

Code: 6243



# 2020 Annual Report

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

2021.May. 12<sup>th</sup>

Spokesperson:

Name: Sharon Jan

Title: Senior Manager, CEO Office

Tel: (03)666-2888 #3217

Email: [investors@ene.com.tw](mailto:investors@ene.com.tw)

Acting Spokesperson

Name: Dylan Chung

Title: CEO, CEO Office

Tel: (03)666-2888

Email: [investors@ene.com.tw](mailto:investors@ene.com.tw)

ENE Technology Inc. Headquarters

Address: 4F, No. 21, Lixing Rd, Hsinchu Science Industrial Park, Taiwan

Tel: (03) 666-2888

ENE Technology Inc. Taipei Office

Address: 5F, No. 88, Baoqiao Rd., Xindian District, New Taipei City, Taiwan

Tel: (02) 8911-1525

Transfer Agent

Company: Yuanta Securities, Stock Transfer and Registrar Department

B1, No. 210, Sec. 3, Chen-de Rd, Taipei

Tel: (02) 25865859

Website: <http://agent.yuanta.com.tw>

Independent Auditor

Company: KPMG Taiwan

Auditors: CPA Mei-Yu Tseng and CPA Chien-Hui Lu

Address: 68F, No. 7, Sec.5, Xinyi Rd., Taipei City (Taipei 101 Building)

Tel: (02)8101-6666

Website: <http://www.kpmg.com.tw>

ENE Technology Inc. Official Website:

<http://www.ene.com.tw>

## **1. Letter to Shareholders**

Dear Shareholders,

Thank you all for attending 2021 Shareholders' General Meeting. I would like to briefly summarize ENE's 2020 business result and business plan for 2021 as follows:

### **2020 Financial and operation results**

2020 Total revenue comes to NT\$636,513 thousands, an increase of 13.68% (NT\$76,580 thousands) over NT\$ 559,933 thousands in 2019. 2020 Gross margin is 22.92%, slightly higher than 21.67% of 2019.

Total operation expense in 2020 is NT\$171,492 thousands, a decrease of NT\$11,495 thousands over NT\$182,987 thousands in 2019. The cutback of operation expense is a result of expense control.

Net loss is NT\$25,572 thousands, narrowing down from NT\$61,635 thousands in Year 2019. Non-operation expenses is NT\$35,786 thousands mainly due to loss from foreign exchanges (NT\$35,384 thousands). Loss before income tax is NT\$61,358 thousands over NT\$65,253 thousands in 2019, a decrease of NT\$3,895 thousands.

### **Budget execution**

ENE TECHNOLOGY INC. does not provided financial projections but it is confirmed that the actual performance is exceeding the internal prediction.

### **Financial and profitability ratios:**

Item	Consolidated		Parent Only	
	2020	2019	2020	2019
Return on Assets (%)	-6.66%	-6.89%	-6.68%	-6.89%
Return on Equity (%)	-13.03%	-12.21%	-13.03%	-12.21%
Return on Capital Employed (%)	-8.18%	-8.70%	-8.18%	-8.70%
Net income to sales	-9.64%	-11.65%	-9.65%	-11.65%
Earnings Per Share	(0.82)	(0.87)	(0.82)	(0.87)

### **Status on Research and Development**

Looking back 2020, the product development has been on schedule as expected. The Company also aggressively communicates with customers to improve requested specifications and successful roll into mass production. For 2021, the strategic focus will be on improvement of product efficiency and manufacturing yield.

### **Business plan for 2021**

(1) Business focus: Continue to deepen the research and development and application of NB related ICs, to maintain existing customers and to expand the operating business; in terms of consumer

electronics products, strengthen the promotion of niche products, develop multi-facet applications, and deepen cooperation with major customers °

(2) Operation goal: 9% increase in total revenue

(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 °

### **Impact of external competition, legislative environment and macro economics**

The electronic industry is constantly changing. ENE Technology Inc. strives to improve R&D capabilities, plans the product lines in long term perspective and stay flexible strategically to meet the macro challenges. The Company also endeavors to work closely with customers.

ENE has put in a lot of effort in the past few years to improve its efficiency and business and finally see the positive changes in 2020. The global pandemic of COVID-19 since 2019 has brought significant changes to lifestyle in many different aspects such as work, education and entertainment. The commercial and consumer markets continue to depend on electronic devices even more, hence the future demand for laptops is expecting to grow continuously. Taiwan dollars has appreciated strongly and as a result, the Company suffers foreign exchange loss of NT\$35,393 thousands. The Company has adopted natural hedge and use foreign currency to manage currency risks.

Looking forward to the 2021, the Company is well prepared for strategic development and optimistically expecting growth.

ENE TECHNOLOGY INC



Chairman Jason Weng



## **2. Company Profile**

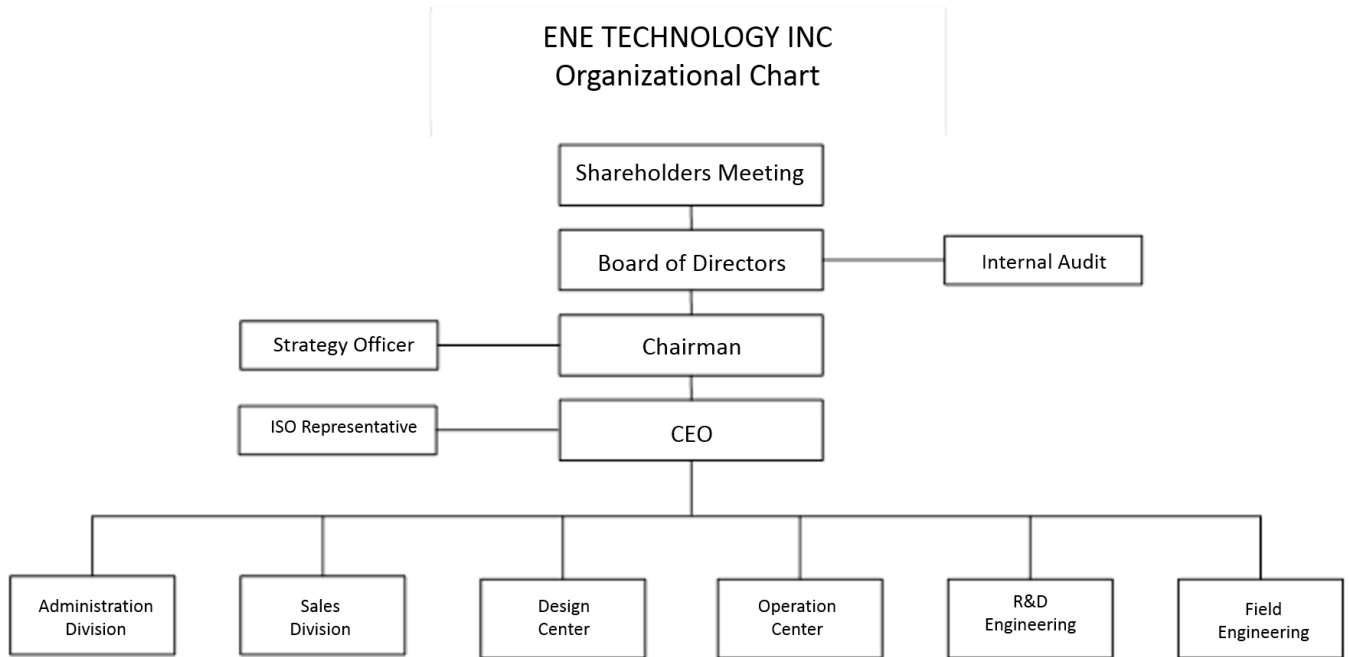
1. Establishment: May 20<sup>th</sup>, 1998
2. Milestones:

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	11 <sup>th</sup> 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	12 <sup>th</sup> Small and Medium Enterprise Innovation Research Award
2006.08	9 <sup>th</sup> 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	16 <sup>th</sup> National Award of Outstanding Small & Medium Enterprises
2008.06	ISO/IEC QC080000 certified
2008.08	Chinese Annual Top Ten Most Promising Golden Torch Award
2008.12	HSPM-RoHS certified
2009.10	Establishment 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
2019.08	ENE Touch Technology Co. Ltd
	New generation PD 3.0 PPS IC certified by USB-IF
2020.01	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 communications
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

2021.04.30

Title	Nationality Registry	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	50,845	0.07	-	-	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	2020.6.14	-	-	-	-	-	-	-	-	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	50,704	0.07	-	-	Bachelor of Accounting, National Chengchi University	The Company: Chief Strategy Officer Others: Director, Sino-American Silicon Products Inc, Director, Advanced Wireless Semiconductor	-	-	-	

