(252,533)	4,606

(continued)

ENE TECHNOLOGY INC and Subsidiaries
Consolidated Statements of Cash Flows
January 1st to December 31st , 2019 and 2018

Unit: NTD$ Thousands

	2019	2018
Cash flows from investment activities:		
Disposal of financial assets designated at fair value through other comprehensive income	$ -	284
Acquisition of real estate, plant and equipment	(4,428)	(5,593)
Disposal of real estate, plant and equipment	-	83
Decrease (increase) in Refundable deposits	315	1,367
Increase in other financial asset - current	(17,397)	(111,259)
Increase in other financial asset – non-current	(9)	(8)
Net Cash flow from investment activities	(21,519)	(115,126)
Cash flows from financing activities:		
Increase in short term loan	447,929	469,500
Decrease in short term loan	(402,200)	(382,000)
Lease liabilities principle repayment	(7,151)	-
Net cash flows from financing activities	38,578	87,500
Effect of exchange rate to cash and cash equivalent	(38)	176
Net decrease in cash and cash equivalent	(235,512)	(22,844)
Cash and cash equivalent at beginning of period	333,262	356,106
Cash and cash equivalent at end of period	**$ 97,750**	**333,262**

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements
For 2019 & 2018
(All amounts are expressed in Thousands of New Taiwan Dollars,
Except otherwise indicated)

1. Company History

ENE TECHNOLOGY INC. (the "Company") was incorporated as a company by shares on May 20^{th}, 1998. The Company was inaugurated in Hsinchu Science Industrial Park on Aug 31^{st}, 2001 with current registered address of 4F, No.21, Lixing Rd, Hsinchu Science Industrial Park. The Company was listed on Taipei Exchange on April 22^{nd}, 2003 and listed on Taiwan Stock Exchange on December 17^{th}, 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 28^{th}, 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 March 19^{th}, 2020.

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

3.1 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 2019 adopted by the Company are as follows:

New Standards／Amendments／Principles and Interpretations	Effective date by International Accounting Standards Board
IFRS 16, 'Lease'	January 1st, 2019
IFRIC, 'Uncertainty over income tax treatment'	January 1st, 2019
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1st, 2019
Amendments to IFRS 19, 'Plan amendment, curtailment or settlement'	January 1st, 2019
Amendments to IFRS 28, 'Long-term interests in associates and joint ventures'	January 1st, 2019
Annual Improvements to IFRSs 2015-2017 cycle	January 1st, 2019

Except for the following items, the Company believes that the adoption of the above listed IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of significant changes are:

3.1.1 IFRS 16 "Lease"

IFRS 16 replaces the existing leases guidance, including IAS17 Leases, IFRIC4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company adopts IFRS 16 using the modified retrospective approach, and has not impact on the retained earnings dated 2019/01/01. The detail changes of the related accounting policies are as following:

1. Definition of a lease

   Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(10).

   When transiting to IFRS 16, the Company chose to apply the practical expedient to evaluate the assessment of which transactions are leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts committed or changed on or after January 1st, 2019.

2. As a lessee

   Previously as a lessee, the Company classified leases as operating or finance leases based on the assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying assets to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases- i.e. these leases are on balance sheet.

   The Company decided to apply recognition exemptions to short-term leases and low-value leases of transportation vehicles and other equipment.

   Leases classified as operating leases under IAS 17.

   At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1st, 2019. Right-of-use assets are measured at either:

   a. The carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application. The Company applied this method on the major real estate leases; or
   b. Amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Company applied this method on all leases other than the ones prescribed before.

   In addition, the Company used the following practical expedients when applying IFRS 16 to leases:

   a. Applied a single discounted rate to a portfolio of leases with similar characteristics.
   b. Adjusted the right-of-use assets by the amount of IAS 37 contract provision immediately before the date of initial application, as an alternative to an impairment review.
   c. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term
   d. Excluded initial direct costs from measuring the right-of-use asset at the date of initial application
   e. Used hindsight when determining the lease term if the contract contains options to extend to terminate the lease

3. Impacts on financial statements

On transition to IFRS 16, the Company recognized additional $13,207 thousands of right-of-use assets and lease liabilities. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1st, 2019. The weighted-average rate applied is 1.76%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	2019.01.01
Operating lease commitment at 2018.12.31 as disclosed in the Company's consolidated financial statements	$ 13,555
Recognition exemption for:	
Short term leases	(364)
Extension and termination options reasonably certain to be exercised	737
	$ 13,928
Discounted using the incremental borrowing rate at 2019.01.01	$ 13,207
Lease liabilities recognized at 2019.01.01	$ 13,207

3.1.2 IFRIC 23 "Uncertainty over Income Tax Treatments"

In assessing whether and how and uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probably that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the Company estimated the application of the new amendments will not have any material impact.

3.2 The impact of IFRSs issued by IASB and endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB and endorsed by the FSC on July 29th, 2019:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 3 “Definition of a Business:	2020.Jan.01
Amendments to IFRS 9, IAS 39 & IFRS 7, “Interest Rate Benchmark Reform”	2020.Jan.01
Amendments to IAS 1 and IAS 8 “Definition of Material”	2020.Jan.01

The above standards and interpretations shall not have any material impact on financial position and results of operations of the Company.

3.3 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	Effective Date Issued by IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture”	Effective date TBD by IASB
IFRS 17 “Insurance Contracts”	2021.Jan.01
Amendments to IAS 1 “To classify debt as current or non-current”	2020.Jan.01

The Company is in the process of assessing the impact on financial position and results of operations of the above standards and interpretations. The Company will disclose the related results when the assessment is finalized.

4. Summary of Significant Accounting Policies

The principle accounting policies applied in the preparation of the consolidated financial statements are outlined below. These policies have been applied consistently to all the periods presented, unless otherwise stated.

4.1 Statement of Compliances

The consolidated financial statements are prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein after as the “IFRSs”).

4.2 Basis of Preparation

1. Basis of measurement

   Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

   a. Financial assets at fair value through profit or loss.

   b. Financial assets at fair value through other comprehensive income measured at fair value

   c. The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined obligation (Note 4(14))

2. Functional and presentation currency

   The functional currency of the Group is determined based on the primary economic environment in which the entity operates. The Company's consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousands.

4.3 Basis of Consolidation

A. Basis for preparation of consolidated financial statements

   All subsidiaries are included in the Company's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidate of subsidiaries begins from the date the Company obtains control of the subsidiaries and ceases when the Company loses control of the subsidiaries.

   Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The company attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this result in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiaries	Business activities	Ownership (%) 2019 12.31	Ownership (%) 2018 12.31	Description
ENE	Janus Power Electronics Inc. (Janus Power)	Electronic Components	100%	100%	
ENE	ENE Touch Technology Co. Ltd., (ENE Touch)	Electronic Component distribution	100%	100%	Note

Note：ENE Touch Technology Co. Ltd. was established on August 10th, 2018.

C. Subsidiaries not included in the consolidated financial statements: none

4.4 Foreign Currency

A. Foreign exchange

Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Nonmonetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss, unless it is an equity instrument designated to be recognized in other comprehensive profit and loss through fair value measurement.

B. Translation of financial statements in foreign currencies

The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date. The income and expenses are translated at an average rate for the period in the NTD. The exchange differences arising on the translation are recognized in other comprehensive income.

On the disposal of foreign operations that result in a loss of control, loss of significant influence or joint control, the cumulative amount of the exchange differences shall be reclassified as profit and loss. On the partial disposal of foreign operations, the cumulative amount of exchange differences are reclassified into non-controlling equity.

On the partial disposal of foreign operations that result in a loss of control, loss of significant influence or joint control but retain partial equity is considering as disposal. In partial disposal of an associate or jointly controlled entity that includes a foreign operation, the cumulative amount of the exchange differences shall be reclassified and recognized in proportion into profit and loss.

The foreign exchange profit or loss shall be regarded as net investments to the foreign operation and be recognized in the other comprehensive profit and loss under the circumstances where there is no settlement plan and impossible to pay off in the foreseeable future of the receivables/payables in foreign operation.

4.5 Standards for Assets and Debts Classified as Current and Non-Current

An asset is classified as current when:

A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
B. The Company holds the asset primarily for the purpose of trading.
C. The Company expects to realize the asset within twelve months after the reporting period.
D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

A. The Company expects to settle the liability in its normal operating cycle.
B. The Company holds the liability primarily for the purpose of trading.
C. The liability is due to be settled within twelve months after the reporting period.
D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

4.6 Cash and Cash Equivalent

Cash and cash equivalents comprises cash on hand, demand deposits and 3-months term deposits. Cash equivalent includes highly liquid term deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Term deposits that fit the descriptions and its purpose is not for investment but to fulfill the short term cash commitment shall be classified as cash equivalent.

4.7 Financial Instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income-equity investment; or fair value through profit or loss. Financial assets are not reclassified subsequent to their initial recognition unless the company changes it business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

●It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

●Its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity instruments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the company's right to receive payment is established.

(3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividends income, are recognized in profit or loss.

(4) Impairment of financial assets

The company's recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, account receivables including related parties and other financial assets, current and non-current.)

For financial assets listed below, a loss allowance is recognized at an amount equal to expected credit loss resulting from possible default events of a financial instrument within 12 months after the reporting date. For the rest, a loss allowance is recognized at an amount equal to expected credit loss resulting from all possible default events over the expected life of a financial instrument:

・low credit risk of debt securities at the reporting date; and

・when the credit risk on the debt securities and the credit risk of bank deposits has not increased significantly since initial recognition.

The company measures loss allowance at an amount equal to lifetime ECL for account receivables and contractual assets.

(5) Derecognizition of financial assets

The company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

B. Financial liabilities and equity instruments

(1) Classification of debt or equity

Debt and equity instruments issued by the company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

(4) Derecognizition of financial liabilities

The company derecognizes financial liabilities when the company’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(5) Offsetting financial assets and financial liabilities

The company has financial instruments transactions applicable to current law and regulations which required for offsetting. Financial assets and liabilities relating to those transactions are recognized in the net amount of the balance sheets.

C. Derivative financial instruments

The company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

4.8 Inventory

Inventories are valued at lower of cost and net realizable value item by item. Inventory costs include costs incurred in bringing each inventory to its present location and condition, manufacturing costs and other related costs. Costs are calculated by weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

4.9 Property, Plants and Equipment

A. Recognition and measurement

Property, plants and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts as individual items with specific useful lives and depreciation, respectively.

Profit or loss from disposal of property, plants and equipment shall be recognized in profit and loss.

B. Follow-up Costs

Subsequent expenditures will only be capitalized when their future economic benefits are likely to realize.

C. Depreciation

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

1. research & development equipment: 2~5 years
2. lease improvement: 5~10 years
3. Office and miscellaneous equipment: 2~10 years

The residual values, useful lives and methods of depreciation are reviewed at each financial year end and make adjustments whenever is needed.

4.10 Lease (Applicable from 2019.01.01)

A. Identification of lease

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company assesses whether:

(1) The contract involves the use of an identified asset- this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
(2) The company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
(3) The company has the right to the direct use of its asset if either:
 ・it has the decision-making rights that are most relevant to changing how, and for what purpose, the asset is used.
 ・in rare cases, where the decision on how, an for what purpose, the asset is used predetermined.
 — The company has the right to operate its asset, wherein the providers do not have the right to change; or
 — The company designed the asset in a way that predetermines how, and for what purpose, it will be used.

An inception or on reassessment of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

B. As a leasee

The company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-lin method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, an adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the company’s incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

Lease payment included in the measurement of the lease liability comprise the following:

(1) fixed payments, including in-substance fixed payments;
(2) variable lease payments that depend on an index or a rate, initially measured using the index rate as at the commencement date;
(3) amounts expected to be payable under a residual value guarantee; and
(4) payments or penalties for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is measured when:

(1) there is a change in future lease payments arising from the change in an index or rate; or
(2) there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee; or
(3) there is change in the company's evaluation of purchase options; or
(4) there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
(5) there is any lease modifications to the assets, scope and other terms of the lease.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The company presents right-of-use asset that do not meet the definition of investment and lease liabilities as a separate line item respectively in the balance sheets.

The company has elected not to recognize right-of-use assets and lease liabilities for transportation equipment, other short term leases and leases of low-value assets. The company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Applicable before January 1st, 2019

The lease assets were not recognized in the balance sheets of the company. Lease payments (excluding insurance and maintenance) are recognized as expenses on a straight-line basis over the lease term.

4.11 Intangible Assets

A. Recognition and measurement

R&D related expenses are carried in profit/loss at the time of incidents.

R&D expenses can only be capitalized when: the feasibility of product or process can be measured or commercialized, future economic benefits are foreseeable and the company demonstrates attempts and invests sufficient resources to complete the project. All other R&D shall be recognized in profit/loss. After initial recognition, the capitalized R&D expenses shall be measured by the amount of its cost less accumulated amortization and accumulated impairment.

Other intangible assets shall be measured by the amount of its cost less accumulated amortization and accumulated impairment.

B. Subsequent expenses

Subsequent expenses can only be capitalized when future economic benefits of specific assets can be increased. All other expenses shall be recognized in profit/loss at the time of incidents, including internal developed goodwill and brands.

C. Amortization

Other than goodwill, amortization is calculated by cost less estimated residual value and carried in profit/loss using straight line method from the time it is available for use:

Estimated useful life of current and comparable period:

(1) Patents 1~3 years

(2) Computer software 1~3years

The company reviews the amortization methods, useful life and residual value at the end of each reporting period and make adjustments whenever needed.

4.12 Impairment of non-financial assets

The Company assess the assets (excluding inventory, contractual assets and deferred tax assets) at the end of each reporting period. If there is any indications of impairment, the company shall assess the recoverable amounts.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment.

The recoverable amount is the higher of the fair value of individual assets or cash-generating units minus the disposal cost and its use value. In assessing the value of use, the estimated future cash flow is converted to present value at a pre-tax discount rate that reflects the current market assessment of the time value of money and the unit-specific risk to the asset or cash

Where the recoverable amount of an asset is lower than carrying amount, the asset is considered impaired and is written down to its recoverable amount.

If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units)

For assets other than goodwill, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized in prior years.

4.13 Revenue recognition

The Company's revenue arising from fulfilling contracts with customers mainly includes sale of goods and rendering of services. The major revenue items of the Company are explained as follows:

1. Sales of products

   The company conducts research, design, development, production and sales of electronic products and information software. The revenue is recognized upon the delivery of products. Delivery is defined as complete transfer of product ownership to customers who is in total charge of the products sales and pricing, and the company has no unfulfilled obligation towards customers. Transaction includes shipment to designated location, risk of obsolete and loss has been transferred to customers whom has accepted and checked the product in accordance with sales contract, or the company holds objective evidence of fulfilling all terms of acceptance.

   A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2. Significant financial components

   The Company expects the period between the transfer of contract liabilities to revenue is usually within one year, thus no significant financing component is arisen.

4.14 Employee Benefits

A. Defined contribution plans

   For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of cash refund or a reduction in the future payments.

B. Defined benefit plans

Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reduction in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefits liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings. The company determines the net interest expense (income) on the net defined benefit obligation at the beginning of the annual period to the then-net defined plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

4.15 Income Tax

Income tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to mergers, or relates to items recognized in equity or other comprehensive income.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. All uncertainties relates to income tax are also reflected (if there is any).