Title	Nationality Registry	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:Member of Audit Committee & Remuneration Committee	-	-	-	
Independent Director	Taiwan	Yi Fong Lin	Male	2019.6.13	3	2002.6.12	-	-	-	-	-	-	-	-	NCKU EE Masters, NTU EMBA, Intel Taiwan senior employee Founder of Migo Corp	ENE:Member of Audit Committee & Remuneration Committee Others:Director of Yu Hsin Tech, Focus Tech Chairman	-	-	-	
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:Member of Audit Committee & Remuneration Committee Others:Alcor microelectronic independent director, remuneration committee member,	-	-	-	



Title	Nationality Registry	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	
																Audit Committee member				

Major Shareholders' of Institutional Investor

Name	Top-10 Shareholders of Institutional Investors	%
Asustek	Jonney Shih	4.05%
	Cathay United Bank managed Expert Union Limited Investment account	2.78%
	ASUS's Certificate of Depository with CitiBank (Taiwan)	2.77%
	New Labor Pension Fund Trust	2.19%
	Silchester International Investors International Value Equity Trust Taiwan Bank Silchester International Investors International Value Equity	1.87%
	Yuantai/P-shares Taiwan Dividend Plus ETF	1.38%
	Chase Bank in custody of Saudi Arabia Central Bank investment fund	1.32%
	JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.30%
	JPMorgan Chase Bank in custody for JPMorgan investment fund	1.27%
	JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Starlight Funds	1.20%
Siguard Microelectronics	Yen Yun Investment	2.94%
	Taiwan Cooperative Bank	2.01%
	Hsin Yan Huang	1.63%
	CitiBank (Taiwan) in custody for Norges Bank investment fund	1.58%
	Taiwan Bank in custody of LSV emerging market investment fund	1.38%
	JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.31%
	Ming Chun Chiu	1.31%
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard FTSE Emerging Markets Index ETF investment fund	1.14%
	Standard Chartered International Bank in custody for Credit Swiss International Investment Fund	1.08%
	Standard Chartered International Bank in custody for ISHARES core MSCI emerging market ETF investment fund	0.92%

Major Shareholders of the Company's major institutional shareholders

Name of institutional shareholders	Major shareholders	%
	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 concurrently 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			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Na
Yi Fon Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Na
Shen Yuan Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

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

2021.04.30

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 Inc Supervisor of Premtek, PigModel Animal Technology	-	-	-
Staretyg Officer	Taiwan	Wen Hui Tsai	Male	2007.12.26	1,198,978	1.60	50,704	0.07	-	-	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	-	-	-
F&E 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	32,000	0.04	-	-	-	-	National Chiao Tung University, Master of Computer Science	None	-	-	-
Sales VP	Taiwan	Armingle Lee	Male	2020.01.01	358,000	0.48	76,000	0.10	-	-	NTUT, masters of EE ITE Technical manager	None	-	-	-
R&D Senior Assistant VP	Taiwan	SuWu Lo	Male	2020.03.19	12,000	0.02	-	-	-	-	<u>NCTU Bachelor of EE</u> 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		The Company	Consolidated Entities	
																Cash	Stock	Cash	Stock			
Chairman	Jason Weng	1,321	1,321	-	-	-	-	1,127	1,127	-3.99	-3.99	-	-	-	-	-	-	-	-	-3.99	-3.99	NA
Institutional Director	Siguard Microelectronics	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	NA
Representative of Institutional Director	Chi Chan Chen (2020.6.14 on board)							20	20	-0.03	-0.03									-0.03	-0.03	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	-	-	-	-	-	-	15	15	-0.02	-0.02	1,155	1,155	-	-	-	-	-	-	-1.91	-1.91	NA
Director	Dylan Chung	-	-	-	-	-	-	20	20	-0.03	-0.03	4,136	4,136	108	108	-	-	-	-	-6.95	-6.95	NA
Director	Leo Wu	-	-	-	-	-	-	20	20	-0.03	-0.03	1,154	1,154	55	55	-	-	-	-	-2.00	-2.00	NA
Independent Director	Ming Kun Hou	240	240	-	-	-	-	20	20	-0.42	-0.42	-	-	-	-	-	-	-	-	-0.42	-0.42	NA
Independent Director	Yi Fon Lin	240	240	-	-	-	-	20	20	-0.42	-0.42	-	-	-	-	-	-	-	-	-0.42	-0.42	NA
Independent Director	Shen Yuan Chen	240	240	-	-	-	-	20	20	-0.42	-0.42	-	-	-	-	-	-	-	-	-0.42	-0.42	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	
NA										

Note: Audit Committee was established on June 13<sup>th</sup>, 2020 to replace supervisors.

### 3.3 Remuneration Paid to General Manager and Vice Presidents

Unit: Thousands

Title	Name	Salary(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	1,761	1,761	108	108	2,395	2,395	-	-	-	-	-6.95	-6.95	-
Chief Strategy Officer	Wen Hui Tsai	1,155	1,155	-	-	-	-	-	-	-	-	-1.88	-1.88	-
Executive Vice President	Galen Chai	1,923	1,923	108	108	713	713	-	-	-	-	-4.47	-4.47	-
Vice President	Dennis Lee	1,676	1,676	108	108	672	672	-	-	-	-	-4.00	-4.00	-
Vice President	Kasper Tsai	1,588	1,588	108	108	759	759	-	-	-	-	-4.00	-4.00	-

### 3.4 Top five remuneration paid to the managers

Unit: Thousands

Title	Name	Salary(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	1,761	1,761	108	108	2,395	2,395	-	-	-	-	-6.95	-6.95	-
Executive VP	Galen Chai	1,923	1,923	108	108	713	713	-	-	-	-	-4.47	-4.47	-
Vice President	Dennis Lee	1,676	1,676	108	108	672	672	-	-	-	-	-4.00	-4.00	-
Vice President	Kasper Tsai	1,588	1,588	108	108	759	759	-	-	-	-	-4.00	-4.00	-
Senior Assistant VP	SuWu Lo	1,219	1,219	101	101	593	593	-	-	-	-	-3.12	-3.12	-

### 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	2020		2019	
	The Company	Consolidated Entities	The Company	Consolidated Entities
Net income (Thousands)	(61,358)	(61,358)	(65,253)	(65,253)
Compensation to Directors (Thousands)	3,313	3,313	3,603	3,603
% of Compensation to Directors to Net income	(5.40%)	(5.40%)	(5.52%)	(5.52%)
Compensation to Supervisors (Thousands)	—	—	339	339
% of Compensation to Supervisors to Net income	—	—	(0.52%)	(0.52%)
Compensations to CEO and VPs (Thousands)	13,074	13,074	18,938	18,938
% of Compensation to CEO and VPs to Net income	(21.31%)	(21.31%)	(29.02%)	(29.02%)

2. The determination of compensation for directors, supervisors, CEO and vice presidents:  
The Company has established Remuneration and Compensation Committee on December 6<sup>th</sup>, 2011. The committee review directors, supervisors, and managers' compensation and related policies. Compensation to the Directors 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 paid in 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 service 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 4 times in 2020 (A)

Title	Name(Note1)	Attendance in Person (B)	Attendance by Proxy	Rate of attendance in person (%)	Note
Chairman	Jason Wenf	4	0	100%	
Director	Wen Hui Tsai	3	0	75%	
Director	ASUSTEK Computer Inc. Representative: Ching Chi Wu	2	0	50%	
Director	Siguard Microelectronics Representative: Chi Chan Chen	4	0	100%	
Director	Dylan Chung	4	0	100%	
Director	Leo Wu	4	0	100%	
Independent Director	Ming Kun Hou	4	0	100%	
Independent Director	Yi Fon Lin	4	0	100%	
Independent Director	Shen Yuan Chen	4	0	100%	

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.