The Company will only offset the deferred tax asset and deferred tax liabilities when both criteria are met:

a. If a legally enforceable right exists to set off current income tax assets against current income tax liabilities; and
b. Deferred tax assets and tax liabilities relate to the circumstances from the same taxable entity and the same taxation authority:
    1. Same taxable entity; or
    2. Different taxable entities which intend to settle current tax assets a liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

4.16 Earnings per Share

The company discloses the company basic and diluted earnings per share attributable to ordinary equity holders of the company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the company divided by weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as accrued employee's compensation.

4.17 Operating Segments

Operating segments are defined as the units engage in activities from which may incur revenue and expenses. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. Each operating segment has its individual financial information.

5. Critical Accounting Judgements, Estimations and Key Sources of Assumption Uncertainty

c.The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Differences may exist between the actuals and estimations.

d.The management constantly review estimations and assumptions and make adjustments accordingly. Accounting policies involve significant judgements and may cause material adjustments to the carrying amounts of assets and liabilities with the next year are discussed below:

A. Allowances for bad debts

e.Estimation for bad debt is made on the hypothetical basis of contract violation risks and percentage of estimated loss. At the end of each reporting period, the company considers historical experiences, current market status and forward estimation to decide on the appropriate assumptions and amounts when calculate the allowances. Please refer to Note 6(3) for related assumptions and amounts.

B. Inventory evaluation

Inventories are stated at the lower of cost or net realizable value. The company estimates the net realizable value of inventory for obsolescence, fair wear and tear or unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is determined based on the assumptions of future product demand change and decrease of price due to technology advancement. Therefore, it may cause the risk of cost of inventory is higher than the net realizable value. Please refer to Note 6(4) for details.

f.Financial assets, non-financial assets and liabilities of the company is measured by fair value. The finance department is in charge of independent fair value verification. It tries to ensure the evaluation is fair by using independent resources of information that reflects real market status, ensure the information resource is independent, reliable and executional as well as periodical adjustment of the valuation model, conduct testing, and update parameters of the model.

g.The company shall use observable inputs from the market to measure assets and liabilities. Classification of fair values are based on the inputs of the evaluation technique:

h.Class 1: Public quotation (unadjusted) of same assets or liabilities in the active market

i. Class 2: Observable inputs (price or projection from the price) of the assets or liabilities, excluding public quotation from Class 1.

j.Class 3: Non observable market information

k.In case of fair value evaluation is transferring amongst above said classifications, the company shall recognize the transfer at the end of the reporting period. Please refer to N6(19) Financial instruments for assumptions for fair value measurements.

6. Contents of significant accounts

6.1 Cash and cash equivalent

	2019.12.31	2018.12.31
Cash on hand	$ 74	25
Checking and savings	71,276	147,037
Term deposits	26,400	186,200
	$ 97,750	333,262

For interest risks and sensitivity analysis of financial assets and liabilities, please refer to Note 6(19).

6.2 Financial assets

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

The company was involved in the trading of non-derivative financial assets and beneficiary certificates-open end funds in 2018. It was recognized in fair value through profit and loss. The assets have been sold.

Please refer to Note 6(18) for value recognized at fair value through profit and loss.

b. 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 shareholdings of Touchsens Ltd and Yantouch Ltd. have been evaluated through other comprehensive income.

Yantouch Ltd has been liquidated with refund of capital investment of NTD$284 thousands. The fair value was evaluated as NTD$284 thousands, accumulated gains from disposal was NTD$58 thousands. The accumulated gains has been transferred from other equity to retained earnings.

The company has recognized the loss of NT$5,000 thousands from Touchsens Ltd in last reporting period.

c. Please refer to Note 6(19) for information on credit risks and market risks.

d. The above said financial assets were not pledged for collateral.

6.3 Notes and account receivable (including related parties)

	2019.12.31	2018.12.31
Notes receivable	$ 225	1,552
Account receivable	168,061	166,070
Receivables from related parties	14,584	5,388
	182,870	173,010
Less: allowance for doubtful accounts	(2,145)	(2,134)
	$ 180,725	170,876

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:

	2019.12.31		
	Notes & account receivables carrying amount	Weighted average loss rate	Loss Allowance
Not past due	$ 171,126	0.00%	-
Past due 0~30 days	320	0.00%	-
Past due 61~90 days	10	0.00%	-
Past due over 121 days	-	100.00%	-
Total	$ 171,456		-

	2018.12.31		
	Notes & account receivables carrying amount	Weighted average loss rate	Loss Allowance
Not past due	$ 145,132	0.02%	29
Past due 0~30 days	487	2.92%	14
Past due 31-60 days	40	14.16%	6
Past due over 121 days	-	99.47%	-
Total	$ 145,659		49

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

	2019.12.31		
	Notes & account receivables carrying amount	**Weighted average loss rate**	**Loss Allowance**
Not past due	$ 9,374	1.88%	176
Past due 0~30 days	27	17.32%	5
Past due 31-60 days	113	57.04%	64
Past due over 121 days	1,900	100.00%	1,900
Total	**$ 11,414**		**2,145**

	2018.12.31		
	Notes & account receivables carrying amount	**Weighted average loss rate**	**Loss Allowance**
Not past due	$ 23,234	0.75%	175
Past due 0~30 days	2,485	13.34%	332
Past due 31~60 days	1	34.32%	-
Past due 61~90 days	43	41.83%	18
Past due 91~120 days	74	61.71%	46
Past due over 121 days	1,514	100.00%	1,514
Total	**$ 27,351**		**2,085**

Changes for loss allowance (including related parties) are:

	2019	**2018**
Balance of January 1st	$ 2,134	1,348
Recognized loss	11	786
Balance of December 31st	**$ 2,145**	**2,134**

Please refer to Note 6(19) for information 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 December 31, 2019 were as follows:

2019.12.31					
Purchaser	**Amount transferred**	**Quota**	**Amount advanced (recognized in short term loan)**	**Interest rate collar**	**Collateral**
CTBC Bank	$ 25,186 (USD837 K)	70,000	20,149 (USD670 K)	3.25%	Account receivables and Bank note $70,000

As of December 31, 2019 and 2018 the notes and account receivables (including related parties) were not pledged. Please refer to Note 8 for details.

6.4 Inventory

	2019.12.31	2018.12.31
Raw materials	$ 14,788	6,557
Work in Process	180,215	86,759
Finished product	34,076	20,520
	$ 229,079	113,836

Details of operating cost are:

	2019.12.31	2018.12.31
Cost of goods sold	$ 430,094	390,641
Allowance for inventory valuation loss	8,487	5,455
Other operating costs	-	427
	$ 438,581	396,523

Inventory dated December 31st, 2019 and 2018 were not pledged for collateral.

6.5 Property, plants and equipment

1. Details on cost and amortization:

		R&D equipment	Improvement on lease	Office and other equipment	Total
Cost:					
Balance on January 1st 2019	$	20,768	2,066	43,766	66,600
Acquisition		-	460	2,668	3,128
Balance on Dec 31st 2019	**$**	**20,768**	**2,526**	**46,434**	**69,728**
Balance on January 1st 2018	$	21,792	2,066	39,769	63,627
Acquisition		-	-	5,174	5,174
Disposal		(1,024)	-	(1,177)	(2,201)
Balance on Dec 31st 2018	**$**	**20,768**	**2,066**	**43,766**	**66,600**
Amortization:					
Balance on January 1st 2019	$	19,243	276	35,101	54,620
Amortization		1,491	253	4,510	6,254
Balance on Dec 31st 2019	**$**	**20,734**	**529**	**39,611**	**60,874**
Balance on January 1st 2018	$	16,446	69	30,974	47,489
Amortization		3,759	207	5,270	9,236
Disposal		(962)	-	(1,143)	(2,105)
Balance on Dec 31st 2018	**$**	**19,243**	**276**	**35,101**	**54,620**
Carrying amount:					
December 31st, 2019	**$**	**34**	**1,997**	**6,823**	**8,854**
January 1st 2018	**$**	**5,346**	**1,997**	**8,795**	**16,138**
December 31st, 2018	**$**	**1,525**	**1,790**	**8,665**	**11,980**

2. Changes to the account payable related to property, plant and equipment for 2019 and 2018 are decrease of NT$1,300 thousands and NT$419 thousands respectively.
3. Property, plant and equipment of the Company dated on December 31st of 2019 and 2018 were not pledged for collateral.

6.6 Right-of-use asset

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

		Buildings	Transportation Vehicles	Other equipment	Total
Cost:					
Balance at 2019.01.01	$	-	-	-	-
Effects of retrospective application		8,742	4,014	451	13,207
Acquire		-	522	-	522
Disposal		(1,627)	-	-	(1,627)
Effects of foreign exchange		(37)	-	-	(37)
Balance at 2019.12.31	**$**	**7,078**	**4,536**	**451**	**12,065**
Accumulated depreciation and loss:					
Balance at 2019.01.01	$	-	-	-	-
Depreciation of the year		5,707	1,127	416	7,250
Disposal		(610)	-	-	(610)
Effects of foreign exchange		(26)	-	-	(26)
Balance at 2019.12.31	**$**	**5,071**	**1,127**	**416**	**6,614**
Carrying amount:					
Balance at 2019.01.01 (Effects of retrospective application of IFRS 16)	**$**	**8,742**	**4,014**	**451**	**13,207**
Balance at 2019.12.31	**$**	**2,007**	**3,409**	**35**	**5,451**

The initial carried amount of right-of-use assets recognized as lease liabilities was NTD522 thousands.

Please refer to Note 6(11) for information on the office rental and company car rental 2018.01.01~2018.12.31.

6.7 Intangible Assets

Details on the cost and amortization as of 2019 and 2018 are:

	Patents		Computer Software Cost	Total
Cost:				
2019.01.01 (same as 2019.12.31)	$	17,749	23,561	41,310
2018.01.01 (same as 2018.12.31)	$	17,749	23,561	41,310
Amortization:				
2019.01.01	$	17,692	23,506	41,198
Amortization		57	55	112
2019.12.31	$	17,749	23,561	41,310
2018.01.01	$	17,542	22,980	40,522
Amortization		150	526	676
2018.12.31	$	17,692	23,506	41,198
Carry amount:				
2019.12.31	$	-	-	-
2018.01.01	$	207	581	788
2018.12.31	$	57	55	112

Amortization expenses for 2019 and 2018 are NT$112 thousands and NT$676 thousands respectively.

Intangible assets dated December 31st, 2019 and 2018 were not pledged for collateral.

6.8 Other financial assets- current and non-current:

	2019.12.31		2018.12.31
Current:			
Restricted cash in bank	$	306,943	289,546
Term deposit (> 3 months)		5,000	5,000
Others		212	393
	$	312,155	294,939
Non-Current			
Refundable deposit	$	2,175	2,495
Restricted cash in bank		1,025	1,016
	$	3,200	3,511

There is no loss in other financial assets – current and non-current (excluding other receivables) for the period ended December 31st, 2019 and 2018.

Other receivables and allowances for loss of the Company for the period ended December 31st, 2019 and 2018:

	2019.12.31	2018.12.31
Other receivables	$ 22,269	22,269
Less: allowances for loss	(22,269)	(22,269)
	$ -	-

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(19) for information on other credit risks.

6.9 Short term loan

	108.12.31	107.12.31
Guarantee bank loan	$ 271,000	245,500
Account receivable financing	20,149	-
	$ 291,149	245,500
Unused quota	$ 118,851	104,490
Range of interests	**1.105%~ 3.25%**	**1.098%~ 1.23%**

For the period 20190101~20190930, new addition of NT$447,929 thousands and NT$469,500 thousands. Interest rate ranges from 1.105%~3.25% and 1.098%~1.27%. Due dates are 2019 April to 2020 May and 2018 may to 2019 April. Amount due are NT$402,200 thousands and NT$382,000 thousands.

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

6.10 Lease liabilities

	2019.12.31
Current	$ 3,258
Non-current	$ 2,289

Please refer to Note 6(19) for maturity analysis.

For 2019, the Company terminated partial lease in June 2019, lease liabilities was decreased by NTD$1,021 thousands. There was no issue, repurchase or repay lease liabilities for the period.

Loss recognized as:

	2019
Interest expense from lease liabilities	$ 165
Expense of short term lease	$ 225
Expense of low-value assets (excluding short-term lease of low-value assets)	$ 105

Amount recognized in cash flow statement：

	2019
Total cash outflow of lease	$ 7,646

1. House and building

   The Company has rented house and architecture for operation purposes. The Office lease contract is normally 2 to 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.

6.11 Operating lease

Compulsory operating lease for the future:

	2018.12.31
Within 1 year	$ 8,152
1~5 years	5,403
	$ 13,555

Operating lease expense on office and transportation vehicle are NT$8,503 thousands in 2018.

6.12 Employee Benefits

1. Defined benefit

   Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

	2019.12.31	2018.12.31
Defined benefit obligation	$ 1,450	2,408
Plan assets at fair value	(7,090)	(7,942)
Net defined benefit liabilities (assets)	$ (5,640)	(5,534)

The company contributes an amount to the Bank of Taiwan in the name of the administered pension fund committee. For every employee eligible to the pension fund under Labor Standard Law. The pension benefits are disbursed based on the units of service years and the average salaries in the last 6 months of the service year.

a. Plan assets

The domestic entities of the company allocate pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earning attainable from two-year term deposits with interest rates offered by local banks.

The company's labor pension reserve account balance amounted to $7,090 thousands as of December 31st, 2019. The utilization of the labor pension fund assets of the domestic entities of the company includes the assets allocation and yield of the fund. Please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

b. Changes of liabilities (assets) of the defined benefit obligation and plan assets at fair value

	2019	2018
Defined benefit obligation January 1st	$ 2,408	4,069
Service cost and interest expense	33	66
Remeasurements of the defined benefit liabilities (assets):		
Actuarial gain/losses arising from changes in financial assumptions	(110)	(330)
Actuarial gain/losses arising from experience adjustments	92	(883)
Past service cost	(507)	(514)
Liquidation of eliminated debts	(466)	-
Defined benefit obligation December 31st	**$ 1,450**	**2,408**

c. Changes of fair value of plan assets

		2019	2018
Fair value of plan assets January 1st	$	7,942	8,114
Interest income		109	132
Paid pension		(1,216)	(539)
Remeasurements of net defined benefit liabilities (assets)			
Return on plan assets (excluding interests)		255	235
Fair value of plan asset December 31st	$	7,090	7,942

d. Movements of NABCI

Movements of NABCI for the 2019 and 2018 were both zero.

e. Amounts recognized in profit and loss

		2019	2018
Net interest on the net defined benefit liabilities (asset)	$	(76)	(66)
Past service cost		243	25
	$	167	(41)
Administrative cost	$	167	(41)

Defined benefit obligation was decreased by 507 thousands and recognized in profit and loss due to decrease number of total employees for 2019.

f. Remeasurements of net defined benefit liabilities (asset) recognized in profit and loss

		2019	2018
Accumulated balance January 1st	$	6,966	5,518
Amount for the period		273	1,448
Accumulated balance December 31st	$	7,239	6,966

g. Actuarial assumptions

	2019.12.31	2018.12.31
Discount rate	1.250%	1.375%
Future salary increases	1.000%	1.500%

The weighted average lifetime of the defined benefits plan is 21.1 years.

h. Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Impact on the defined benefit obligation	
	Increase by 0.25%	Decrease by 0.25%
2019 December 31st		
Discount rate	$ (70)	74
Future salary increases	$ 73	(70)
2018 December 31st		
Discount rate	$ (99)	108
Future salary increases	$ 108	(99)

There is no change in other assumptions when performing the aforementioned sensitivity analysis. In practice, assumptions may be interactive with each other. The method used on sensitivity analysis is consistent with the calculation on the net pension liabilities.