BOD	Agenda	Independent Directors' opinions or objections
109/03/19 8 <sup>th</sup> Committee 4 <sup>th</sup> 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 Liability Insurance for Directors and eligible employees.	NA
Opinions of independent directors: NA		
Subsequent actions for Independent Directors opinion:: NA		

- (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 2020.01.01~2020.12.31. The result was

Title	Name(Note1)	Attendance in Person (B)	Attendance by Proxy	Rate of attendance in person (%)	Note
<p>Marked “exceptional”. The aforementioned result has been reported to the Board on March 11<sup>th</sup>, 2021 and the Remuneration Committee on April 8<sup>th</sup>.</p> <p>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:</p> <p>(1) The company has followed the regulation to stipulate BOD operation policy and disclose related information on MOPS.</p> <p>(2) The company has taken out Directors and Officers Liability Insurance for Director and Key Managers.</p> <p>(3) Remuneration Committee was established and a charter was stipulated on December 6<sup>th</sup>, 2011. Three independent directors were appointed as committee members by the BOD on June 21<sup>st</sup>, 2019. The main responsibilities of the committee are to review and assess the performance of directors and managers and their remuneration packages.</p> <p>(4) Auditing Committee was established to replace supervisors on the Board on June 13<sup>th</sup>, 2019.</p>					

#### Evaluation of BOD

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Methods	Evaluation Content
Once a year	2020/01/01 to 2020/12/31	Performance evaluations on BOD, individual directors, audit committee members, Remuneration Committee members	1. Performance of BOD 2. Self-evaluation of Board members 3. Performance of Audit committee 4. Performance of Remuneration Committee	<p>A. The performance of the board of directors covered the following five aspects:</p> <p>1.Participation in the operation of the company;</p> <p>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.</p> <p>B. The criteria for self-evaluation of the Board members includes the following six aspects:</p> <p>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.</p> <p>C. The criteria for evaluating Audit Committee:</p> <p>1.Participation in the operation of the Company, 2.Awareness on the responsibilities of the functional committee, 3.Improvement on the quality of decisions, 4.Composition and election of the committee members, 5.Internal audit</p> <p>D. The criteria for evaluating Remuneration Committee:</p> <p>1.Participation in the operation of the Company, 2.Awareness on the responsibilities of the functional committee, 3.Improvement on the quality of decisions, 4.Composition and election of the committee members, 5.Internal audit</p>

## 4.2 Audit Committee

Four meetings were held in 2020: attendance rate of independent directors are as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate in person	Note
Convener	Shen Yuan Chen	4	0	100%	
Member	Ming Kun Hou	4	0	100%	
Member	Yi Fong Lin	4	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 table

Audit committee	Agenda	Items approved by 2/3 of BOD but not yet approved by Audit Committee
2020/03/19 1 <sup>st</sup> Committee 4 <sup>th</sup> meeting	Competency evaluation on CPA and the auditing team	NA
	2019 Business report, independent and consolidated financial reports	NA
	Proposal for Internal Control Regulations 2019	NA
2020/08/04 1 <sup>st</sup> Committee 6 <sup>th</sup> meeting	2020Q2 Consolidated Financial Report	NA
Resolution: approved unanimously		
Subsequent action towards opinions of independent directors: approved unanimously		

(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
2020/03/19	Communication between accountants, independent directors, supervisors and internal audit. Internal auditor present Audit report to independent directors and supervisors. Internal auditor present internal self evaluation of each functions

Title	Name	Attendance in Person	By Proxy	Attendance rate in person	Note
	2020/05/06	Internal 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 the Audit committee on financial report audit result, key auditing matters and material legislation amendments at least once a year
	2020/08/04	Internal auditor present Audit report to independent directors			
	2020/11/03	Internal auditor present Audit report to independent directors			

#### 4.3 Corporate Governance Status and Deviations from the Corporate Governance 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 internal risk management system on the important internal control regulations. (4) The company has stipulated Rules for Handling Material Information to prohibit insider tradings. Any violation against the rules leads to damages of company property and interests shall be brought to the legal authority.	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	✓  ✓		(1)There are 9 BOD members including 3 independent directors. Please refer to credentials of directors and supervisors. (2)Remuneration Committee and Audit Committee has established. (3)Performance Evaluation of the Board of Directors was stipulated. The 2020 evaluation result was “outstanding” and	(1) (3) (4) No discrepancy  (2)Other functional committee 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	
<p>Committee and the Audit Committee which are required by law, does the Company plan to set up ther Board committees?</p> <p>(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?</p> <p>(4) Does the Company regularly evaluate its external auditors’ independence?</p>	<p>✓</p> <p>✓</p>		<p>has been reported to the BOD on March 11<sup>th</sup>, 2021. It will be the future reference when determining remuneration and nomination of directors.</p> <p>(4)The finance department evaluates the eligibility and individuality of CPA once a year. The result has been reported to the BOD on March 11<sup>th</sup>, 2020. Independent auditors Mei-Yu Tseng and Chien Hui Lu were both eligible.</p>	
<p>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)?</p>		✓	<p>The Compnay has not yet set up a CSR department but has assigned an administrator to handle related affairs on 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.</p>	
<p>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.</p>	✓		<p>The company has established channels of communication with stakeholders including multi-lingual company website with Stakeholder Section and contact window.</p>	No discrepancy
<p>6. Has the Company appointed a professional registrar for its Shareholders’ Meetings?</p>	✓		<p>The company has appointed Yuanta Securities for its Shareholder’s Meeting.</p>	No discrepancy
<p>7. Information Disclosure</p> <p>(1) Has the Company established a</p>	✓		<p>(1)The company has set up a website containing the information regarding</p>	No discrepancy

Items of Evaluation	Implementation			Deviations from“ the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”and Reasons
	Y	N	Summaries	
<p>corporate website to disclose information regarding its financials, business and corporate governance status?</p> <p>(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.)?</p> <p>(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?</p>	<p>✓</p> <p>✓</p>		<p>financials, business and corporate governance status. <a href="http://www.ene.com.tw">www.ene.com.tw</a></p> <p>(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.</p> <p>(3)The company announces and reports the annual financial reports within the regulated deadline.</p>	
<p>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)?</p>	✓		<p>■Employee benefits and rights: Employees are able to express opinions and defend its right through email and quarterly employee meetings.</p> <p>■Employment relationship: human resource regulations are complete and efficient. Employee Welfare Committee was established to enhance employee benefits and welfare.</p> <p>■Investor relationship: the company sets up multi-lingual company website, emails and spokesperson system as investors communication channel.</p> <p>■Supplier relationship: the company maintains good relationship with vendors and endeavors to achieve better CSR and ensure products comply with RoHS and REACH regulations.</p> <p>■Stakeholder’s right: the company has established company website with information on contact window and spokesperson system as stakeholder’s communication channel.</p> <p>■Continuing education of Directors and managers: please refer table below for details.</p> <p>■Implementation of risk management policy risk evaluation measure: please refer to Section 7 item 6 Risk items for details.</p> <p>■The implementation of customer</p>	No discrepancy

Items of Evaluation	Implementation			Deviations from“ the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”and Reasons
	Y	N	Summaries	
			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 <sup>st</sup> , 2003.	
<p>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.</p> <p>Result of 2020 evaluation: in the bracket of 21%~35%</p> <p>(1) Improved:</p> <p>Increasing the transparency of company related information: English annual report and English financial reports with complete notes are provided from 2020Q1 onwards.</p> <p>Increasing the transparency of company related information: two or more investors conferences were held in 2020.</p> <p>Enhance the CSR: human right policy was stipulated and announced in company website</p> <p>(2) Future improvement plan:</p> <p>1. Improvement of information transparency: to provide English Financial Reports with notes within two months time after the Chinese version is announced.</p> <p>2. Improvement of information transparency: to submit the Chinese financial reports to the BOD for approval 7 days before the deadline; to announce the approved financial report on the day of approval or within the next day.</p> <p>3. Establish IT safety and risk management framework and disclose the information in the Company website.</p> <p>4. To hold investors conferences every quarter or to update quarterly results on a regular basis.</p>				

2020 evaluation 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 affect the 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

Item	Evaluation	Results
10	Do the accountants permit others to practice under their name?	No
11	Do the accountants have relationship of collective investment or profit sharing with the company?	No

2020 continuing education of Directors and Managers:

Title	Name	Date	Hosted by	Course Content	Hours
Director	Jason Weng	2020/09/18	Accounting Research and Development Foundation	Please refer to Chinese version for details or contact IR contact window for details.	3
Director	Jason Weng	2020/09/11	Taiwan Association of Board Governace		3
Representative of institutional director	Chi Chan Chen	2020/07/23 2020/07/24	Accounting Research and Development Foundation		12
Independent Director	Shen Yuan Chen	2020/09/24	Accounting Research and Development Foundation		3
Independent Director	Shen Yuan Chen	2020/09/11	Taiwan Association of Board Governace		3
Director	Dylan Chung	2020/9/22	Taiwan Institute of Directors		3
Director	Dylan Chung	2020/09/11	Securities and Futures Institutes		3
Independent Director	Ming Kun Hou	2020/9/04	Taiwan Association of Board Governace		3
Independent Director	Ming Jun Hou	2020/09/11	Securities and Futures Institutes		3
Director	Leo Wu	2020/10/14	Securities and Futures Institutes		3
Director	Leo Wu	2020/10/14	Taiwan Association of Board Governace		3
Representative of institutional director	Ching Chi Wu	2020/10/22	Securities and Futures Institutes		3
Representative of institutional director	Ching Chi Wu	2020/09/11	Taiwan Association of Board Governace		3
Director	Wen Hui Tsai	2020/11/05	Taiwan Corporate Governance Association		3
Director	Wen Hui Tsai	2020/08/06	Taiwan Corporate Governance Association		3
Independent Director	Yi Fong Lin	2020/10/14	Securities and Futures Institutes		3
Independent Director	Yi Fong Lin	2020/09/11	Taiwan Association of Board Governace		3