The method and assumption used on current sensitivity analysis is the same as those of the prior year.

2. Defined distribution plan

The company adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. The company has made monthly contributions of 6% of each individual employee’s salaries or wages to employees’ pension accounts.

The contribution made in 2019 and 2018 are NT$4,119 thousands and NT$4,213 thousands respectively.

Pension expenses for overseas subsidiary for the year ended December 31st, 2019 and 2018 were NT$147 thousands and NT$26 dollars.

6.13 Income tax

1. Details on income tax:

		2019	2018
Current income tax	$	-	-
Deferred tax expenses		-	-
	$	**-**	**-**

Tax expense (income) recognized in profit and loss:

		2019	2018
Items might be reclassified to profit and loss			
Exchange Differences on Translation of Foreign Financial Statements	**$**	**(6)**	**33**

Adjustments to the income tax expense and loss before income tax for 2019 and 2018:

		2019	2018
Loss before income tax	$	(65,253)	(60,138)
Tax effects of different tax rates applicable in foreign jurisdiction		(13,051)	(12,028)
Impact of foreign tax rate difference		(153)	(30)
Reconciliation of permanent differences		(244)	(41)
Impact of change in tax rate		-	(630)
Over or under estimation from prior period		-	(843)
Impact of deferred income tax asset not yet recognized		13,448	13,572
	$	**-**	**-**

2. Deferred income tax assets not yet recognized:

		2019.12.31	2018.12.31
Unused tax losses carryforwards	$	182,177	170,226
Deductible temporary differences		4,382	2,885
	$	**186,559**	**173,111**

According to the Income Tax Act, the operating loss as examined and assessed by the local tax authorities can be carried forward for use as a deduction from taxable income over a period of prior years. The item was not recognized as deferred income tax asset as the company is unlikely to have sufficient taxable income for deduction.

For the period ended December 31st 2019, taxable loss not yet recognized as deferred tax assets of the company and domestic subsidiaries:

Year of Loss	Loss not yet deducted	Expiry year
2011 (approved amount)	$ 57,547	2021
2012 (approved amount)	79,263	2022
2013 (approved amount)	86,170	2023
2014 (approved amount)	221,374	2024
2015 (approved amount)	119,249	2025
2016 (approved amount)	121,815	2026
2017 (approved amount)	92,739	2027
2018 (applied amount)	70,963	2028
2019 (assessed amount)	57,356	2029
	$ 906,476	

For the period ended December 31st 2019, taxable loss not yet recognized as deferred tax assets of the foreign subsidiaries:

Year of Loss	Loss not yet deducted	Expiry year
2018 (applied amount)	$ 585	2023
2019 (assessed amount)	2,942	2024
	$ 3,527	

3. Deferred income tax assets/liabilities recognized:

Deferred income tax assets

	2018.01.01	Recognized in P&L	2018.12.31	Recognized in P&L	2019.12.31
Inventory valuation loss	$ 1,924	1,430	3,354	(212)	3,142
Unrealized gross margin	1,398	(1,398)	-	431	431
Others	251	(32)	219	(219)	-
	$ 3,573	-	3,573	-	3,573

Deferred income tax liabilities:

	2018.01.01	Recognized in P&L	Recognized in Other Comprehensive income	2018.12.31	Recognized in P&L	Recognized in Other Comprehensive income	2019.12.31
Translation profit from Foreign operation and others	$ -	-	(33)	(33)	-	6	(27)

4. Assessment and approval of income tax

The income tax return through 2017 have been assessed and approved by the Taxation Authority.

6.14 Capital and other equity

For the period ending December 31st 2019 and 2018, the authorized total capital is NTD$950,000 thousands (including reserved employee options 50,000 thousands and convertible corporate bonds 10,000 thousands). Ordinary share is valued at $10 per share. Paid-up capital is 749,767 thousands.

1. Capital reserve

	2019.12.31	2018.12.31
Issue stock premium	$ 68,283	68,283
Treasury stock trading	11,534	11,534
Long term investment	2,150	2,150
	$ 81,967	**81,967**

Pursuant to the Company Act, capital reserve must cover the deficit before issue new shares or cash to shareholders in holding proportion. The paid-in capital reserve includes income derived from the issue of new shares at a premium and income from endowments received by the company. When capitalizing the capital reserve, the combined amount of any portions capitalized in any 1 year may not exceed 10% of the paid-in capital.

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.

(1) Legal reserve

When the company does not suffer from loss, the legal reserve can be distributed in the form of cash or shares after approval of the shareholder's meeting. The Company can issue new shares or cash from the legal reserve when all deficits are covered with approval from shareholders meeting.

(2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of the current period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings (which does not qualify for earnings distribution) shall be reclassified as special earnings reserve to account for the cumulative changes to other shareholder's equity pertaining to prior periods. The amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(3) Profit/Loss appropriation

There were no differences between the 2018 and 2017 Loss Appropriation Statement proposed by the Board of the Directors and the ones approved in the shareholder meeting on 2019.06.13th and 2018.06.13th. Related details can be viewed in MOPS website.

BOD has prepared Loss Appropriation Proposal for 2019 on March 19th, 2020. The proposal shall be sent to shareholder's meeting for approval. Related details will be released on the MOPS website.

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	Total
Balance on 2019.01.01	$ 133	(5,000)	(4,867)
Exchange differences on translation of financial statements of foreign affiliates	(25)	-	(25)
Balance on 2019.12.31	**$ 108**	**(5,000)**	**(4,892)**

	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	Total
Balance on 2018.01.01	$ -	-	-
Retrospective number to IFRS	-	(5,000)	(5,000)
Adjusted balance on 2018.01.01	-	(5,000)	(5,000)
Exchange differences on translation of financial statements of foreign affiliates	133	-	133
Profit/loss of unrealized financial assets at fair value through comprehensive income	-	58	58
Disposal of equity instrument at fair value through other comprehensive income	-	(58)	(58)
Balance on December 31st, 2018	**$ 133**	**(5,000)**	**(4,867)**

6.15 Earning per share

The calculation of basic earnings per share was as following:

	2019	**2018**
Basic earnings per share:		
Net income for the period	**$ (65,253)**	**(60,138)**
Weighted average number of ordinary shares outstanding during the year (in thousands)	**74,977**	**74,977**
Basic earnings per share (NT dollars)	**$ (0.87)**	**(0.80)**

6.16 Revenue from customer contracts

1. Segmentation of revenue

		2019	2018
Major regional markets			
China	$	373,004	324,124
Taiwan		182,351	188,651
Others		4,578	3,616
	$	**559,933**	**516,391**
Major products			
NB computer related ICs	$	426,940	414,648
Capacitive touch controller related ICs		127,426	98,289
Others		5,567	3,454
	$	**559,933**	**516,391**

2. Contract balance

		2019.12.31	2018.12.31	2018.1.1
Account receivables and notes (Including related parties)	$	182,870	173,010	168,257
Less: allowances for bad debts		(2,145)	(2,134)	(1,348)
Total	**$**	**180,725**	**170,876**	**166,909**

Please refer to Note 6(3) for the amount of accounts receivables and impairment loss.

3. Contract balance

		2019.12.31	2018.12.31	2018.1.1
Account receivables and notes (Including related parties)	$	182,870	173,010	168,257
Less: allowances for bad debts		(2,145)	(2,134)	(1,348)
Total	**$**	**180,725**	**170,876**	**166,909**

Please refer to Note 6(3) for the amount of accounts receivables and impairment loss.

6.17 Remuneration to employee, directors and supervisors

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 and supervisors shall be no more than 3% of distributable profit of the current year. However, the Company shall firstly compensate the accumulated loss. Receivers of the above said remuneration must meet certain criteria set the company.
The Company was at loss for the year 2018 and 2017, so there was no remuneration allocated to the employees, Directors and Supervisors. Please refer to the MOPS for details.

6.18 Non-operating income and expenses

The details of other gains and losses were as follows:

		2019	2018
Foreign exchange gains (losses)	$	(9,688)	19,102
Gain/Loss on financial assets at fair value through profit and loss		-	(1,930)
Disposal of property, plant and equipment (net)		-	(13)
Miscellaneous income and expenses		(100)	(158)
	$	**(9,788)**	**17,001**

6.19 Financial instruments

1. Credit risk

(1) Concentration of credit risk

The customer base of the company is concentrated in NB industry. The credit risk is relatively high as 5 customers are taking up 87% and 84% of the balance of account receivables (including related parties) at the period ending December 31st, 2019 and 2018. 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.

Credit Rating	2019.12.31 Evaluation after amortized cost: 12 months expected loss	Impairment provision during the period－not impaired	Impairment provision during the period－impaired
BBB-AAA	$ 315,355	-	-
D	-	-	22,269
Total carrying amount	315,355	-	22,269
Allowance for loss	-	-	(22,269)
Cost after amortization	**$ 315,355**	**-**	**-**
Carrying amount	**$ 315,355**	**-**	**-**

Credit Rating	2018.12.31 Evaluation after amortized cost: 12 months expected loss	Impairment provision during the period－not impaired	Impairment provision during the period－impaired
BBB-AAA	$ 298,450	-	-
D	-	-	22,269
Total carrying amount	298,450	-	22,269
Allowance for loss	-	-	(22,269)
Cost after amortization	**$ 298,450**	**-**	**-**
Carrying amount	**$ 298,450**	**-**	**-**

There is no impairment provision or reversal after amortized cost of financial assets for the period ending December 31st, 2019 and 2018.

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:

2019.12.31		Contractual cash flow	Within 6 months	6 to 12 months	Over 1 year
Non-derivative financial liabilities					
Bank Loan	$	(292,098)	(292,098)	-	-
Lease liabilities (current and non-current)		(5,644)	(1,657)	(1,657)	(2,330)
	$	(297,742)	(293,755)	(1,657)	(2,330)

2018.12.31		Contractual cash flow	Within 6 months	6 to 12 months	Over 1 year
Non-derivative financial liabilities					
Bank Loan	$	(245,891)	(245,891)	-	-

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

3. Foreign exchange risks

(1) Foreign exchange risks

Financial assets and liabilities exposed to foreign exchange risks are:

Unit: Thousands in foreign currency

		2019.12.31			2018.12.31		
		Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial asset							
USD	$	17,954	30.09	540,230	22,744	30.8	700,502
RMB		398	4.302	1,711	685	4.466	3,057
Financial liabilities							
USD		1,717	30.09	51,668	2,246	30.8	69,172

(2) Sensitivity analysis

The majority of foreign exchange risk is from cash and cash equivalent, net account receivables (including related parties), other financial assets (current and non-current), account payables and other current liabilities that are in foreign currency, and result to foreign exchange gain/loss during translation. If the exchange rate of NTD to USD/RMB depreciate or appreciate by 5% with other factors remain constant, the net loss after tax shall decrease or increase by 19,611 thousands and 25,381 thousands for the period ending December 31st, 2019 and 2018.

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

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

	2019			2018	
	FX gain/loss		Ave. FX rate	FX gain/loss	Ave. FX rate
USD	$	(9,667)	30.909	19,161	30.15
RMD		(21)	4.475	(59)	4.559

(4) Interest risks

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

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 decrease or increase 0.25%, with other factors remain constant, the net loss shall be decreased or increased NTD10 thousands or NTD203 thousands respectively for the period ending December 31st, 2019 and 2018. This is due to the cash and cash equivalent, short term loan and other current financial assets.

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:

	2019.12.31				
		Fair Value			
	Carry Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalent	$ 97,750	-	-	-	-
Net account receivables (including related parties)	180,725	-	-	-	-
Other financial assets (current and non-current)	315,355	-	-	-	-
Sub-total	**$ 593,830**	**-**	**-**	**-**	**-**
Financial liabilities measured at amortized cost					
Short term loan	$ 291,149	-	-	-	-
Account payable (including related parties)	47,118	-	-	-	-
Lease liabilities (current and non-current)	5,547	-	-	-	-
Sub-total	**$ 343,814**	**-**	**-**	**-**	**-**

	2018.12.31				
		Fair Value			
	Carry Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalent	$ 333,262	-	-	-	-
Net account receivables (including related parties)	170,876	-	-	-	-
Other financial assets (current and non-current)	298,450	-	-	-	-
Sub-total	**$ 802,588**	**-**	**-**	**-**	**-**
Financial liabilities measured at amortized cost					
Short term loan	**$ 245,500**	**-**	**-**	**-**	**-**
Account payable (including related parties)	**116,054**	**-**	**-**	**-**	**-**
Sub-total	**$ 361,554**	**-**	**-**	**-**	**-**

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

Whenever there is quoted price available in active market for financial instrument, the quoted price in active market shall be deemed as the fair value.

Financial assets with active market quotation is defined as the ones with accessible and timely public quotations from trade centers, agents, distributors, industrial unions and authorities where the quotes are frequently occurs and traded. On the contrary, it is regarded as inactive market. In general, big gap between the selling and buying prices, increasing gap between the selling and buying prices or limited trading are indicators of inactive market.

The Company possess financial assets from the active market and the fair value was decided by the market quotes.

Other than the above said financial instrument from the active market, the fair values of other financial instruments were obtained by evaluation technique or trading reference from other parties.

If a financial instrument is regarded as inactive market, in liquidation process without public quotes, its fair value shall be its net asset value (expected retrievable funds).

(3) There was no transfer of fair value level for 2019 and 2018.

(4) Quantified information on significant unobservable inputs (level 3) used in fair value measurement

The Company financial instruments that use level 3 inputs to measure fair value include financial assets at FVOCI-equity investments.

Most of the financial instruments classified as level 3 only has one significant unobservable input. The significant unobservable inputs of the equity investment without an active market are independent. Thus, there is no correlation between them.

Quantified information of significant unobservable inputs was:

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

6.20 Financial risk management

1. Overview

The company is exposed to the following risks for using financial instruments:

a. credit risk

b. liquidity risk

c. market risk

2. Risk management structure

The Board of Directors (the Board) is responsible for the risk management. The management is responsible for develop and control the risk management policy. The chairman of the board shall report to the Board for the progress of the risk management. Internal auditor shall assist the chairman. Periodical reviews and extra risk management procedures shall be performed and reported to the Board.

3. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial losses to the company namely cash and cash equivalent, financial assets at fair value through profit and loss-current, other financial assets-current and non-current and account receivables. As of December 31st, 2019 and 2018, the company has not provide any endorsement or guarantee.

4. Liquidity risk management

The objective of liquidity risk management is to ensure the company has sufficient liquidity to fund its business operations, repay debts by cash or other financial assets.

Financial department is responsible for liquidity risk management. As of December 31st, 2019, the company has sufficient operation fund and unused bank loan of 118,851 thousands and thus the company is not exposed to liquidity risk.

5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(1) Currency risk

The company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the company's entities, the NTD as well as RMB. The currencies used in these transactions are denominated in TWD, USD and RMB.

(2) Interest risk

Please refer to Note 6(19) for details.