## 4.4 Remuneration Committee

### 4.4.1. Composition of Remuneration Committee

Title	Criteria	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			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	NA
Independent director	Shen Yuan Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

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 2 times in 2020:

Title	Name	Attendance in person	By Proxy	Attendance Rate (%)	Note
Convener	Ming Kun Hou	2	0	100%	
Member	Shen Yuan Chen	2	0	100%	
Member	Yi Fong Lin	2	0	100%	
<p>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.</p> <p>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.</p> <p>3. Discussion items and resolutions are listed in the table below.</p> <p>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.</p>					

#### Discussion, resolutions and implantation from Remuneration Committee:

Remuneration Committee	Discussion	Resolution	Follow up actions from the Company	Implentation
2020/04/08 4 <sup>th</sup> Committee 3 <sup>rd</sup> Meeting	Review eligibility of managers	Approved unanimously	NA	Reported to and approved by the BOD on 2020/05/06
2020/10/21 4 <sup>th</sup> Committee 4 <sup>th</sup> Meeting	Proposal for 2021 employees compensation adjustments	Approved unanimously	NA	Reported to and approved by the BOD on 2020/11/03
2021/04/08 4 <sup>th</sup> Committee 5 <sup>th</sup> Meeting	Review eligibility of managers	Approved unanimously	NA	Reported to and approved by the BOD on 2021/05/04

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

Item	Implementation			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons												
	Y	N	Summary													
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?	✓		The highest unit responsible of risk management is BOD.	No discrepancy												
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?		✓	No dedicated department was appointedfor CSR, but CSR related affairs have been taken care of.	The company may promote CSR related activites and report to the BOD.												
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?	✓  ✓ ✓  ✓		(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. The Company also complies with the restrictions on harmful materials to decrease the impact on environment. (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 plastic cuttery and paper cups, A/C temperature control, use of rechargeable batteries.. (4) The company has set the target of decrease 1% greenhouse gas emission every year for the next three years: The Company has no wasted materials in 2020. The major source of wasted materials is scraped ICs. <table><tr><td></td><td>2020</td><td>2019</td></tr><tr><td>CO<sup>2</sup></td><td>101,621 Kg</td><td>190,532Kg</td></tr><tr><td>Water usage</td><td>899,000 liters</td><td>849,000 liters</td></tr><tr><td>Wasted materials</td><td>0 Kg</td><td>94 Kg</td></tr></table>		2020	2019	CO <sup>2</sup>	101,621 Kg	190,532Kg	Water usage	899,000 liters	849,000 liters	Wasted materials	0 Kg	94 Kg	No discrepancy
	2020	2019														
CO <sup>2</sup>	101,621 Kg	190,532Kg														
Water usage	899,000 liters	849,000 liters														
Wasted materials	0 Kg	94 Kg														
4. Social Issues (1) Does the Company set policies and procedures in compliance with regulations	✓		(1) The company respect the variety of human resource compositions. All	No discrepancy												

Item	Implementation			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N	Summary	
<p>and internationally recognized human rights principles?</p> <p>(2) Has the Company established and implemented a reasonable employee benefit policy (including remuneration, vacation and other benefits, etc.) where operating performance or results are appropriately reflected in employee compensation?</p> <p>(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?</p> <p>(4) Has the Company established effective career development training plans?</p> <p>(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?</p> <p>(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?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>appointment policies abide by the international human rights conventions, including the International Human Rights Code, the International Labour Organization-Declaration of Fundamental Principles and Rights at Work, and the Ten Principles of the United Nations Global Covenant. The Company has stipulated a Human Rights Policy stating regardless of the following but not limited to factors such as race, color, gender, sexual orientation, age, language, marital status, political stance, religious belief, physical and mental disability, socioeconomic class, etc., all employees, contract and temporary personnel, interns, etc. shall be treated equally.</p> <p>(2)</p> <p>2.1 The company stipulates remuneration policy and states clearly in the article 32 of Articles of Corporation that no less than 20% of the profits after offsetting the accumulated deficit shall be allocated as employee compensation.</p> <p>2.2 In accordance with the Regulations of Compensation, the average salary adjustment for 2020 is 1~3%.</p> <p>2.3 Please refer to Section 5 Labor relations for details on the employee benefits.</p> <p>(3) The company endeavors to provide safe and comfortable working environment. The offices are equipped with access controls and monitoring system, conducts annual fire inspections, and convenes labor safety and hazards prevention seminars. Daily cleaning and tidying up of the offices as well as quarterly sanitization are performed. New employees are provided with basic medical examinations. Annual health examinations are also conducted to all employees. In addition, the Company stipulates female protection plan to ensure safety at</p>	

Item	Implementation			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N	Summary	
			<p>work and physical/psychological wellbeing for female employees.</p> <p>(4) Human resource development plan is established.</p> <p>(5) The company has established a system of customer services to serve our customers.</p> <p>(6) The company has formulated a solid supplier management and communicate with our supplier on regular basis to ensure the regulations are followed.</p>	
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 affairs 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 Practice Principles but has incorporated the principles into the daily operation and report the CSR related affairs 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 communicates with customers and create task force to tackle 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

Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N	Summary	
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?	✓		(1) Codes of Ethics and Conduct has been established on November 7 <sup>th</sup> , 2014 and released in the Company website.	No Discrepancy

Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N	Summary	
<p>(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?</p> <p>(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?</p>	✓		<p>(2)The company has clearly states the codes of ethics and conducts in various documents and manuals.</p> <p>(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.</p>	
<p>2. Ethic Management Practice</p> <p>(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?</p> <p>(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?</p> <p>(3) Does the Company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?</p> <p>(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?</p> <p>(5) Does the Company provide internal and external ethical conduct training programs on any regular basis?</p>		✓	<p>(1) Trading partners are able to follow the code of ethics of the company.</p> <p>(2) HR and legal departments are assigned as the responsible units and prepares quarterly reports to BOD.</p> <p>(3) Directors comply with the codes carefully and avoid conflict of interests whenever necessary.</p> <p>(4) The company has established an effective accounting system and internal control system, internal auditor checks the internal systems periodically.</p> <p>(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 participate in the internal ethical training course is 65 in 2020. Total number of employees participate in the internal anti-insider trading course is 65 in 2020.</p>	<p>(1)The company has not signed official documents with trading partners.</p> <p>(2) (3) (4) (5) No discrepancy</p>
<p>3. Implementation of Complaint Procedures.</p> <p>(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?</p> <p>(2) Has the Company established standard</p>	✓	✓	<p>(1) The company has stipulate work regulation that includes codes of ethics. Any violation shall be punished.</p>	No discrepancy

Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Y	N	Summary	
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?	✓		(2) The company has established SOP for investigating the complaints received, HR and legal are responsible for taking corresponding measures after investigation. (3) The company shall adopt proper measures to prevent complainant from retaliation for filing a complaint.	
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 reports for the BOD as well as disclose related information on the company websites and MOPS.	No discrepancy
5. If the Company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their implementation. No discrepancy.				
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.				

4.7 Inquiry on corporate governance 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 11<sup>th</sup>, 2021

Based on the findings of a self-assessment, ENE TECHNOLOGY INC. states the following with regard to its internal control system during the year 2020:

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, 2020, 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 2020 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 11<sup>th</sup>, 2021, 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 of 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 publication of this annual report:  
None

4.11 Major Resolutions of Shareholder's Meeting and Board Meetings

1.Resolutions of shareholder's Meeting on June 10<sup>th</sup>, 2020:

Item	Resolutions	Implementation Status
To adopt 2019 Business Report and Financial Statements	Approved as proposed	Implemented accordingly
To approve the Proposal for 2019 Deficit Appropriation	Approved as proposed	Implemented accordingly

2.Major Resolutions of the BOD Meetings in 2020:

Dates	Important Resolutions	Implementation
2020/03/19 8 <sup>th</sup> Committee 4 <sup>th</sup> meeting	1. Amendments to BOD Performance Appraisal, new stipulation of PA for functional committee 2. Additional evaluation items for appointment of independent auditor and audit team 3. 2019 Internal Control declaration 4. 2019 Business report, Parent only Financial report and Consolidated Financial Report. 5. 2019 appropriation of loss 6. 2020 business plan 7. 2020 Shareholder's meeting arrangements. 8. Shareholders' proposal. 9. Insurance of Liabilities for Director, supervisor and managers. 10. Proposal for new VP. 11. Cathay Bank short term loan 12. Taipei Fubon Bank short term loan.	Approved unanimously
2020/05/06 8 <sup>th</sup> Committee 5 <sup>th</sup> meeting	1. Remuneration Committee reviews lists of managers and compensation proposal 2. Taipei Fubon Bank bank loan proposal	Approved unanimously
2020/08/04 8 <sup>th</sup> Committee 6 <sup>th</sup> meeting	1. Proposal for Cathay Bank financing quota application.	Approved unanimously

Dates	Important Resolutions	Implementation
2020/11/03 8 <sup>th</sup> Committee 7 <sup>th</sup> meeting	<ol style="list-style-type: none"> <li>1. Remuneration Committee reviews lists of managers and compensation proposal</li> <li>2. 2021 Internal Audit Plan</li> <li>3. Quota application for operational fund at China Trust Bank</li> </ol>	Approved unanimously
2021/03/11 8 <sup>th</sup> Committee 8 <sup>th</sup> meeting	<ol style="list-style-type: none"> <li>1. 2020 Internal Audit Declaration</li> <li>2. 2020 Business report, Parent only Financial report and Consolidated Financial Report.</li> <li>3. 2020 appropriation of loss (accumulated loss has reached 50% of the paid in capital)</li> <li>4. 2021 Business plan</li> <li>5. 2021 Shareholder's meeting arrangement</li> <li>6. Shareholder's proposal</li> <li>7. Appointment and compensation for independent auditors for 2020</li> <li>8. Liability Insurance</li> <li>9. HR arrangement proposal</li> <li>10. Cathay Bank short term loan</li> <li>11. Taipei Fubon Bank short term loan</li> </ol>	Approved unanimously
2021/04/21 8 <sup>th</sup> Committee 9 <sup>th</sup> meeting	<ol style="list-style-type: none"> <li>1. Proposal for capital reduction to offset accumulated loss</li> <li>2. Proposal for issuance of restricted stock awards for employees</li> <li>3. Proposal for cash offering through private placement and issuance of new shares</li> <li>4. Amendments to Shareholder's meeting agenda in response to the additional proposals to be brought to shareholder's meeting.</li> </ol>	Approved unanimously
2021/05/4 8 <sup>th</sup> Committee 10 <sup>th</sup> meeting	Remuneration Committee reviews lists of managers and compensation proposal	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	1,950	0	2020/01/01 ~ 2020/12/31

- (1) Change of Accounting firm and the Audit fee paid is less than previous year, please disclose the former audit fee paid and the reason for change: NA
- (2) Decrease ratio of audit fee is more than 10%, please disclose the amount decreased, ration and reason: NA

6. Replacement of CPA:

Replacement of CPA within 2 years:

(1) Former CPA

Replacement date	2019.03.20		
Reason and descriptions	Internal job rotation of KPMG		
Termination by the Company or appointment declined by CPA	Status		CPA      The Company
	Termination by Company		NA      NA
	Declined by CPA		NA      NA
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Opinions differ from the Company	Y		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	N	✓	
	description		
Other disclosures	None		

(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 2020.

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

### (1) Changes in shareholdings

Title	Name	2020		As of Apr. 30, 2021	
		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 2020/06/14)	-	-	-	-
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	-	-	-	-
VP	Galen Chai	-	-	-	-
VP	Dennis Lee	-	-	-	-
VP	Kasper Tsai	(18,000)	-	-	-
Director	Armingle Lee (Appointed 2021/01/01)	-	-	-	-
Director	Su Wu Lo (Appointed 2021/03/19)	(5,000)	-	(33,000)	-

The table only discloses the changes occurred during the period of employment.

(2) Transfer of shareholdings and changes in pledges: none

## 9. Relationship among the top ten shareholders

2021.04.04

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%	50,845	0.07%	-	-	NA	NA
Siguard	1,373,798	1.83%	-	-	-	-	NA	NA
Siguard representative-Chi Chan Chen	0	0.00%	-	-	-	-	NA	NA
Wen Huei Tsai	1,198,978	1.60%	50,704	0.07%	-	-	NA	NA
Asustek	917,247	1.22%	-	-	-	-	NA	NA
Asustek representative-Chin Chi Wu	0	0.00%	-	-	-	-	NA	NA
Standard Chartered International Bank in Custody for Credit Swiss International investment Fund	607,000	0.81%	-	-	-	-	NA	NA
Yua One Chen	530,000	0.71%	-	-	-	-	NA	NA
CitiBank (Taiwan) in Custody for Swiss Bank Europe SE Investment Fund	519,000	0.69%	-	-	-	-	NA	NA
Rai Hwa Hsu	430,000	0.57%	-	-	-	-	NA	NA
Yi Yen Lin	421,000	0.56%	-	-	-	-	NA	NA
Yon Hwa Lo	408,000	0.54%	-	-	-	-	NA	NA

## 10. Ownership of Shares in Affiliated Enterprises

2021.04.30 (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 Capital and Shares

#### (1) Changes in share capital

##### 1. Issued Shares

Month/Year	Par	Authorized Capital		Actual Capital		Remark		
	Value NT\$	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	Cancellation of treasury stock NT\$ 3,210 ,000	None	Note
Note: 2016.June.30 #1050017515								

##### 2. Type of Stock

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

Note: the company shares are listed shares.

#### (2) Shareholder Structure

2021.04.04

Category	Government Institution	Financial Institution	Other Institution	Individual	FINI	Total
No. of Shareholders	1	0	223	34,154	43	34,421
Shareholding (shares)	139	0	2,425,186	70,083,517	2,467,851	74,976,693
%	0%	0%	3.24%	93.47%	3.29%	100%

#### (3) Distribution of Shareholdings

2021.04.04

Catogory by shareholdings	No. of Shareholders	No. of Shares	%
1 ~ 999	23,916	495,418	0.66
1,000 ~ 5,000	7,995	16,487,238	22.00
5,000 ~ 10,000	1,349	10,551,223	14.07
10,001 ~ 15,000	397	4,951,392	6.60
15,001 ~ 20,000	237	4,426,467	5.90
20,001 ~ 30,000	190	4,906,884	6.54
30,001 ~ 40,000	98	3,480,154	4.64
40,001 ~ 50,000	57	2,658,894	3.55
50,001 ~ 100,000	111	7,792,876	10.39
100,001 ~ 200,000	43	6,386,713	8.52
200,001 ~ 400,000	18	4,804,401	6.41
400,001 ~ 600,000	5	2,308,000	3.08
600,001 ~ 800,000	1	607,000	0.81
800,001 ~ 1,000,000	1	917,247	1.22
1,000,001 and above	3	4,202,786	5.61
Total	34,421	74,976,693	100.00

(4)List of major shareholders

Shareholdings more than 5 % of total capital and top ten shareholders:

2021.04.04

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.Standard Chartered International Bank in Custody for Credit Swiss International Investment Fund	607,000	0.81%
6.Yua One Chen	530,000	0.71%
7. CitiBank (Taiwan) in Custody for Swiss Bank Europe SE Investment Fund	519,000	0.69%
8.Rai Hwa Hsu	430,000	0.57%
9.Yi Yen Lin	421,000	0.56%
10.Yon Hwa Lo	408,000	0.54%
Total	8,035,033	10.72%

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

Unit: NTD\$

Item \ Year		2019	2020	Q1/2021
Market Price per share	Highest	12.60	15.05	24.00
	Lowest	8.66	5.05	13.80
	Average	10.33	10.47	18.12
Net Worth per share	Before distribution	6.69	5.87	6.05
	After distribution	-	-	-
Earning per share	Weighted Average Shares (thousand shares)	74,977	74,977	74,977
	Diluted Earnings Per Share	(0.87)	(0.82)	0.18
	Adjusted Diluted Earnings Per Share	-	-	-
Dividends 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

Article 33 of Articles of Company: No less than 50% of net earnings shall be allocated to

the dividends. No less than 50% shall be 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) Impact of company operation and earnings per shares from the proposed bonus shares issuance: none

(8) Remuneration of employees, directors and supervisors

1. Remuneration of employees, directors and supervisors as regulated in Articles of Corporation: if there is profit, no less than 20% shall be allocated for employees and no more than 3 % for directors as remuneration. The remuneration can be in form of stocks or cash. Eligibility for the allocation shall be decided by the BOD. BOD remunerations shall be in form of cash and employees remuneration can be in stock or cash. 2/3 of BOD shall be present and the decision shall be approved by 50% of the presenting directors and report at the shareholder's meeting.