6.21 Capital management

Through clear understanding and managing of significant changes in external environment, related industry characteristics, and growth plan, the company manages its capital structure to ensure it has sufficient financial resources to sustain proper liquidity, to invest in capital expenditures and research and development expenses, to distribute dividends in accordance to its plan. The management aims to enhance the returns of its shareholders through achieving an optimized debt-to-equity ratio from time to time.

Debt-to equity ratio on the reporting date:

	2019.12.31	**2018.12.31**
Total liabilities	**$ 365,118**	**387,329**
Total equity	**$ 501,590**	**566,595**
Debt-to-equity ratio	**72.79%**	**68.36%**

6.22 Financing activities not affecting current cash flow

The financing activities not affecting current cash flow for 2019 and 2018 were:

1. Please refer to Note 6(5) for recognized related liabilities on property, 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:

		Short term loan	Lease liabilities
Balancing at January 1st 2019	$	245,500	13,207
Changes in cash flow from financing activities			
New loan		447,929	-
Loan repayment		(402,200)	-
Payment on lease liabilities		-	(7,151)
Sub-total cash flow from financing activities		45,729	(7,151)
Other changes in liabilities related items			
Interest expense		-	165
Interest paid		-	(165)
Acquisition of right-of-use asset		-	522
Disposal of right-of-use asset		-	(1,021)
Effects on foreign exchanges		(80)	(10)
Sub-total other changes in liabilities related items	$	(80)	(509)
Balance at December 31st, 2019	**$**	**291,149**	**5,547**
Balance at January 1st 2018	$	158,000	-
Changes in cash flow from financing activities			
New loan		469,500	-
Loan repayment		(382,000)	-
Sub-total cash flow from financing activities		87,500	-
Other changes in liabilities related items			
Effects on foreign exchanges		-	-
Sub-total other changes in liabilities related items		-	-
Balance at December 31st, 2018	**$**	**245,500**	**-**

7. Related-Party Transactions

(1) Names and relationship

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

Names	Relationship
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:

	Sales	
	2019	2018
Key personnel of the Company	$ 53,535	41,074

	Related parties account receivables	
	2019	2018
Key personnel of the Company	$ 14,584	5,388
Less: Allowances for loss	-	(3)
	$ 14,584	5,385

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:

	Purchase and OEM	
	2019	**2018**
Key personnel of the Company -Siguard	**$ 29,715**	**28,339**

	Related parties account payables	
	2019	**2018**
Key personnel of the Company -Siguard	**$ 5,624**	**9,958**

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

3. Lease transactions

Machine lease from the related parties:

	Trading amount	
	2019	**2018**
Key personnel of the Company	**$ 780**	**583**

	Related parties account payables	
	2019	**2018**
Key personnel of the Company	**$ -**	**-**

4. Other transactions

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

	Trading amount	
	2019	**2018**
Key personnel of the Company	**$ -**	**1,090**

	Related parties account payables	
	2019	**2018**
Key personnel of the Company	**$ -**	**259**

(3) Transactions with key personnel

Compensation of the key personnel were:

	2019	**2018**
Short tern employee benefits	$ 21,311	20,971
Post-employment benefits	1,396	630
	$ 22,707	**21,601**

8. Pledged Assets

1.

Assets	Purpose	2019.12.31	2018.12.31
Term deposit (other financial assets- non-current)	Purchase and Guarantee deposits of customs duty – non-current)	$ 1,025	1,016
Term deposit (other financial assets- current)	Guarantee for short term loan	306,943	289,546
Account receivables	Guarantee for short term loan	25,186	-
		$ 333,154	290,562

9. Significant Commitments and Contingencies

Other than items described in Note 6(11) and Note 7, the significant commitments of the Company for the 9 months period ending September 30th 2019 and 2018 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) Unused L/C:

	2019	2018
Unused L/C	$ 3,159	3,234

(3) 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:

	2019	2018
Guarantee Notes	$ 460,080	390,790

10. Losses due to major disasters: None

11. Significant subsequent events: None

12. Others

f. Employee benefits, depreciation and amortization expenses by functions:

By Function / Classification	2019 Operating costs	2019 Operating expenses	2019 Total	2018 Operating costs	2018 Operating expenses	2018 Total
Employee benefits						
Salaries	-	86,802	86,802	-	94,235	94,235
Labor and health insurance	-	6,341	6,341	-	6,505	6,505
Pension	-	4,433	4,433	-	4,306	4,306
Others	-	2,206	2,206	-	2,271	2,271
Depreciations	-	13,504	13,504	-	9,236	9,236
Amortizations	-	112	112	-	676	676

13. Other disclosures

(1) Information on significant transactions

Information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

1. Loans to other parties: none
2. Guarantees and endorsements for other parties: none
3. Securities held as of September 30th 2019 (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 Shares	Ending Balance Book Value	Ending Balance Ownership %	Ending Balance Fair Value	Maximum holding in mid term	Note
The Company	Shares of Touchsens Ltd	-	Financial assets measured at fair value through other comprehensive profit and loss – non-current	250	-	7.59 %	Note	7.59 %	

Note1: the shares are not traded in open market. The evaluation was made by Net Asset Valuation Method. Please refer to note 6(19) 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 ending 20191231 (excluding investees in China)

Investor Company	Investee Company	Location	Business scope and products	Original Investment amount		Balance at the end of the period			Net income (loss) of investee	Share of P/L of investee	Note	Investor Company
				Beginning of the period	End of Last year	Shares	Ownership %	Book value				
The Company	Janus Power	New Taipei City	Electronic components	105,542	105,542	700	100.00%	2,655	100.00%	(2)	(2)	Subsidiary of the Company

(3) Investment in China

1. Information on investment in Mainland China：

Unit: NTD$ thousands

Investee	Business Scope	Capital Surplus	Method	Accumulated outflow from TW at beginning of the period	Investment Flow		Accumulated outflow from TW at end of the period	Net Income/loss	Ownership %	Gain/loss (Note4)	Book Value	Accumulated remittance of Earnings
					Outflow	Inflow						
ENE Touch Technology Inc	Distribution of electronic parts	4,484 (USD150)	(Note1)	4,484 (USD150)	-	-	4,484 (USD150)	(3,050)	100.00%	(3,050)	961	-

2. Limitation on investment in Mainland China：

Accumulated Investment in Mainland China at end of the period (Note2)	Investment amount Authorized by MOEA (Note2)	Maximum limit on Investment (Note3)
4,484 (USD150 Thousands)	4,514 (USD150 Thousands)	300,954

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 the section of Related Information on Significant Transactions for significant transactions between the Company and the investees in China for the period ending 20191231.

14. Operating Segments Information

(1) General information and industry 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.

(2) Product category and labor category

Revenue from external customers:

	2019	2018
NB related ICs	$ 426,940	414,648
Capacitive sensor related ICs	127,426	98,289
Others	5,567	3,454
	$ 559,933	**516,391**

(3) Geographic information

Revenue is classified in according to where customers reside. Non-current assets are classified in according to the location of the assets.

1. Revenue from external customers:

Location	2019	2018
China	$ 373,004	324,124
Taiwan	182,351	188,651
Other countries	4,578	3,616
	$ 559,933	**516,391**

2. Non-current assets:

Location	2019	2018
Taiwan	$ 14,019	12,092
China	286	-
	$ 14,305	**12,092**

Note: Non-current assets include property, plant, equipment, right-of-use assets and intangible assets.

(4) Major customers

		2019	2018
Compal Electronics and subsidiaries	$	211,207	213,250
Wistron Corporation and subsidiaries		55,902	52,107
	$	**267,109**	**265,357**

Stock Code：6243

ENE TECHNOLOGY INC

FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

December 31st, 2019 AND 2018

This document is a translated version from the Chinese version for the convenience of reader and for information purpose only. Any discrepancy between the English and Chinese version, the Chinese version shall prevail.

ADDRESS：4F, No.21, LIXING RD. HSINCHU SCIENCE PARK
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Independent Auditors' Report

The Board of Directors and Shareholders
ENE TECHNOLOGY INC

Opinion

We have audited the accompanying parent company only financial statements of ENE TECHNOLOGY INC (the "Company"), which comprise the parent company only balance sheets as of December 31, 2019 and 2018, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2019 and 2018, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing stands generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2019 are stated as follows:

1. Inventory valuation

Please refer to Note 4(7) and Note 5 for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainty of the valuation of inventory, respectively. Information of estimation of the valuation of inventory are disclosed in Note 6(4) of the financial statements.

Description of key audit matters

The inventory is measured at the lower of cost or net realized value. The Customers of ENE mainly are from personal computer systems or consumer electronic products. Due to the rapid change of technologies, fierce competition and shortening of product life cycle, the ASP and the demand of the related products may decline. Therefore, valuation of inventory is one of the key audit matters.

Our key audit procedures performed in respect of the mentioned item included the following:

In order to verify the rationality of assessment of inventory valuation, our key audit procedures included inspecting the inventory aging reports, sample testing on the accuracy of last effective inventory change orders and net realizable value, evaluating the policy on inventory valuation and obsolescence loss as well as the reasonableness of allowances on inventory valuation and obsolescence loss. For those with longer inventory days (more than 1 year), we also reviewed follow up sales to verify the appropriateness of inventory valuation as well as to assess whether the disclosure on inventory valuation was appropriate.

2. Allowances for Bad Debts

Please refer to Note 4(6) for the accounting policy regarding allowances for bad debts. Information on allowances for bad debts and uncertainty of hypothesis are shown in Note 5. Please refer to Note 6(3) for explanatory on allowances for bad debts including notes receivables and account receivables of related parties.

Description of key audit matters

Account receivables are of material items to ENE. The Management adopts simplified method of IFRS 9 to evaluate the allowances by estimating the credit loss during the account receivable duration. Expected credit loss from the duration shall take into account of customer financial status, historical records, aging report, industrial and economic outlook to conduct forward-looking adjustment to reflect the estimated credit loss. Therefore, Allowances for bad debts has been identified as a key audit matter since it implies material judgement from the management.

Our Key audit procedures performed in respect of the above mentioned item included the following:

To verify the accuracy of the account receivable aging report and evaluate the rationality of the forward-looking adjustment and to recalculate the allowance for bad debts proposed by the management. Moreover, to review the collection result of overdue account receivable at the end of the period, to evaluate the sufficiency of the allowances for bad debt, and the appropriateness of the management disclosure on allowances for bad debts.

Responsibilities of Management and Those Charges with Governance for the Parent Company Only Financial Statements

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all

relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditor's report are Mei-Yu Tseng and Chien-Hui Lu.

KPMG

Hsinchu, Taiwan
March 19th, 2019

ENE TECHNOLOGY INC

Balance Sheet

2019 and 2018 December 31st

Unit: NTD Thousands

	Assets		**2019.12.31**		**2018.12.31**	
			Amount	**%**	**Amount**	**%**
	Current Assets：					
1100	Cash and cash equivalents (N6(1))	$	96,906	11	328,951	34
1170	Notes and accounts receivable, net (N6(3) & 8)		165,691	19	165,491	17
1180	Receivables from related parties (N6(3),7 &8)		14,584	2	5,385	1
130X	Inventories (N6(4))		229,079	27	113,836	12
1470	Prepaid expenses and other current assets		17,557	2	13,659	1
1476	Other financial assets (N6(8) & 8)		312,521	36	295,309	31
			836,338	97	922,631	96
	Noncurrent assets：					
1550	Investments accounted for using equity method (N6(5))		3,616	-	6,699	1
1600	Property, plant and equipment (N6(6))		8,854	1	11,980	1
1755	Right-of-use assets (N6(7))		5,165	1	-	-
1780	Intangible assets (N6(8))		-	-	112	-
1840	Deferred income tax assets (N6(14))		3,573	-	3,573	1
1975	Defined benefit obligation, noncurrent (N6(13))		5,640	1	5,534	1
1980	Other financial assets, noncurrent (N6(9) & 8)		3,054	-	3,360	-
			29,902	3	31,258	4
	Total assets	**$**	**866,240**	**100**	**953,889**	**100**

	Liabilities and Equity		**2019.12.31**		**108.12.31**	
			Amount	**%**	**Amount**	**%**
	Current liabilities：					
2100	Short term Loan (N6(3) (10) & 8)	$	291,149	33	245,500	26
2170	Account payables		41,494	5	105,837	11
2180	Payables to related parties (N7)		5,624	1	10,217	1
2201	Salary and bonus payables		8,472	1	12,473	1
2280	Lease liabilities-current (N6(11))		2,966	-	-	-
2300	Other current liabilities (N6(6))		12,629	2	13,234	1
			362,334	42	387,261	40
	Noncurrent liabilities：					
2570	Deferred income tax liabilities (N6(14))		27	-	33	-
2580	Lease liabilities-noncurrent (N6(11))		2,289	-	-	-
			2,316	-	33	-
	Total Liabilities		364,650	42	387,294	40
	Equity (N6(15))：					
3110	Common stock		749,767	87	749,767	79
3200	Capital surplus		81,967	9	81,967	9
3350	Accumulated deficit		(325,252)	(37)	(260,272)	(27)
3400	Total other equity interest		(4,892)	(1)	(4,867)	(1)
	Total Equity		501,590	58	566,595	60
	Liabilities and Equity	**$**	**866,240**	**100**	**953,889**	**100**

ENE TECHNOLOGY INC

Income Statement

2019 and 2018 January 1st to December 31st

Unit: NTD Thousands

		2019		2018	
		Amount	**%**	**Amount**	**%**
4110	**Revenue**	$ 559,923	100	$ 516,391	100
5000	**Cost of Revenue**	438,581	78	396,523	77
	Gross profit	121,342	22	119,868	23
	Operating expenses：				
6100	Marketing	57,945	10	63,926	12
6200	General and administrative	62,118	11	68,181	13
6300	Research and development	59,883	11	69,837	14
6450	Expected credit loss	11	-	11	-
	Total operating expenses	179,957	32	201,944	39
	Income from operations	(58,615)	(10)	(82,076)	(16)
	Non-operating income and expenses：				
7020	Other gains and losses	(9,784)	(2)	8,039	2
7060	Share of loss of associates accounted for using equity methods	(3,052)	(1)	17,019	3
7100	Interest income	9,320	2	(608)	-
7510	Interest expense	(3,122)	(1)	(2,512)	-
		(6,638)	(2)	21,938	5
	Net Loss before income tax	(65,253)	(12)	(60,138)	(11)
	Income tax expenses	-	-	-	-
	Net Loss	(65,253)	(12)	(60,138)	(11)
8300	**Other comprehensive income (loss)：**				
8310	**Items that will not be reclassified to profit or loss：**				
8311	Gain/loss of remeasurement of defined benefit plan	273	-	1,448	-
8316	Unrealized gain/loss from investments in equity instruments measured at fair value through other comprehensive income			58	-
	Total Items that will not be reclassified to profit or	273	-	1,506	-

	loss：				
8360	**Items that may be reclassified to profit or loss：**				
8361	Exchange differences on translation	(31)	-	166	-
8399	Income tax related to items of other income that will be reclassified to profit or loss	6	-	(33)	-
	Total items that may be reclassified to profit or loss	(25)	-	133	-
8300	**Other comprehensive income (Net after tax)**	248	-	1,639	-
	Total comprehensive income (Net after tax)	**$ (65,005)**	**(12)**	**(58,499)**	**(11)**
	Earnings per share				
	Basic earnings per share	**$ (0.87)**		**$ (0.80)**	