2. The estimated basis for the remuneration of employees, directors and supervisors in the current period, the calculation basis for the number of shares of employee remuneration distributed by stocks, and the accounting treatment if the actual distribution amount is different from the estimated amount: not applicable

3. Remunerations approved by BOD:

3.1 Remuneration for employees and the amount of compensation for directors and supervisors distributed in cash or stocks. If there is a discrepancy from the annual estimated amount of recognized expenses, the number of discrepancies, reasons and handling circumstances should be disclosed: not applicable

3.2 The amount of employee compensation distributed by stocks and its proportion to the total amount of individual or individual financial report after-tax net profit and employee compensation in the current period: not applicable

4. The actual distribution of the remuneration of employees, directors and supervisors in the previous year, and the difference between the remuneration of recognized employees, directors and supervisors, and the number of differences, reasons and handling circumstances should be stated: not applicable

(9) 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 restricted stock awards for employees: 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	%
Computer peripheral and consumer electronics related IC	87.68%
Others	12.32%
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 2020, a slight increase compared with 2019. 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**

Looking forward to the development trend of notebook computers in 2021, there will be different designs for different usage scenarios. In terms of commercial models, the lens and connection equipment are bound to be strengthened to improve the quality of work. In

terms of the design trend of consumer models, the main requirements are thinner design with lower power consumption to improve mobility. Specific brands will further categorize their strategies to meet specific needs of the market, such as gaming players, advanced designers or creators. The company continues to develop high-performance embedded controllers to meet the needs of major customers as well as accelerating the development of highly integrated platforms for gaming peripheral products and strengthening customer service.

2020 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

	2020	Q1/2021 (Reviewed by CPA)
R&D expenses	62,417	15,201
Consolidated Revenue	636,513	186,409
%	9.81%	8.15%

#### 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. To fulfill the demand requested by NB customers as much as possible

2. To accelerate development of gaming related products
3. To expand customer base of consumer related products and aiming for more design-in with branded customers

Long term sales development plan:

1. Cultivate core technology and provide customers with competitive solutions
2. Adjust the organization and improve the operating efficiency
3. Continuous in-depth cooperation with current customer
4. Develop new applications

## B. Market and Sales Overview

### (1) Market analysis

#### 1.Sales Region

Unit: Thousand dollars; %

Region \ Year	2020		2019	
	Revenue	%	Revenue	%
China	387,429	60.87	373,004	66.61
Taiwan	245,393	38.55	182,351	32.57
Others	3,691	0.58	4,578	0.82
Total	636,513	100.00	559,933	100.00

#### 2.Market share

Product	2020	2019
NB shipment	200 million units	164 million units
Market share of the Consolidated	20%~30%	20%~30%

Source: consolidated estimation of market research institutes and the Company

#### 3.Market analysis and future outlook

2020 global pandemic of COVID-19 has reshaped our life and work styles. Work from home (WFH) and stay-home entertainment have been an obvious trend and stimulated the growth of NB demand. The market estimates that the NB demand shall continue to grow with annual growth rate of 5~10% from 2020. However, the electronic industry is experiencing high tensions and challenges due to capacity issues, material shortages and enormously extended lead time.

#### 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 closely with wafer manufacturing partners to secure stable supply of wafer.

(4) Major accounts in the last two years

**1. Key customers**

thousands; %

	2019				2020				2021Q1			
	Name	Amount	%	Relation with Issuer	Name	Amount	%	Relation with Issuer	Name	Amount	%	Relation with Issuer
1	C	267,109	48	NA	C	283,276	44	NA	C	70,958	38	NA
2	B	55,902	10	NA	Asus	83,227	13	Related Party	Asus	24,427	13	Related Party
3	Asus	53,535	10	Related Party	B	28,927	5	NA	D	13,914	8	NA
4	Others	183,387	32		Others	241,083	38		Others	77,110	41	
	Total	559,933	100		Total	636,513	100		Total	186,409	100	

**2. Major suppliers**

thousands; %

	2019				2020				2021Q1			
	Name	Amount	%	Relation with Issuer	Name	Amount	%	Relation with Issuer	Name	Amount	%	Relation with Issuer
1	SA	312,235	96	NA	SA	179,174	96	NA	SA	71,716	99	NA
2	SB	7,112	2	NA	SC	5,004	3	NA	SC	401	1	NA
3	Others	5,860	2	NA	Others	2,610	1	NA	Others			
	Total	325,207	100		Total	186,788	100		Total	72,117	100	

(5) Production information in the last two years

thousand unit; thousand dollars

Production Major products	Year	2020			2019		
		Capacity	Quantity	Value	Capacity	Quantity	Value
NB related products		-	58,249	478,308	-	50,995	443,735
Others		-	0	0	-	0	0
Total		-	58,249	478,308	-	50,995	443,735

(6) Sales value in the last two years

thousand unit; thousand dollars

Sales Value Major Products	Year	2020				2019			
		Domestic		Export		Domestic		Export	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
NB related products and others		11,011	108,228	47,887	528,285	9,238	83,616	39,855	476,317
Total		11,011	108,228	47,887	528,285	9,238	83,616	39,855	479,317

C.Employee Data

Year		As of March 31 <sup>st</sup> , 2021	2020	2019
Employee Number	Direct	-	-	-
	Indirect	67	66	64
	Total	67	66	64
Average age		44.62	44.46	43.58
Average seniority		9.15	9.27	8.78
Academic demographic	PHD	-	-	-
	Masters	42%	41%	41%
	Bachelor	55%	56%	56%
	High School	3%	3%	3%
	Under High School	-	-	-

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\$220 thousands in 2020. 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 agreement and employee rights protection policies are listed in the following:
  1. Employee benefits: please refer to company website for information.

2. Training and development:

2020 training information for the employees are:

Type	No. of employees	Hours	Amount \$
Job related	42	210	33,800
Common category	158	148	0
2020	200	358	33,800

3. Retirement

The company has set up "Retirement Management Measures", and established the Labor Retirement Reserve Supervision Committee, and held one meetings in 2020. 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 between the management and employees. no major disputes.

- (2) At the time of printing this publication, loss incurred by 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 (N1)					As of Mar 31, 2021 (N3)
		2016	2017	2018	2019	2020	
Current assets		860,083	849,430	929,214	839,990	832,378	819,837
Property, Plant and Equipment (N2)		14,622	16,138	11,980	8,854	12,509	11,414
Intangible assets		2,792	788	112	0	0	0
Other assets (N2)		10,796	12,714	12,618	17,864	28,086	26,398
Total assets		888,293	879,070	953,924	866,708	872,973	857,649
Current liabilities	Before Distribution	145,343	252,626	387,296	362,802	412,614	387,527
	After Distribution	145,343	252,626	387,296	362,802	412,614	387,527
Non-current liabilities		2,155	1,350	33	2,316	20,006	16,484
Total liabilities	Before Distribution	147,498	253,976	387,329	365,118	432,620	404,011
	After Distribution	147,498	253,976	387,329	365,118	432,620	404,011
Equity attributable to shareholders of the parent		740,795	625,094	566,595	501,590	440,353	453,638
Capital stock		749,767	749,767	749,767	749,767	749,767	749,767
Capital surplus		88,085	81,967	81,967	81,967	81,967	81,967
Retained earnings	Before Distribution	(97,320)	(206,640)	(260,272)	(325,252)	(386,539)	(373,252)
	After Distribution	(97,320)	(206,640)	(260,272)	(325,252)	(386,539)	(373,252)
Other equity interest		263	0	(4,867)	(4,892)	(4,842)	(4,844)
Treasury stock		0	0	0	0	0	0
Non-controlling interest		0	0	0	0	0	0
Total equity	Before Distribution	740,795	625,094	566,595	501,590	440,353	453,638
	After Distribution	740,795	625,094	566,595	501,590	440,353	453,638

Note1: Information on 2016 ~2020 has been audited by CPA

Note2: If an asset revaluation has been performed in the current year, the date of processing and the revaluation value added should be listed

Note3: Financial information listed before the annual report is printed has been reviewed by CPA

Note4: The above-mentioned post-distribution figures shall be filled out according to the resolutions of the shareholders meeting of the following year

Note5: No correction or reedition has been requested by the authority on any of the financial information provided.

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

Unit: Thousands

		Financial standing for the last 5 years (N1)					As of Mar 31, 2021 (N2)
		2016	2017	2018	2019	2020	
Operating revenue		516,275	496,929	516,391	559,933	636,513	186,409
Gross margin		137,369	123,902	119,868	121,352	145,920	49,673
Profit from operations		(97,936)	(94,763)	(82,666)	(61,635)	(25,572)	4,297
Non-operating income & expenses		(4,303)	(15,287)	22,528	(3,618)	(35,786)	8,990
Income before tax		(102,239)	(110,050)	(60,138)	(65,253)	(61,358)	13,287
Net income (Loss) (continuing business)		(100,693)	(110,050)	(60,138)	(65,253)	(61,358)	13,287



	Financial standing for the last 5 years (N1)					As of Mar 31, 2021 (N2)
	2016	2017	2018	2019	2020	
Net income (Loss) (discontinued business)	0	0	0	0	0	0
Net profit (loss)	(100,693)	(110,050)	(60,138)	(65,253)	(61,358)	13,287
Other comprehensive income (income after tax)	3,275	467	1,639	248	121	(2)
Total comprehensive income	(97,418)	(109,583)	(58,499)	(65,005)	(61,237)	13,285
Net income attributable to shareholders of the parent	(100,693)	(110,050)	(60,138)	(65,253)	(61,358)	13,285
Net income attributable to non-controlling interest	0	0	0	0	0	0
Comprehensive income attributable to Shareholders of the parent	(97,418)	(109,583)	(58,499)	(65,005)	(61,237)	13,285
Comprehensive income attributable to non-controlling interest	0	0	0	0	0	0
Earnings per share	(1.34)	(1.47)	(0.80)	(0.87)	(0.82)	0.18

Note1: Information on 2016 ~2020 has been audited by CPA

Note2: Financial information listed before the annual report is printed has been reviewed by CPA

Note3: Loss due to discontinued business is listed by the net after income tax

Note4: No correction or reedition has been requested by the authority on any of the financial information provided.

### (3)Condensed Balance Sheet \_IFRS\_Parent Only

Unit: Thousands

	Financial standing for the last 5 years					As of Mar 31, 2021
	2016	2017	2018	2019	2020	
Current assets	827,754	846,773	922,631	836,338	826,112	NA
Investment by equity method	32,555	2,657	6,699	3,616	6,274	
Property, Plant and Equipment (N2)	14,622	16,138	11,980	8,854	12,509	
Intangible assets	2,792	788	112	0	0	
Other assets (N2)	10,570	12,714	12,467	17,432	27,079	
Total assets	888,293	879,070	953,889	866,240	871,974	
Current liabilities	Before distribution	145,343	252,626	387,261	362,334	411,884
	After distribution	145,343	252,626	387,261	362,334	411,884
Non-current liabilities		2,155	1,350	33	2,316	19,737
Total liabilities	Before distribution	147,498	253,976	387,294	364,650	431,621
	After distribution	147,498	253,976	387,294	364,650	431,621
Capital stock		749,767	749,767	749,767	749,767	749,767
Capital surplus		88,085	81,967	81,967	81,967	81,967
Retained earnings	Before distribution	(97,320)	(206,640)	(260,272)	(325,252)	(386,539)
	After distribution	(97,320)	(206,640)	(260,272)	(325,252)	(386,539)
Other equity interest		263	0	(4,867)	(4,892)	(4,842)
Treasury stock		0	0	0	0	0
Total equity	Before distribution	740,795	625,094	566,595	501,590	440,353
	After distribution	740,795	625,094	566,595	501,590	440,353

Note1: Information on 2016 ~2020 has been audited by CPA

Note2: If an asset revaluation has been performed in the current year, the date of processing and the revaluation value added should be listed

Note3: Financial information listed before the annual report is printed has been reviewed by CPA

Note4: The above-mentioned post-distribution figures shall be filled out according to the resolutions of the shareholders

meeting of the following year

Note5: No correction or reedition has been requested by the authority on any of the financial information provided.

#### (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	516,275	496,929	516,391	559,923	636,046	NA
Gross profit	137,369	123,902	119,868	121,342	145,453	
Income from operations	(97,821)	(94,785)	(82,076)	(58,615)	(23,590)	
Non-operating income & expenses	(4,514)	(15,265)	21,938	(6,638)	(37,768)	
Income before tax	(102,335)	(110,050)	(60,138)	(65,253)	(61,358)	
Net Profit (Loss) Continuing Business	(100,693)	(110,050)	(60,138)	(65,253)	(61,358)	
Net income (Loss) Discontinued Business	0	0	0	0	0	
Net Profit (Loss)	(100,693)	(110,050)	(60,138)	(65,253)	(61,358)	
Other comprehensive income (income after tax )	3,275	467	1,639	248	121	
Total comprehensive income	(97,418)	(109,583)	(58,499)	(65,005)	(61,237)	
Earnings per share	(1.34)	(1.47)	(0.80)	(0.87)	(0.82)	

Note1: Information on 2016 ~2020 has been audited by CPA

Note2: Financial information listed before the annual report is printed has been reviewed by CPA

Note3: Loss due to discontinued business is listed by the net after income tax

Note4: No correction or reedition has been requested by the authority on any of the financial information provided.

#### (5)CPA's Opinions

Year	Accounting Firm	CPA	Opinion
2020	KPMG	Mei-Yu Tseng, Chien Huei Lu	No reserved 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

## 6.2 Financial analysis

### (1) Financial Analysis-IFRS-Consolidated

		Financial Analysis for the Last Five Years					As of March31, 2021
		2016	2017	2018	2019	2020	
Financial structure (%)	Debt Ratio	17	29	41	42	50	47
	Ratio of long-term capital to property, plant and equipment	5,081	3,882	4,730	5,691	3,680	4,119
Solvency (%)	Current ratio	592	336	240	232	202	212
	Quick ratio	524	284	208	165	164	172
	Interest earned ratio (times)	0	(211)	(23)	(20)	(17)	17
Operating performance	Accounts receivable turnover (times)	2.81	2.78	3.02	3.14	3.39	4.07
	Average collection period	130	131	121	116	108	90
	Inventory turnover (times)	4.09	3.20	3.01	2.33	2.40	2.64
	Accounts payable turnover (times)	5.19	4.26	4.39	5.37	8.11	7.90
	Average days in sales	89	114	121	157	152	138
	Property, plant and equipment turnover (times)	32	32	37	54	60	77.64
	Total assets turnover (times)	0.57	0.56	0.56	0.61	0.73	0.85
Profitability	Return on total assets (%)	(11.21)	(12.40)	(6.34)	(6.89)	(6.66)	6.48
	Return on stockholders' equity (%)	(12.75)	(16.11)	(10.09)	(12.21)	(13.02)	2.81
	Pre-tax income to paid-in capital (%)	(13.63)	(14.67)	(8.02)	(8.70)	(8.18)	1.77
	Profit ratio (%)	(19.5)	(22.14)	(11.64)	(11.65)	(9.63)	7.12
	Earnings per share (NT\$)	(1.34)	(1.47)	(0.80)	(0.87)	(0.82)	0.18
Cash flow	Cash flow ratio (%)	(25.98)	(68.24)	1.18	(69.60)	13.34	(2.83)
	Cash flow adequacy ratio (%)	(184.14)	(194.61)	(221.32)	(234.44)	(190.93)	(207.99)
	Cash reinvestment ratio (%)	(4.72)	(24.98)	0.72	(44.02)	10.24	(2.00)
Leverage	Operating leverage	(0.41)	(0.34)	(0.36)	(0.63)	(2.84)	6.77
	Financial leverage	1.00	0.99	0.97	0.95	0.88	1.24
<p>The reasons for the changes in financial ratios in the last two years:</p> <ol style="list-style-type: none"> <li>1. The ratio of long-term funds to real estate, plant and equipment: due to addition of real estate, plant and equipment in 2020.</li> <li>2. Cash flow ratio, cash flow allowance ratio and cash flow reinvestment ratio: please refer to cash flow review and analysis.</li> <li>3. Operating leverage: Mainly due to higher revenue and less operation loss.</li> </ol>							

(2) Financial Analysis -IFRS-Parent only

		Financial Analysis for the Last Five Years					As of March31, 2021
		2016	2017	2018	2019	2020	
Financial Structure (%)	Debt Ratio	17	29	41	42	47	NA
	Ratio of long-term capital to property, plant and equipment	5081	3882	4730	5691	3,678	
Solvency (%)	Current ratio	570	335	238	231	201	
	Quick ratio	502	283	206	165	163	
	Interest earned ratio (times)	0	(211)	(23)	(20)	(17)	
Operating performance	Accounts receivable turnover (times)	2.82	2.78	3.03	3.15	3.42	
	Average collection period	129	131	121	116	107	
	Inventory turnover (times)	4.09	3.20	3.02	2.33	2.41	
	Accounts payable turnover (times)	5.2	4.26	4.39	5.38	8.11	
	Average days in sales	89	114	121	156	152	
	Property, plant and equipment turnover (times)	35	32	43	63	51	
	Total assets turnover (times)	0.58	0.56	0.54	0.65	0.73	
Profitability	Return on total assets (%)	(11.21)	(12.40)	(6.33)	(6.89)	(6.68)	
	Return on stockholders' equity (%)	(12.75)	(16.11)	(10.09)	(12.21)	(13.03)	
	Pre-tax income to paid-in capital (%)	(13.64)	(14.67)	(8.02)	(8.7)	(8.18)	
	Profit ratio (%)	(19.50)	(22.14)	(11.64)	(11.65)	(9.65)	
	Earnings per share (NT\$)	(1.34)	(1.47)	(0.80)	(0.87)	(0.82)	
Cash Flow	Cash flow ratio (%)	(25.83)	(68.25)	(1.24)	(68.94)	13.49	
	Cash flow adequacy ratio (%)	(150.45)	(180.57)	(208.16)	(234.49)	(190.47)	
	Cash reinvestment ratio (%)	(4.51)	(24.89)	0.75	(43.27)	10.22	
Leverage	Operating leverage	(0.41)	(0.34)	(0.37)	(0.69)	(3.05)	
	Financial leverage	1.00	0.99	0.97	0.95	0.88	
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 addition of real estate, plant and equipment in 2020.							
2. Cash flow ratio, cash flow allowance ratio and cash flow reinvestment ratio: please refer to cash flow review and analysis.							
3. Operating leverage: Mainly due to higher revenue and less operation loss.							