ENE TECHNOLOGY INC and Subsidiaries
Statements of Changes in Equity
January 1st to December 31st , 2019 and 2018

Unit: NTD$ Thousands

	Ordinary Share Capital	Capital Surplus	Accumulated Loss	Other Equity Items: Cumulative translation differences of foreign operation	Other Equity Items: Unrealized P&L From financial assets measured at fair value through comprehensive P&L	Other Equity Items: Total	Total Equity
Balance as of 20180101	$ 749,767	81,967	(206,640)	-	-	-	625,094
Adjustments of retrospective approach	-	-	5,000	-	(5,000)	(5,000)	-
Balance at 20180101 after adjustment	749,767	81,967	(201,640)	-	(5,000)	(5,000)	625,094
Net loss of the period	-	-	(60,138)	-	-	-	(60,138)
Other comprehensive income of the period	-	-	1,448	133	58	191	1,639
Total comprehensive income	-	-	(58,690)	133	58	191	(58,499)
Disposal of investment in equity instruments designated at fair value through other comprehensive income	-	-	58	-	(58)	(58)	-
Balance as of 20181231	**$ 749,767**	**81,967**	**(260,272)**	**133**	**(5,000)**	**(4,867)**	**566,595**
Net loss of the period	$ -	-	(65,253)	-	-	-	(65,253)
Other comprehensive income of the period	-	-	273	(25)	-	(25)	248
Total comprehensive income	-	-	(64,980)	(25)	-	(25)	(65,005)
Balance as of 20191231	**$ 749,767**	**81,967**	**(325,252)**	**108**	**(5,000)**	**(4,892)**	**501,590**

ENE TECHNOLOGY INC
Statement of Cash Flows
2019 and 2018 January 1st to December 31st

Unit: NTD Thousands

		2019	2018
Cash Flow from operation activities			
Profit/Loss before income tax	$	(65,253)	(60,138)
Adjustment items:			
Adjustment to reconcile profit/loss			
Depreciation expenses		12,791	9,236
Amortization expenses		112	676
Expected credit loss/gain/provision/reversal of provision for bad debt expense		11	786
Allowance for inventory valuation and obsolescence losses		8,487	5,455
Decrease/increase in financial assets at fair value through profit/loss		-	1,930
Interest expense		3,122	2,512
Interest income		(9,320)	(8,039)
Share of loss of associates accounted for using equity method		3,052	608
Loss on disposal of property, plant and equipment		-	13
Other adjustments to reconcile profit/loss		87	(41)
Total adjustments to reconcile profit/loss		18,342	13,136
Changes in operating assets and liabilities:			
Decrease (increase) in financial assets at fair value through profit or loss, mandatorily measured at fair value		-	4,858
Decrease (increase) in account receivables		(214)	(2,191)
Decrease (increase) in account receivable due from related parties		(9,196)	(2,562)
Other account receivable- increase from related parties		-	(370)
Decrease (increase) of inventory		(123,730)	1,412
Decrease (increase) of other operating assets		(3,898)	(815)
Total changes in operating assets		(137,038)	332
Increase (decrease) account payable		(64,343)	48,325
Increase (decrease) account payable to related parties		(4,593)	3,294
Increase (decrease) in other operating liabilities		(3,338)	(5,423)
Total changes in operating liabilities		(72,274)	46,196
Total changes in operating assets and liabilities		(209,312)	46,528
Cash inflow (outflow) generated from operations		(256,223)	(474)
Interest received		9,501	7,814
Interest paid		(3,090)	(2,504)
Net cash flows from (used in) operating activities		(249,812)	4,836

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ENE TECHNOLOGY INC

Statement of Cash Flows (Continued)

2019 and 2018 January 1st to December 31st

Unit: NTD Thousands

		2019	2018
Cash flows from operating activities：			
Disposal of financial assets at fair value through other comprehensive income	$	-	284
Acquisition of investment by equity method		-	(4,484)
Acquisition of property, plant and equipment		(4,428)	(5,593)
Disposal of property, plant and equipment		-	83
Decrease in refundable deposits		315	1,518
Increase in other financial assets-current		(17,397)	(111,259)
Decrease in other financial assets-noncurrent		(9)	(8)
Net Cash flows from investment activities		(21,519)	(119,459)
Cash flows from financing activities：			
Increase in short-term loan		447,929	469,500
Decrease in short-term loan		(402,200)	(382,000)
Repayment of lease		(6,443)	-
Net cash flows from financing activities		39,286	87,500
Cash and cash equivalents at beginning of period		(232,045)	(27,123)
Cash and cash equivalents at end of period		328,951	356,074
Cash and cash equivalents reported in the statement of financial position	**$**	**96,906**	**328,951**

ENE TECHNOLOGY INC
Notes to Parent Only Financial Statements
For 2019 & 2018
(All amounts are expressed in Thousands of New Taiwan Dollars, Except otherwise indicated)

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 March 19th, 2020.

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

3.1 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 2019 adopted by the Company are as follows:

New Standards／Amendments／Principles and Interpretations	Effective date by International Accounting Standards Board
IFRS 16, 'Lease'	January 1st, 2019
IFRIC, 'Uncertainty over income tax treatment'	January 1st, 2019
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1st, 2019
Amendments to IFRS 19, 'Plan amendment, curtailment or settlement'	January 1st, 2019
Amendments to IFRS 28, 'Long-term interests in associates and joint ventures'	January 1st, 2019
Annual Improvements to IFRSs 2015-2017 cycle	January 1st, 2019

Except for the following items, the Company believes that the adoption of the above listed IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of significant changes are:

3.1.1 IFRS 16 "Lease"

IFRS 16 replaces the existing leases guidance, including IAS17 Leases, IFRIC4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company adopts IFRS 16 using the modified retrospective approach, and has not impact on the retained earnings dated 2019/01/01. The detail changes of the related accounting policies are as following:

1. Definition of a lease

   Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(10).

   When transiting to IFRS 16, the Company chose to apply the practical expedient to evaluate the assessment of which transactions are leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts committed or changed on or after January 1st, 2019.

2. As a lessee

Previously as a lessee, the Company classified leases as operating or finance leases based on the assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying assets to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases- i.e. these leases are on balance sheet.

The Company decided to apply recognition exemptions to short-term leases and low-value leases of transportation vehicles and other equipment.

Leases classified as operating leases under IAS 17.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1st, 2019. Right-of-use assets are measured at either:

a. The carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application. The Company applied this method on the major real estate leases; or
b. Amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Company applied this method on all leases other than the ones prescribed before.

In addition, the Company used the following practical expedients when applying IFRS 16 to leases:

a. Applied a single discounted rate to a portfolio of leases with similar characteristics.
b. Adjusted the right-of-use assets by the amount of IAS 37 contract provision immediately before the date of initial application, as an alternative to an impairment review.
c. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term
d. Excluded initial direct costs from measuring the right-of-use asset at the date of initial application
e. Used hindsight when determining the lease term if the contract contains options to extend to terminate the lease

3. Impacts on financial statements

On transition to IFRS 16, the Company recognized additional $12,197 thousands of right-of-use assets and lease liabilities. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1st, 2019. The weighted-average rate applied is 1.76%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

		108.1.1
Operating lease commitment at 2018.12.31 as disclosed in the Company's parent only financial statements	$	13,233
Recognition exemption for:		
Short term leases		(364)
	$	**12,869**
Discounted using the incremental borrowing rate at 2019.01.01	**$**	**12,197**
Lease liabilities recognized at 2019.01.01	**$**	**12,197**

3.1.2 IFRIC 23 "Uncertainty over Income Tax Treatments"

In assessing whether and how and uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probably that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the Company estimated the application of the new amendments will not have any material impact.

3.2 The impact of IFRSs issued by IASB and endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB and endorsed by the FSC on July 29th, 2019:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 3 “Definition of a Business:	2020.Jan.01
Amendments to IFRS 9, IAS 39 & IFRS 7, “Interest Rate Benchmark Reform”	2020.Jan.01
Amendments to IAS 1 and IAS 8 “Definition of Material”	2020.Jan.01

The above standards and interpretations shall not have any material impact on financial position and results of operations of the Company.

3.3 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	Effective Date Issued by IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture”	Effective date TBD by IASB
IFRS 17 “Insurance Contracts”	2021.Jan.01
Amendments to IAS 1 “To classify debt as current or non-current”	2020.Jan.01

The Company is in the process of assessing the impact on financial position and results of operations of the above standards and interpretations. The Company will disclose the related results when the assessment is finalized.

4. Summary of Significant Accounting Policies

The principle accounting policies applied in the preparation of the parent only financial statements are outlined below. These policies have been applied consistently to all the periods presented, unless otherwise stated.

4.1 Statement of Compliances

The parent only financial statements are prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

4.2 Basis of Preparation

1. Basis of measurement

   Except for the following items, the parent only financial statements have been prepared under the historical cost convention:

d. Financial assets at fair value through profit or loss.
e. Financial assets at fair value through other comprehensive income measured at fair value
f. The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined obligation (Note 4(14))

2. Functional and presentation currency

The functional currency of the company is determined based on the primary economic environment in which the entity operates. The Company's consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousands.

4.3 Foreign Currency

A. Foreign exchange

Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Nonmonetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss, unless it is an equity instrument designated to be recognized in other comprehensive profit and loss through fair value measurement.

B. Translation of financial statements in foreign currencies

The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date. The income and expenses are translated at an average rate for the period in the NTD. The exchange differences arising on the translation are recognized in other comprehensive income.

On the disposal of foreign operations that result in a loss of control, loss of significant influence or joint control, the cumulative amount of the exchange differences shall be reclassified as profit and loss. On the partial disposal of foreign operations, the cumulative amount of exchange differences are reclassified into non-controlling equity.

On the partial disposal of foreign operations that result in a loss of control, loss of significant influence or joint control but retain partial equity is considering as disposal. In partial disposal of an associate or jointly controlled entity that includes a foreign operation, the cumulative amount of the exchange differences shall be reclassified and recognized in proportion into profit and loss.

The foreign exchange profit or loss shall be regarded as net investments to the foreign operation and be recognized in the other comprehensive profit and loss under the circumstances where there is no settlement plan and impossible to pay off in the foreseeable future of the receivables/payables in foreign operation.

4.4 Standards for Assets and Debts Classified as Current and Non-Current

An asset is classified as current when:

A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
B. The Company holds the asset primarily for the purpose of trading.
C. The Company expects to realize the asset within twelve months after the reporting period.
D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

A. The Company expects to settle the liability in its normal operating cycle.
B. The Company holds the liability primarily for the purpose of trading.
C. The liability is due to be settled within twelve months after the reporting period.
D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

4.5 Cash and Cash Equivalent

Cash and cash equivalents comprises cash on hand, demand deposits and 3-months term deposits. Cash equivalent includes highly liquid term deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Term deposits that fit the descriptions and its purpose is not for investment but to fulfill the short term cash commitment shall be classified as cash equivalent.

4.6 Financial Instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income-equity investment; or fair value through profit or loss. Financial assets are not reclassified subsequent to their initial recognition unless the company changes it business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

●It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

●Its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity instruments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the company's right to receive payment is established.

(3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividends income, are recognized in profit or loss.

(4) Impairment of financial assets

The company's recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, account receivables including related parties and other financial assets, current and non-current.)

For financial assets listed below, a loss allowance is recognized at an amount equal to expected credit loss resulting from possible default events of a financial instrument within 12 months after the reporting date. For the rest, a loss allowance is recognized at an amount equal to expected credit loss resulting from all possible default events over the expected life of a financial instrument:

・low credit risk of debt securities at the reporting date; and

・when the credit risk on the debt securities and the credit risk of bank deposits has not increased significantly since initial recognition.

The company measures loss allowance at an amount equal to lifetime ECL for account receivables and contractual assets.

(5) Derecognizition of financial assets

The company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

B. Financial liabilities and equity instruments

(1) Classification of debt or equity

Debt and equity instruments issued by the company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

(4) Derecognizition of financial liabilities

The company derecognizes financial liabilities when the company’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(5) Offsetting financial assets and financial liabilities

The company has financial instruments transactions applicable to current law and regulations which required for offsetting. Financial assets and liabilities relating to those transactions are recognized in the net amount of the balance sheets.

C. Derivative financial instruments

The company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

4.7 Inventory

Inventories are valued at lower of cost and net realizable value item by item. Inventory costs include costs incurred in bringing each inventory to its present location and condition, manufacturing costs and other related costs. Costs are calculated by weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

4.8 Investment in subsidiaries

When preparing the parent only financial statements, investment in subsidiaries which are controlled by the company is accounted for using the equity method. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The company also recognized its share in the changes in the equity of subsidiaries. In subsidiaries which are controlled by the company is accounted for preparing the consolidated statement by each period.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

4.9 Property, Plants and Equipment

A. Recognition and measurement

Property, plants and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts as individual items with specific useful lives and depreciation, respectively.

Profit or loss from disposal of property, plants and equipment shall be recognized in profit and loss.

B. Follow-up Costs

Subsequent expenditures will only be capitalized when their future economic benefits are likely to realize.

C. Depreciation

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

1. research & development equipment: 2~5 years
2. lease improvement: 5~10 years

3. Office and miscellaneous equipment: 2~10 years

The residual values, useful lives and methods of depreciation are reviewed at each financial year end and make adjustments whenever is needed.

4.10 Lease (Applicable from 2019.01.01)

A. Identification of lease

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company assesses whether:

(1) The contract involves the use of an identified asset- this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

(2) The company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(3) The company has the right to the direct use of its asset if either:

・it has the decision-making rights that are most relevant to changing how, and for what purpose, the asset is used.

・in rare cases, where the decision on how, an for what purpose, the asset is used predetermined.

— The company has the right to operate its asset, wherein the providers do not have the right to change; or

— The company designed the asset in a way that predetermines how, and for what purpose, it will be used.

An inception or on reassessment of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

B. As a leasee

The company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-lin method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, an adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

Lease payment included in the measurement of the lease liability comprise the following:

(1) fixed payments, including in-substance fixed payments;
(2) variable lease payments that depend on an index or a rate, initially measured using the index rate as at the commencement date;
(3) amounts expected to be payable under a residual value guarantee; and
(4) payments or penalties for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is measured when:

(1) there is a change in future lease payments arising from the change in an index or rate; or
(2) there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee; or
(3) there is change in the company's evaluation of purchase options; or
(4) there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
(5) there is any lease modifications to the assets, scope and other terms of the lease.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The company presents right-of-use asset that do not meet the definition of investment and lease liabilities as a separate line item respectively in the balance sheets.

The company has elected not to recognize right-of-use assets and lease liabilities for transportation equipment, other short term leases and leases of low-value assets. The company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Applicable before January 1st, 2019

The lease assets were not recognized in the balance sheets of the company. Lease payments (excluding insurance and maintenance) are recognized as expenses on a straight-line basis over the lease term.

4.11 Intangible Assets

A. Recognition and measurement

R&D related expenses are carried in profit/loss at the time of incidents.

R&D expenses can only be capitalized when: the feasibility of product or process can be measured or commercialized, future economic benefits are foreseeable and the company demonstrates attempts and invests sufficient resources to complete the project. All other R&D shall be recognized in profit/loss. After initial recognition, the capitalized R&D expenses shall be measured by the amount of its cost less accumulated amortization and accumulated impairment.

Other intangible assets shall be measured by the amount of its cost less accumulated amortization and accumulated impairment.

B. Subsequent expenses

Subsequent expenses can only be capitalized when future economic benefits of specific assets can be increased. All other expenses shall be recognized in profit/loss at the time of incidents, including internal developed goodwill and brands.

C. Amortization

Other than goodwill, amortization is calculated by cost less estimated residual value and carried in profit/loss using straight line method from the time it is available for use:

Estimated useful life of current and comparable period:

(1) Patents 1~3 years

(2) Computer software 1~3years

The company reviews the amortization methods, useful life and residual value at the end of each reporting period and make adjustments whenever needed.

4.12 Impairment of non-financial assets

The Company assess the assets (excluding inventory, contractual assets and deferred tax assets) at the end of each reporting period. If there is any indications of impairment, the company shall assess the recoverable amounts.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment.

The recoverable amount is the higher of the fair value of individual assets or cash-generating units minus the disposal cost and its use value. In assessing the value of use, the estimated future cash flow is converted to present value at a pre-tax discount rate that reflects the current market assessment of the time value of money and the unit-specific risk to the asset or cash

Where the recoverable amount of an asset is lower than carrying amount, the asset is considered impaired and is written down to its recoverable amount.

If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units)

For assets other than goodwill, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized in prior years.

4.13 Revenue recognition

The Company's revenue arising from fulfilling contracts with customers mainly includes sale of goods and rendering of services. The major revenue items of the Company are explained as follows:

1. Sales of products

   The company conducts research, design, development, production and sales of electronic products and information software. The revenue is recognized upon the delivery of products. Delivery is defined as complete transfer of product ownership to customers who is in total charge of the products sales and pricing, and the company has no unfulfilled obligation towards customers. Transaction includes shipment to designated location, risk of obsolete and loss has been transferred to customers whom has accepted and checked the product in accordance with sales contract, or the company holds objective evidence of fulfilling all terms of acceptance.

   A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2. Significant financial components

   The Company expects the period between the transfer of contract liabilities to revenue is usually within one year, thus no significant financing component is arisen.

4.14 Employee Benefits

A. Defined contribution plans

   For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of cash refund or a reduction in the future payments.

B. Defined benefit plans

   Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods.

   The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reduction in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

   Remeasurements of the net defined benefits liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings. The company determines the net interest expense (income) on the net defined benefit obligation at the beginning of the annual period to the then-net defined plans are recognized in profit or loss.

   When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Short-term employee benefits

   Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

4.15 Income Tax

Income tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to mergers, or relates to items recognized in equity or other comprehensive income.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. All uncertainties relates to income tax are also reflected (if there is any).

The Company will only offset the deferred tax asset and deferred tax liabilities when both criteria are met:

a. If a legally enforceable right exists to set off current income tax assets against current income tax liabilities; and
b. Deferred tax assets and tax liabilities relate to the circumstances from the same taxable entity and the same taxation authority:
    1. Same taxable entity; or
    2. Different taxable entities which intend to settle current tax assets a liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

4.16 Earnings per Share

The company discloses the company basic and diluted earnings per share attributable to ordinary equity holders of the company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the company divided by weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as accrued employee's compensation.

4.17 Operating Segments

The company has disclose related information in the consolidated report.

5. Critical Accounting Judgements, Estimations and Key Sources of Assumption Uncertainty

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Differences may exist between the actuals and estimations.

The management constantly review estimations and assumptions and make adjustments accordingly. Accounting policies involve significant judgements and may cause material adjustments to the carrying amounts of assets and liabilities with the next year are discussed below:

A. Allowances for bad debts

Estimation for bad debt is made on the hypothetical basis of contract violation risks and percentage of estimated loss. At the end of each reporting period, the company considers historical experiences, current market status and forward estimation to decide on the appropriate assumptions and amounts when calculate the allowances. Please refer to Note 6(3) for related assumptions and amounts.

B. Inventory evaluation

Inventories are stated at the lower of cost or net realizable value. The company estimates the net realizable value of inventory for obsolescence, fair wear and tear or unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is determined based on the assumptions of future product demand change and decrease of price due to technology advancement. Therefore, it may cause the risk of cost of inventory is higher than the net realizable value. Please refer to Note 6(4) for details.

Financial assets, non-financial assets and liabilities of the company is measured by fair value. The finance department is in charge of independent fair value verification. It tries to ensure the evaluation is fair by using independent resources of information that reflects real market status, ensure the information resource is independent, reliable and executional as well as periodical adjustment of the valuation model, conduct testing, and update parameters of the model.

The company shall use observable inputs from the market to measure assets and liabilities. Classification of fair values are based on the inputs of the evaluation technique:

Class 1: Public quotation (unadjusted) of same assets or liabilities in the active market

Class 2: Observable inputs (price or projection from the price) of the assets or liabilities, excluding public quotation from Class 1.

Class 3: Non observable market information

In case of fair value evaluation is transferring amongst above said classifications, the company shall recognize the transfer at the end of the reporting period. Please refer to N6(20) Financial instruments for assumptions for fair value measurements.

6. Contents of significant accounts

6.1 Cash and cash equivalent

	2019.12.31	2018.12.31
Cash on hand	$ 74	25
Checking and savings	70,432	142,726
Term deposits	26,400	186,200
	$ 96,906	**328,951**

For interest risks and sensitivity analysis of financial assets and liabilities, please refer to Note 6(20).

6.2 Financial assets

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

The company was involved in the trading of non-derivative financial assets and beneficiary certificates-open end funds in 2018. It was recognized in fair value through profit and loss. The assets have been sold.

Please refer to Note 6(19) for value recognized at fair value through profit and loss.

b. 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 shareholdings of Touchsens Ltd and Yantouch Ltd. have been evaluated through other comprehensive income.

Yantouch Ltd has been liquidated with refund of capital investment of NTD$284 thousands. The fair value was evaluated as NTD$284 thousands, accumulated gains from disposal was NTD$58 thousands. The accumulated gains has been transferred from other equity to retained earnings.

The company has recognized the loss of NT$5,000 thousands from Touchsens Ltd in last reporting period.

c. Please refer to Note 6(20) for information on credit risks and market risks.

d. The above said financial assets were not pledged for collateral.

6.3 Notes and account receivable (including related parties)

	2019.12.31	2018.12.31
Notes receivable	$ 225	1,552
Account receivable	167,611	166,070
Receivables from related parties	14,584	5,388
	182,420	173,010
Less: allowance for doubtful accounts	(2,145)	(2,134)
	$ 180,275	**170,876**

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:

	2019.12.31		
	Notes & account receivables carrying amount	**Weighted average loss rate**	**Loss Allowance**
Not past due	$ 170,676	0.00%	-
Past due 0~30 days	320	0.00%	-
Past due 61~90 days	10	0.00%	-
Past due over 121 days	-	100.00%	-
Total	**$ 171,006**		**-**

	2018.12.31		
	Notes & account receivables carrying amount	**Weighted average loss rate**	**Loss Allowance**
Not past due	$ 145,132	0.02%	29
Past due 0~30 days	487	2.92%	14
Past due 31-60 days	40	14.16%	6
Past due over 121 days	-	99.47%	-
Total	$ 145,659		49

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

	2019.12.31		
	Notes & account receivables carrying amount	**Weighted average loss rate**	**Loss Allowance**
Not past due	$ 9,374	1.88%	176
Past due 0~30 days	27	17.32%	5
Past due 31-60 days	113	57.04%	64
Past due over 121 days	1,900	100.00%	1,900
Total	$ 11,414		2,145

	2018.12.31		
	Notes & account receivables carrying amount	**Weighted average loss rate**	**Loss Allowance**
Not past due	$ 23,234	0.75%	175
Past due 0~30 days	2,485	13.34%	332
Past due 31~60 days	1	34.32%	-
Past due 61~90 days	43	41.83%	18
Past due 91~120 days	74	61.71%	46
Past due over 121 days	1,514	100.00%	1,514
Total	$ 27,351		2,085

Changes for loss allowance (including related parties) are:

	2019	**2018**
Balance of January 1st	$ 2,134	1,348
Recognized loss	11	786
Balance of December 31st	$ 2,145	2,134

Please refer to Note 6(20) for information 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 December 31, 2019 were as follows:

2019.12.31					
Purchaser	**Amount transferred**	**Quota**	**Amount advanced (recognized in short term loan)**	**Interest rate collar**	**Collateral**
CTBC Bank	$ 25,186 (USD837 K)	70,000	20,149 (USD670 K)	3.25%	Account receivables and Bank note $70,000

As of December 31, 2019 and 2018 the notes and account receivables (including related parties) were not pledged. Please refer to Note 8 for details.

6.4 Inventory

	2019.12.31	2018.12.31
Raw materials	$ 14,788	6,557
Work in Process	180,215	86,759
Finished product	34,076	20,520
	$ 229,079	113,836

Details of operating cost are:

	2019.12.31	2018.12.31
Cost of goods sold	$ 430,094	390,641
Allowance for inventory valuation loss	8,487	5,455
Other operating costs	-	427
	$ 438,581	396,523

Inventory dated December 31st, 2019 and 2018 were not pledged for collateral.

6.5 Investment by equity method

1. Investment by equity method:

	2019.12.31	2018.12.31
Subsidiaries	$ 3,616	6,699

2. Subsidiaries
   Please refer to the consolidated financial report for related information.

3. Collateral
   As of December 31, 2019 and 2018 the investments in aforementioned equity-accounted investees were not pledged as collateral.

6.6 Property, plants and equipment

1. Details on cost and amortization:

	R&D equipment	Improvement on lease	Office and other equipment	Total
Cost:				
Balance on January 1st 2019	$ 20,768	2,066	43,766	66,600
Acquisition	-	460	2,668	3,128
Balance on Dec 31st 2019	$ 20,768	2,526	46,434	69,728
Balance on January 1st 2018	$ 21,792	2,066	39,769	63,627
Acquisition	-	-	5,174	5,174
Disposal	(1,024)	-	(1,177)	(2,201)
Balance on Dec 31st 2018	$ 20,768	2,066	43,766	66,600
Amortization:				
Balance on January 1st 2019	$ 19,243	276	35,101	54,620
Amortization	1,491	253	4,510	6,254
Balance on Dec 31st 2019	$ 20,734	529	39,611	60,874
Balance on January 1st 2018	$ 16,446	69	30,974	47,489
Amortization	3,759	207	5,270	9,236
Disposal	(962)	-	(1,143)	(2,105)
Balance on Dec 31st 2018	$ 19,243	276	35,101	54,620
Carrying amount:				
December 31st, 2019	$ 34	1,997	6,823	8,854
January 1st 2018	$ 5,346	1,997	8,795	16,138
December 31st, 2018	$ 1,525	1,790	8,665	11,980

2. Changes to the account payable related to property, plant and equipment for 2019 and 2018 are decrease of NT$1,300 thousands and NT$419 thousands respectively.
3. Property, plant and equipment of the Company dated on December 31st of 2019 and 2018 were not pledged as collateral.

6.7 Right-of-use asset

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

		Buildings	Transportation Vehicles	Other equipment	Total
Cost:					
Balance at 2019.01.01	$	-	-	-	-
Effects of retrospective application		7,732	4,014	451	12,197
Acquire		-	522	-	522
Disposal		(1,627)	-	-	(1,627)
Balance at 2019.12.31	**$**	**6,105**	**4,536**	**451**	**11,092**
Accumulated depreciation and loss:					
Balance at 2019.01.01	$	-	-	-	-
Depreciation of the year		4,994	1,127	416	6,537
Disposal		(610)	-	-	(610)
Balance at 2019.12.31	**$**	**4,384**	**1,127**	**416**	**5,927**
Carrying amount:					
Balance at 2019.01.01 (Effects of retrospective application of IFRS 16)	**$**	**7,732**	**4,014**	**451**	**12,197**
Balance at 2019.12.31	**$**	**1,721**	**3,409**	**35**	**5,165**

The initial carried amount of right-of-use assets recognized as lease liabilities was NTD522 thousands.

Please refer to Note 6(12) for information on the office rental and company car rental 2018.01.01~2018.12.31.

6.8 Intangible Assets

Details on the cost and amortization as of 2019 and 2018 are:

	Patents	Computer Software Cost	Total
Cost:			
2019.01.01 (same as 2019.12.31)	$ 17,659	23,561	41,220
2018.01.01 (same as 2018.12.31)	$ 17,659	23,561	41,220
Amortization:			
2019.01.01	$ 17,602	23,506	41,108
Amortization	57	55	112
2019.12.31	$ 17,659	23,561	41,220
2018.01.01	$ 17,452	22,980	40,432
Amortization	150	526	676
2018.12.31	$ 17,602	23,506	41,108
Carry amount:			
2019.12.31	$ -	-	-
2018.01.01	$ 207	581	788
2018.12.31	$ 57	55	112

Amortization expenses for 2019 and 2018 are NT$112 thousands and NT$676 thousands respectively.

Intangible assets dated December 31st, 2019 and 2018 were not pledged as collateral.

6.9 Other financial assets- current and non-current:

	2019.12.31	2018.12.31
Current:		
Restricted cash in bank	$ 306,943	289,546
Term deposit (> 3 months)	5,000	5,000
Other account receivables-related parties	366	370
Others	212	393
	$ 312,521	295,309
Non-Current		
Refundable deposit	$ 2,029	2,344
Restricted cash in bank	1,025	1,016
	$ 3,054	3,360

There is no loss in other financial assets – current and non-current (excluding other receivables) for the period ended December 31st, 2019 and 2018.

Other receivables and allowances for loss of the Company for the period ended December 31st, 2019 and 2018:

	2019.12.31	2018.12.31
Other receivables	$ 22,269	22,269
Less: allowances for loss	(22,269)	(22,269)
	$ -	-

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 information on other credit risks.

6.10 Short term loan

	2019.12.31	2018.12.31
Guarantee bank loan	$ 271,000	245,500
Account receivable financing	20,149	-
	$ 291,149	245,500
Unused quota	$ 118,851	104,490
Range of interests	1.105%~ 3.25%	1.098%~ 1.23%

For the period 20190101~20190930, new addition of NT$447,929 thousands and NT$469,500 thousands. Interest rate ranges from 1.105%~3.25% and 1.098%~1.27%. Due dates are 2019 April to 2020 May and 2018 may to 2019 April. Amount due are NT$402,200 thousands and NT$382,000 thousands.

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

6.11 Lease liabilities

	108.12.31
Current	$ 2,966
Non-current	$ 2,289

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

For 2019, the Company terminated partial lease in June 2019, lease liabilities was decreased by NTD$1,021 thousands. There was no issue, repurchase or repay lease liabilities for the period.

Loss recognized as:

		2019
Interest expense from lease liabilities	$	135
Expense of short term lease	$	225
Expense of low-value assets (excluding short-term lease of low-value assets)	$	105

Amount recognized in cash flow statement：

		2019
Total cash outflow of lease	$	6,908

1. House and building

   The Company has rented house and architecture for operation purposes. The Office lease contract is normally 2 to 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.

6.12 Operating lease

Compulsory operating lease for the future:

		2018.12.31
Within 1 year	$	7,830
1~5 years		5,403
	$	13,233

Operating lease expense on office and transportation vehicle are NT$8,258 thousands in 2018.

6.13 Employee Benefits

1. Defined benefit

   Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

	2019.12.31	2018.12.31
Defined benefit obligation	$ 1,450	2,408
Plan assets at fair value	(7,090)	(7,942)
Net defined benefit liabilities (assets)	**$ (5,640)**	**(5,534)**

The company contributes an amount to the Bank of Taiwan in the name of the administered pension fund committee. For every employee eligible to the pension fund under Labor Standard Law. The pension benefits are disbursed based on the units of service years and the average salaries in the last 6 months of the service year.

a. Plan assets

The domestic entities of the company allocate pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earning attainable from two-year term deposits with interest rates offered by local banks.

The company's labor pension reserve account balance amounted to $7,090 thousands as of December 31st, 2019. The utilization of the labor pension fund assets of the domestic entities of the company includes the assets allocation and yield of the fund. Please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

b. Changes of liabilities (assets) of the defined benefit obligation and plan assets at fair value:

		2019	2018
Defined benefit obligation January 1st	$	2,408	4,069
Service cost and interest expense		33	66
Remeasurements of the defined benefit liabilities (assets):			
Actuarial gain/losses arising from changes in financial assumptions		(110)	(330)
Actuarial gain/losses arising from experience adjustments		92	(883)
Past service cost		(507)	(514)
Liquidation of eliminated debts		(466)	-
Defined benefit obligation December 31st	**$**	**1,450**	**2,408**

c. Changes of fair value of plan assets

		2019	2018
Fair value of plan assets January 1st	$	7,942	8,114
Interest income		109	132
Paid pension		(1,216)	(539)
Remeasurements of net defined benefit liabilities (assets)			
Return on plan assets (excluding interests)		255	235
Fair value of plan asset December 31st	**$**	**7,090**	**7,942**

d. Movements of NABCI

Movements of NABCI for the 2019 and 2018 were both zero.

e. Amounts recognized in profit and loss

		2019	2018
Net interest on the net defined benefit liabilities (asset)	$	(76)	(66)
Past service cost		243	25
	$	**167**	**(41)**
Administrative cost	**$**	**167**	**(41)**

Defined benefit obligation was decreased by 507 thousands and recognized in profit and loss due to decrease number of total employees for 2019.

f. Amounts recognized in profit and loss

	2019	2018
Net interest on the net defined benefit liabilities (asset)	$ (76)	(66)
Past service cost	243	25
	$ 167	**(41)**
Administrative cost	**$ 167**	**(41)**

Defined benefit obligation was decreased by 507 thousands and recognized in profit and loss due to decrease number of total employees for 2019.

g. Remeasurements of net defined benefit liabilities (asset) recognized in profit and loss

	2019	2018
Accumulated balance January 1st	$ 6,966	5,518
Amount for the period	273	1,448
Accumulated balance December 31st	**$ 7,239**	**6,966**

h. Actuarial assumptions

	2019.12.31	2018.12.31
Discount rate	1.250%	1.375%
Future salary increases	1.000%	1.500%

The weighted average lifetime of the defined benefits plan is 21.1 years.

i. Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Impact on the defined benefit obligation	
	Increase by 0.25%	**Increase by 0.25%**
2019 December 31st		
Discount rate	$ (70)	74
Future salary increases	$ 73	(70)
2018 December 31st		
Discount rate	$ (99)	108
Future salary increases	$ 108	(99)

There is no change in other assumptions when performing the aforementioned sensitivity analysis. In practice, assumptions may be interactive with each other. The method used on sensitivity analysis is consistent with the calculation on the net pension liabilities.

The method and assumption used on current sensitivity analysis is the same as those of the prior year.

2. Defined distribution plan

The company adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. The company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

The contribution made in 2019 and 2018 are NT$4,119 thousands and NT$4,213 thousands respectively.

Pension expenses for overseas subsidiary for the year ended December 31st, 2019 and 2018 were NT$147 thousands and NT$26 dollars.

6.14 Income tax

1. Details on income tax:

	2019	2018
Current income tax	$ -	-
Deferred tax expenses	-	-
	$ -	-

Tax expense (income) recognized in profit and loss:

	2019	2018
Items might be reclassified to profit and loss		
Exchange Differences on Translation of Foreign Financial Statements	$ (6)	33

Adjustments to the income tax expense and loss before income tax for 2019 and 2018: ：

	2019	2018
Loss before income tax	$ (65,253)	(60,138)
Tax effects of different tax rates applicable in foreign jurisdiction	(13,051)	(12,028)
Reconciliation of permanent differences	485	(41)
Impact of change in tax rate	-	(630)
Over or under estimation from prior period	-	(843)
Impact of deferred income tax asset not yet recognized	12,566	13,542
	$ -	-

2. Deferred income tax assets not yet recognized:

	2019.12.31	2018.12.31
Unused tax losses carryforwards	$ 161,091	150,022
Deductible temporary differences	4,382	2,885
	$ 165,473	152,907

According to the Income Tax Act, the operating loss as examined and assessed by the local tax authorities can be carried forward for use as a deduction from taxable income over a period of prior years. The item was not recognized as deferred income tax asset as the company is unlikely to have sufficient taxable income for deduction.

For the period ended December 31st 2019, taxable loss not yet recognized as deferred tax assets of the company and domestic subsidiaries:

Year of Loss	Loss not yet deducted	Expiry year
2011 (approved amount)	$ 34,664	2021
2012 (approved amount)	34,711	2022
2013 (approved amount)	68,245	2023
2014 (approved amount)	205,755	2024
2015 (approved amount)	119,209	2025
2016 (approved amount)	121,815	2026
2017 (approved amount)	92,739	2027
2018 (applied amount)	70,963	2028
2019 (assessed amount)	57,356	2029
	$ 805,457	

3. Deferred income tax assets/liabilities recognized:

Deferred income tax assets

	2018.01.01	Recognized in P&L	2018.12.31	Recognized in P&L	2019.12.31
Inventory valuation loss	$ 1,924	1,430	3,354	(212)	3,142
Unrealized gross margin	1,398	(1,398)	-	431	431
Others	251	(32)	219	(219)	-
	$ 3,573	**-**	**3,573**	**-**	**3,573**

Deferred income tax liabilities:

	2018.01.01	Recognized in P&L	Recognized in Other Comprehensive income	2018.12.31	Recognized in P&L	Recognized in Other Comprehensive income	2019.12.31
Translation profit from Foreign operation and others	$ -	-	(33)	(33)	-	6	(27)
	$ -	**-**	**(33)**	**(33)**	**-**	**6**	**(27)**

4. Assessment and approval of income tax

The income tax return through 2017 have been assessed and approved by the Taxation Authority.

6.15 Capital and other equity

For the period ending December 31st 2019 and 2018, the authorized total capital is NTD$950,000 thousands (including reserved employee options 50,000 thousands and convertible corporate bonds 10,000 thousands). Ordinary share is valued at $10 per share. Paid-up capital is 749,767 thousands.

1. Capital reserve

		2019.12.31	2018.12.31
Issue stock premium	$	68,283	68,283
Treasury stock trading		11,534	11,534
Long term investment		2,150	2,150
	$	**81,967**	**81,967**

Pursuant to the Company Act, capital reserve must cover the deficit before issue new shares or cash to shareholders in holding proportion. The paid-in capital reserve includes income derived from the issue of new shares at a premium and income from endowments received by the company. When capitalizing the capital reserve, the combined amount of any portions capitalized in any 1 year may not exceed 10% of the paid-in capital.

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.

(1) Legal reserve

When the company does not suffer from loss, the legal reserve can be distributed in the form of cash or shares after approval of the shareholder's meeting. The Company can issue new shares or cash from the legal reserve when all deficits are covered with approval from shareholders meeting.

(2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of the current period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings (which does not qualify for earnings distribution) shall be reclassified as special earnings reserve to account for the cumulative changes to other shareholder's equity pertaining to prior periods. The amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(3) Profit/Loss appropriation

There were no differences between the 2018 and 2017 Loss Appropriation Statement proposed by the Board of the Directors and the ones approved in the shareholder meeting on 2019.06.13th and 2018.06.13th. Related details can be viewed in MOPS website.

BOD has prepared Loss Appropriation Proposal for 2019 on March 19th, 2020. The proposal shall be sent to shareholder's meeting for approval. Related details will be released on the MOPS website.

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	Total
Balance on 2019.01.01	$ 133	(5,000)	(4,867)
Exchange differences on translation of financial statements of foreign affiliates	(25)	-	(25)
Balance on 2019.12.31	**$ 108**	**(5,000)**	**(4,892)**
Balance on 2018.01.01	$ -	-	-
Retrospective number to IFRS	-	(5,000)	(5,000)
Adjusted balance on 2018.01.01	-	(5,000)	(5,000)
Exchange differences on translation of financial statements of foreign affiliates	133	-	133
Profit/loss of unrealized financial assets at fair value through comprehensive income	-	58	58
Disposal of equity instrument at fair value through other comprehensive income	-	(58)	(58)
Balance on December 31st, 2018	**$ 133**	**(5,000)**	**(4,867)**

6.16 Earnings per share

The calculation of basic earnings per share was as following:

	2019	**2018**
Basic earnings per share:		
Net income for the period	**$ (65,253)**	**(60,138)**
Weighted average number of ordinary shares outstanding during the year (in thousands)	**74,977**	**74,977**
Basic earnings per share (NT dollars)	**$ (0.87)**	**(0.80)**

6.17 Revenue from customer contracts

1. Segmentation of revenue

		2019	2018
Major regional markets			
China	$	372,994	324,124
Taiwan		182,351	188,651
Others		4,578	3,616
	$	559,923	516,391
Major products			
NB computer related ICs	$	426,940	414,648
Capacitive touch controller related ICs		127,416	98,289
Others		5,567	3,454
	$	559,923	516,391

2. Contract balance

		2019.12.31	2018.12.31	2018.1.1
Account receivables and notes (Including related parties)	$	182,420	173,010	168,257
Less: allowances for bad debts		(2,145)	(2,134)	(1,348)
Total	$	180,275	170,876	166,909

Please refer to Note 6(3) for the amount of accounts receivables and impairment loss.

6.18 Remuneration to employee, directors and supervisors

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 and supervisors shall be no more than 3% of distributable profit of the current year. However, the Company shall firstly compensate the accumulated loss. Receivers of the above said remuneration must meet certain criteria set the company.

The Company was at loss for the year 2018 and 2017, so there was no remuneration allocated to the employees, Directors and Supervisors. Please refer to the MOPS for details.

6.19 Non-operating income and expenses

The details of other gains and losses were as follows:

	2019	2018
Foreign exchange gains (losses)	$ (9,686)	19,120
Gain/Loss on financial assets at fair value through profit and loss	-	(1,930)
Disposal of property, plant and equipment (net)	-	(13)
Miscellaneous income and expenses	(98)	(158)
	$ (9,784)	**17,019**

6.20 Financial instruments

1. Credit risk

(1) Concentration of credit risk

The customer base of the company is concentrated in NB industry. The credit risk is relatively high as 5 customers are taking up 87% and 84% of the balance of account receivables (including related parties) at the period ending December 31st, 2019 and 2018. 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.

	2019.12.31		
	Evaluation after amortized cost		
Credit Rating	**12 months expected loss**	**Impairment provision during the period－ not impaired**	**Impairment provision during the period－impaired**
BBB-AAA	$ 315,575	-	-
D	-	-	22,269
Total carrying amount	315,575	-	22,269
Allowance for loss	-	-	(22,269)
Cost after amortization	**$ 315,575**	**-**	**-**
Carrying amount	**$ 315,575**	**-**	**-**

Credit Rating	2018.12.31 Evaluation after amortized cost: 12 months expected loss	Impairment provision during the period－ not impaired	Impairment provision during the period－ impaired
BBB-AAA	$ 298,669	-	-
D	-	-	22,269
Total carrying amount	298,669	-	22,269
Allowance for loss	-	-	(22,269)
Cost after amortization	**$ 298,669**	-	-
Carrying amount	**$ 298,669**	-	-

There is no impairment provision or reversal after amortized cost of financial assets for the period ending December 31, 2019 and 2018.

3. 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

	Contractual cash flow	Within 6 months	6 to 12 months	Over 1 year
2019.12.31				
Non-derivative financial liabilities				
Bank Loan	$ (292,098)	(292,098)	-	-
Lease liabilities (current and non-current)	(5,348)	(1,509)	(1,509)	(2,330)
	$ (297,446)	**(293,607)**	**(1,509)**	**(2,330)**
2018.12.31				
Non-derivative financial liabilities				
Bank Loan	**$ (245,891)**	**(245,891)**	**-**	**-**

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

3. Foreign exchange risks

(1) Foreign exchange risks

Financial assets and liabilities exposed to foreign exchange risks are:

Unit: Thousands in foreign currency

	2019.12.31				2018.12.31		
	Foreign currency		Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets							
Currency items							
USD	$	17,936	30.09	539,694	22,646	30.8	697,486
RMB		398	4.302	1,711	685	4.466	3,057
Non-currency items							
RMB		223	4.302	961	905	4.466	4,042
Financial liabilities							
Currency items							
USD		1,717	30.09	51,668	2,246	30.8	69,172

(2) Sensitivity analysis

The majority of foreign exchange risk is from cash and cash equivalent, net account receivables (including related parties), other financial assets (current and non-current), account payables and other current liabilities that are in foreign currency, and result to foreign exchange gain/loss during translation. If the exchange rate of NTD to USD/RMB depreciate or appreciate by 5% with other factors remain constant, the net loss after tax shall decrease or increase by 19,589 thousands and 25,255 thousands for the period ending December 31st, 2019 and 2018.

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

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

	2019			2018	
	FX gain/loss		Ave. FX rate	FX gain/loss	Ave. FX rate
USD	$	(9,665)	30.909	19,179	30.15
RMD		(21)	4.475	(59)	4.559

(4) Interest risks

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

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 decrease or increase 0.25%, with other factors remain constant, the net loss shall be decreased or increased NTD8 thousands or NTD203 thousands respectively for the period ending December 31st, 2019 and 2018. This is due to the cash and cash equivalent, short term loan and other current financial assets.

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:

	2019.12.31				
		Fair Value			
	Carry Amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at amortized cost					
Cash and cash equivalent	$ 96,906	-	-	-	-
Net account receivables (including related parties)	180,275	-	-	-	-
Other financial assets (current and non-current)	315,575	-	-	-	-
Sub-total	**$ 592,756**	-	-	-	-
Financial liabilities measured at amortized cost					
Short term loan	$ 291,149	-	-	-	-
Account payable (including related parties)	47,118	-	-	-	-
Lease liabilities (current and non-current)	5,255	-	-	-	-
Sub-total	**$ 343,522**	-	-	-	-

	2018.12.31				
		Fair Value			
	Carry Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalent	$ 328,951	-	-	-	-
Net account receivables (including related parties)	170,876	-	-	-	-
Other financial assets (current and non-current)	298,669	-	-	-	-
Sub-total	**$ 798,496**	-	-	-	-
Financial liabilities measured at amortized cost					
Short term loan	$ 245,500	-	-	-	-
Account payable (including related parties)	116,054	-	-	-	-
Sub-total	**$ 361,554**	-	-	-	-

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

Whenever there is quoted price available in active market for financial instrument, the quoted price in active market shall be deemed as the fair value.

Financial assets with active market quotation is defined as the ones with accessible and timely public quotations from trade centers, agents, distributors, industrial unions and authorities where the quotes are frequently occurs and traded. On the contrary, it is regarded as inactive market. In general, big gap between the selling and buying prices, increasing gap between the selling and buying prices or limited trading are indicators of inactive market.

The Company possess financial assets from the active market and the fair value was decided by the market quotes.

Other than the above said financial instrument from the active market, the fair values of other financial instruments were obtained by evaluation technique or trading reference from other parties.

If a financial instrument is regarded as inactive market, in liquidation process without public quotes, its fair value shall be its net asset value (expected retrievable funds).

(3) There was no transfer of fair value level for 2019 and 2018.

(4) Quantified information on significant unobservable inputs (level 3) used in fair value measurement

The Company financial instruments that use level 3 inputs to measure fair value include financial assets at FVOCI-equity investments.

Most of the financial instruments classified as level 3 only has one significant unobservable input. The significant unobservable inputs of the equity investment without an active market are independent. Thus, there is no correlation between them.

Quantified information of significant unobservable inputs was: ：

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

6.21 Financial risk management

1. Overview

The company is exposed to the following risks for using financial instruments:

a. credit risk

b. liquidity risk

c. market risk

2. Risk management structure

The Board of Directors (the Board) is responsible for the risk management. The management is responsible for develop and control the risk management policy. The chairman of the board shall report to the Board for the progress of the risk management. Internal auditor shall assist the chairman. Periodical reviews and extra risk management procedures shall be performed and reported to the Board.

3. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial losses to the company namely cash and cash equivalent, financial assets at fair value through profit and loss-current, other financial assets-current and non-current and account receivables. As of December 31st, 2019 and 2018, the company has not provide any endorsement or guarantee.

4. Liquidity risk management

The objective of liquidity risk management is to ensure the company has sufficient liquidity to fund its business operations, repay debts by cash or other financial assets.

Financial department is responsible for liquidity risk management. As of December 31st, 2019, the company has sufficient operation fund and unused bank loan of 118,851 thousands and thus the company is not exposed to liquidity risk.

5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(1) Currency risk

The company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the company's entities, the NTD as well as RMB. The currencies used in these transactions are denominated in TWD, USD and RMB.

(2) Interest risk

Please refer to N6(20) for details.

6.22 Capital management

Through clear understanding and managing of significant changes in external environment, related industry characteristics, and growth plan, the company manages its capital structure to ensure it has sufficient financial resources to sustain proper liquidity, to invest in capital expenditures and research and development expenses, to distribute dividends in accordance to its plan. The management aims to enhance the returns of its shareholders through achieving an optimized debt-to-equity ratio from time to time.

Debt-to equity ratio on the reporting date:

	2019.12.31	2018.12.31
Total liabilities	$ 364,650	387,294
Total equity	$ 501,590	566,595
Debt-to-equity ratio	72.70%	68.35%

6.23 Financing activities not affecting current cash flow

The financing activities not affecting current cash flow for 2019 and 2018 were:

1. Please refer to N6(6) for recognized related liabilities on property, plant and equipment.
2. Please refer to N6(7) for Acquisition of right-of-use assets at leases.

Reconciliation of liabilities arising from financing activities were as follows:

	Short term loan	Lease liabilities
Balancing at January 1st 2019	$ 245,500	12,197
Changes in cash flow from financing activities		
New loan	447,929	-
Loan repayment	(402,200)	-
Payment on lease liabilities	-	(6,443)
Sub-total cash flow from financing activities	45,729	(6,443)
Other changes in liabilities related items		
Interest expense	-	135
Interest paid	-	(135)
Acquisition of right-of-use asset	-	522
Disposal of right-of-use asset	-	(1,021)
Effects on foreign exchanges	(80)	-
Sub-total other changes in liabilities related items	(80)	(499)
Balance at December 31st, 2019	$ 291,149	5,255
Balance at January 1st 2018	$ 158,000	-
Changes in cash flow from financing activities		
New loan	469,500	-
Loan repayment	(382,000)	-
Sub-total cash flow from financing activities	87,500	-
Other changes in liabilities related items		
Effects on foreign exchanges	-	-
Sub-total other changes in liabilities related items	-	-
Balance at December 31st, 2018	$ 245,500	-

7. Related-Party Transactions

(1) Names and relationship

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

Names	Relationship
ASUSTek Computer Inc.	Key personnel of the Company (Institutional Director)
Siguard Microelectronic Corp. (Siguard)	Key personnel of the Company (Institutional Director)
ENE Touch Technology (Shenzen)	Subsidiaries of the company
Janus Power	Subsidiaries of the company

(2) Significant transactions with related parties

1. Sales

The amounts of significant sales were:

	Sales	
	2019	2019
Key personnel of the Company	$ 53,535	41,074
Subsidiaries of the Company	622	-
	$ 54,157	41,074

	Related parties account receivables	
	2019	2018
Key personnel of the Company	$ 14,584	5,388
Subsidiaries of the Company	-	-
Less: Allowances for loss	-	(3)
	$ 14,584	5,385

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:

	Purchase and OEM	
	2019	2019
Key personnel of the Company -Siguard	$ 29,715	28,339

	Related parties account payables	
	2019	2019
Key personnel of the Company -Siguard	$ 5,624	9,958

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

3. Lease transactions

Machine lease from the related parties:

	Trading amount	
	2019	2018
Key personnel of the Company	$ 780	583

	Related parties account payables	
	2019	2018
Key personnel of the Company	$ -	-

4. Other transactions

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

	Trading amount	
	2019	2018
Key personnel of the Company	$ -	1,090

	Related parties account payables	
	108.12.31	107.12.31
Key personnel of the Company	$ -	259

(3) Transactions with key personnel

Compensation of the key personnel were:

	2019	2018
Short tern employee benefits	$ 21,311	20,971
Post-employment benefits	1,396	630
	$ 22,707	21,601

8. Pledged Assets

Assets	Purpose	2019.12.31	2018.12.31
Term deposit (other financial assets- non-current)	Purchase and Guarantee deposits of customs duty – non-current)	$ 1,025	1,016
Term deposit (other financial assets- current)	Guarantee for short term loan	306,943	289,546
Account receivables	Guarantee for short term loan	25,186	-
		$ 333,154	290,562

9. Significant Commitments and Contingencies

Other than items described in Note 6(11) and Note 7, the significant commitments of the Company for the 9 months period ending September 30th 2019 and 2018 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) Unused L/C:

	2019	2018
Unused L/C	$ 3,159	3,234

(3) 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:

	2019	2018
Guarantee Notes	$ 460,080	390,790

10. Losses due to major disasters: None

11. Significant subsequent events: None

12. Others

Employee benefits, depreciation and amortization expenses by functions:

By Function / Classification	2019 Operating costs	2019 Operating expenses	2019 Total	2018 Operating costs	2018 Operating expenses	2018 Total
Employee benefits						
Salaries	-	84,672	84,672	-	93,156	93,156
Labor and health insurance	-	6,279	6,279	-	6,482	6,482
Pension	-	4,286	4,286	-	4,280	4,280
Compensation for Directors	-	930	930	-	905	905
Others	-	2,154	2,154	-	2,271	2,271
Depreciations	-	12,791	12,791	-	9,236	9,236
Amortizations	-	112	112	-	676	676

Information on number of employees and employee benefits are:

	2019	2018
Number of employee	71	79
No. of non-employee Directors	6	6
Ave. employee benefits expense	$ 1,498	1,455
Ave. employee salary expense	$ 1,303	1,276

13. Other disclosures

(1) Information on significant transactions

Information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

1. Loans to other parties: none
2. Guarantees and endorsements for other parties: none

3. Securities held as of September 30th 2019 (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				Maximum holding in mid term	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	7.59 %	

Note1: the shares are not traded in open market. The evaluation was made by Net Asset Valuation Method. Please refer to note 6(19) 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

(2) Investment

Investment information for the period ending 20191231 (excluding investees in China)

Investor Company	Investee Company	Location	Business scope and products	Original Investment amount		Balance at the end of the period			Net income (loss) of investee	Share of P/L of investee	Note	Investor Company
				Beginning of the period	End of Last year	Shares	Ownership %	Book value				
The Company	Janus Power	New Taipei City	Electronic components	105,542	105,542	70 0	100.00%	2,655	100.00%	(2)	(2)	Subsidiary of the Company

(3) Investment in China

1. Information on investment in Mainland China：

Unit: NTD$ thousands

Investee	Business Scope	Capital Surplus	Method	Accumulated outflow from TW at beginning of the period	Investment Flow		Accumulated outflow from TW at end of the period	Net Income/loss	Ownership %	Gain/loss (Note4)	Book Value	Accumulated remittance of Earnings
					Outflow	Inflow						
ENE Touch Technology Inc	Distribution of electronic parts	4,484 (USD150)	(Note1)	4,484 (USD150)	-	-	4,484 (USD150)	(3,050)	100.00%	(3,050)	961	-

2. Limitation on investment in Mainland China：

Accumulated Investment in Mainland China at end of the period (Note2)	**Investment amount Authorized by MOEA (Note2)**	**Maximum limit on Investment (Note3)**
4,484 (USD150 Thousands))	4,514 (USD150 Thousands)	300,954

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 the section of Related Information on Significant Transactions for significant transactions between the Company and the investees in China for the period ending 20191231.

14. Operating Segments Information

Please refer to 2019 Consolidated Financial Report for details.

ENE TECHNOLOGY INC

Statement of Cash and Cash Equivalent

December 31, 2019

(Expressed in thousands of NTD thousands)

Item	Description	Amount
Cash－NTD	Cash and petty cash	$ 74
Demand deposits－NTD		9,293
－Foreign currency	USD2,021,034.63 & CNY48,365.01	61,021
Check deposits		118
Term deposits－NTD		26,400
Total		**$ 96,906**

Note: the ending rates of foreign currency deposits on December 31, 2019 are:

USD/NTD=30.09

RMB/NTD=4.302

ENE TECHNOLOGY INC

Statement of Notes and Account Receivables

December 31, 2019

(Expressed in thousands of NTD thousands)

Item	Amount
Compal Electronic Inc	$ 112,745
Wistron Corporation	21,541
Others (note)	33,550
Sub-total	167,836
Less: Allowances for loss	(2,145)
Total:	**$ 165,691**

Note: total of individual customers with amount less than 5 % of Notes and A/R

Statement of Other Financial Assets-Current

Please refer to N6(9) for details.

ENE TECHNOLOGY INC

Statement of Inventories

December 31, 2019

(Expressed in thousands of NTD thousands)

Item	Amount: Cost	Amount: Net realizable value	Note
Finished goods	$ 37,240		Please refer to N4(7) of Parent only financial statements for details
Less: allowances for loss	(3,164)		
	34,076	38,838	
Work in process	190,745		
Less: allowances for loss	(10,530)		
	180,215	187,173	
Raw materials	16,801		
Less: allowances for loss	(2,013)		
	14,788	14,943	
	$ 229,079	**240,954**	

Prepaid Expenses and Other Current Assets

Item	Description	Amount
Other prepaid expenses	Prepaid software maintenance and consultant fee	$ 10,545
Tax refund and Sales tax refund		4,108
Tax reserve		2,904
Total		**$ 17,557**

ENE TECHNOLOGY INC

Statement of Movement of Investments Accounted for Using Equity Method

January 1 to December 31, 2019

(Expressed in NTD thousands)

	Beginning Balance		Increase		Decrease				Ending Balance			
Name of investee	Shares	Amount	Shares	Amount	Shares	Amount	Investment Income	Adjustments	Shares	Ownership %	Amount	Collateral
Janus Power	700	$ 2,657	-	-	-	-	(2)	-	700	100.00	2,655	None
ENE Touch Technology Inc	-	4,042	-	-	-	-	(3,050)	(31)	-	100.00	961	None
		$ 6,699		-		-	(3,052)	(31)			3,616	

ENE TECHNOLOGY INC

Statement of Movement of Property, Plant and Equipment

January 1 to December 31, 2019

Please refer to N6(6) of Parent only Financial Statements for details.

Statement of Movement of Right-of-Use Assets

Please refer to N6(7) of Parent only Financial Statements for details.

Statement of Movement of Intangible Assets

Please refer to N6(8) of Parent only Financial Statements for details.

Statement of Other Financial Assets- Non-Current

December 31, 2019

Please refer to N6(9) of Parent only Financial Statements for details.

ENE TECHNOLOGY INC

Statement of Short-Term Loan

December 31, 2019

Please refer to N6(10) of Parent only Financial Statements for details.

Statement of Account Payables

(Expressed in NTD thousands)

Item	Amount
HHNEC (Shanghai)	$ 20,081
ASE (Chung-li)	9,383
Greatek	5,708
ASE (Kunshan)	4,542
Others (Note)	1,780
Total	**$ 41,494**

Note: Total of individual vendors not exceeding 5% of total of account payables.

ENE TECHNOLOGY INC

Statement of Other Current Liabilities

December 31, 2019

(Expressed in NTD thousands)

Item	Amount
Commission payable	$ 2,322
Accrued pension expenses	1,067
Accrued labor and health insurance	1,024
Accrued service expenses	930
Others (Note)	7,286
Total	**$ 12,629**

Note: Total of individual items not exceeding 5% of total amount.

Statement of Revenue

January 1 to December 31, 2019

Item	Qty	Amount
Notebook related application IC	33,534	$ 426,940
Capacitive Controller IC	14,595	127,416
Others	963	5,567
		$ 559,923

ENE TECHNOLOGY INC

Statement of Cost of Sales

January 1 to December 31, 2019

(Expressed in NTD thousands)

Item	Amount
Beginning balance of inventory	$ -
Add: purchase	2,081
Less: ending balance of inventory	-
Cost of trading	2,081
Raw material used	
Beginning balance of raw materials	10,091
Add: purchase	325,218
Reversal of internal use	26
Less: ending balance of raw materials	(16,801)
Scrapped raw materials	(1,810)
Raw material used	316,724
Manufacturing expense	227,341
Cost of manufacturing	544,065
Add: Beginning balance of work-in-process inventory	95,335
Less: Ending balance of work-in-process inventory	(190,745)
Transferred	(517)
Scrapped	(4,402)
Cost of finished goods	443,736
Add: Beginning balance of finished goods	25,182
Less: Ending balance of finished goods	(37,240)
Scrapped	(3,340)
Transferred	(325)
Cost of sales	428,013
Allowances for loss	8,487
Total Cost of Sales	**$ 438,581**

ENE TECHNOLOGY INC

Statement of Sales Expenses

January1 to December 31, 2109

(Expressed in NTD thousands)

Item	Amount
Salary expenses	$ 25,138
Commission expenses	7,746
Freight	7,366
Engineering verification fees	5,054
Others	12,641
	$ 57,945

Statement of Management Expenses

Item	Amount
Salary expenses	$ 30,488
Depreciation	7,844
Service consultant	4,593
Others	19,193
	$ 62,118

ENE TECHNOLOGY INC

Statement of Research and Development Expenses

January 1 to December 31, 2019

(Expressed in NTD thousands)

Item	Amount
Salary	$ 29,046
Miscellaneous	18,170
Masks	3,964
Others	8,703
	$ 59,883