### 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 2020. 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:



2021. March. 11th

6.4 Consolidated financial report for the 2020 and 2019 (Appendix I)

6.5 Parent only financial report for the 2020 and 2019 (Appendix II)

6.6 Financial difficulties the Company or its subsidiaries encountered: NA

## 7. Financial Standing

### 7.1 Financial status

Unit: NT\$Thousands

	2020	2019	Differences	
			Amount	%
Current Assets	832,378	839,990	(7,612)	(0.91)
Investment by equity method	0	0	0	0
Property, plant and equipment	12,509	8,854	3,655	41.28
Other non current assets	28,086	17,864	10,222	57.22
Total Asset	872,973	866,708	6,265	0.72
Current liability	412,614	362,802	49,812	13.73
Non current liability	20,006	2,316	17,690	763.82
Total liability	432,620	365,118	67,502	18.49
Capital	749,767	749,767	0	0.00
Capital surplus	81,967	81,967	0	0.00
Retained earning	(386,539)	(325,252)	(61,287)	18.84
Total equity	440,353	501,590	(61,237)	(12.21)

### 7.2 Analysis of financial performance:

Unit: NT\$Thousands

	2020	2019	Amount	%
Gross Sales	636,513	559,933	76,580	13.68
Operation cost	490,593	438,581	52,012	11.86
Gross margin	145,920	121,352	24,568	20.25
Operation expenses	171,492	182,987	(11,495)	(6.28)
Net income (loss)	(25,572)	(61,635)	36,063	(58.51)
Net income (before income tax)	(61,358)	(65,253)	3,895	(5.97)
Net income after income tax	(61,358)	(65,253)	3,895	(5.97)

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

1. Gross profit: Mainly due to the Revenue Growth is larger than the increase of operating cost.
2. Net operating profit (loss): 2020 Gross profit is increased by NT\$24,568 thousands and the Company has endeavoured to lower expenses.

3. Possible impact on future business and corresponding plan: None.

### 7.3 Cash flow

#### 1. Cash flow analysis

	2020	2019	%
Cash flow from operation	55,053	(252,533)	(121.80)
Cash flow from investment	12,894	(21,519)	(159.92)
Cash flow from financing activities	22,303	38,578	(42.19)

2020 cash inflow from operation is NT\$55,053 thousands mainly due to the decrease of inventory level. Cash outflow from investment (NT\$12,894 thousands) is due to decrease of other financial assets. Increase in cash inflow from financing activities (NT\$22,303 thousands) is due to long-term borrowing.

#### 2. Cash deficit and liquidity analysis

	2020	2019	%
Cash Flow Ratio (%)	13.34	(69.60)	(119.17)
Cash Flow Adequacy Ratio (%)	(190.93)	(234.44)	33.47
Cash Reinvestment Ratio (%)	10.24	(44.02)	(123.26)

Inventory level was decreased enormously in 2020 due to sales increased. Thus, cash flow ratio was decreased by 119.17% and cash reinvestment ratio was decreased by 123.26%.

#### 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
188,059	50,000	30,000	218,059	-	-

It is estimated a cash inflow of NT\$50,000 thousands from operating activities in 2021 due to growing business; the Company shall continue to purchase design tools for RD or equipment for backend. The Company shall have sufficient borrowing quota from the bank for the next 12 months.

#### 7.4 Major capital expenditure items: none

7.5 Investment policy in the last year, main reason for profit/loss, improvement plans and investment plan for the coming year: ENE Touch Technology was established in Shenzhen to fulfilled customers needs in China. The subsidiary is at the early stage of the business, the revenue is not yet able to cover all expenses, thus it is still at loss. The Company shall help the subsidiary to improve its competitiveness and efficiency to improve the profitability.

#### 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 2020 is reduced by NT\$245 thousands, the first quarter 2021 net loss will be reduced by NT\$ 360 thousands, 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 2020 will be reduced by NT\$21,526 thousands, and the net loss in the first quarter of 2021 will be reduced by NT\$26,657 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 causes 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 in 2020 and 2021Q1.
  2. Policy for lending funds to others: Except for inter-company business dealings and short-term financing is necessary, funds shall not be loaned to others. For single party, the limit shall not exceed 10% of the net value of the most recent financial statement, and the total amount of loans shall not exceed 20% of the net value of the most recent financial statement.
  3. Policy for endorsement and guarantee: Except for the company's business dealings and the ones which company holds more than 50% of the voting shares directly or indirectly, it is not allowed to endorse or guarantee to others. The amount of endorsement guarantee for single party shall not exceed 10% of the net value of the most recent financial statement, and the total amount of endorsement shall not exceed 20% of the net value of the most recent financial statement
  4. Derivatives transactions: none in 2020. The maximum for such transactions shall no more than 80% of the most recent quarterly revenue.

(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 2020 were NT\$62,417 thousands, approximately 10% of the total revenue. Projected RD expenses in 2021 will be approximately 10% of the total revenue.

(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 finance and sales:

The Company prepares itself by strengthening research and development capabilities, paying attention to domestic and foreign technology and market development directions to respond to changes in technology and industry. At the same time, the Company seizes changing technologies as a business opportunity. In addition to continuous effort to improve product functions and cost control, the Company is aggressive in research and develop 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 is a professional IC design company, adhering to the spirit of "providing value-added products, technologies and services in the market; creating a win-win situation for customers, shareholders, and employees". The company continues to conduct research and develop technologies and striving to improve customer service. The company would like to obtain international long-term and stable cooperative relations with large-scale manufacturers. The Company discloses information through various communication channels and media, to deliver messages to the public for better understanding and recognition of the company status and promote the company image in a positive way.

(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. Two companies are chosen currently for long-term cooperative purpose. 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 are NB-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

by directors, 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 IT manager is assigned as the Chief of IT Security Task Force and shall report to the top management on regular basis. The IT manager shall coordinate related departments in case of IT security crisis. Information Technology Policies have been stipulated including but not limited to the following: computing hardware procurement, operating system and application software installation, management and control of emails, setup of internet firewalls, usage and authorization of internets, rules for wireless internet, virus protection software installation, access control to system programs, maintenance of internal servers and supervision on internal system programming etc. Each employee has to sign Agreement on IT Management Rules. The IT department shall promote IT security policies and IT security related news to the employees on a regular basis. In addition, the IT department shall monitor the status of IT system and provide report and recommendations to the top management. As there are increasing incidence of IT threats such as DDoS and ransomwares, the Company shall review and upgrade protection mechanism and rigorously control the usage of internet as well as constantly amend its contingency plan to ensure normal operation of its information system. Up to the date of printing of the annual report, it is evaluated as no significant IT risks existed.

Please refer to the ENE website CSR section IT Security Management page for details on IT risk management structure, IT policies and management.

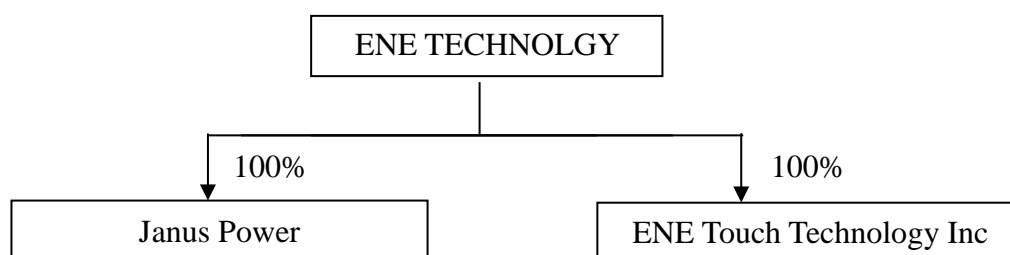
(14) Other risky matters: none.

## 8. Special Disclosure

### A. Summary of affiliated companies:

A.1 Consolidated operation report: up to the date of the annual report printout

(1) Organizational chart



(2) Main information of affiliated companies:

Name	Date of establishment	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\$ 30 Thousands	Electronic material sales

(3) Controlling and subordinate relationships in according to the Article 369-3 of the Company Act, where a majority of the total number of outstanding voting shares or the total amount of the capital stock of a company and another company are held by the same shareholders: none.

(4) Business scope covered by the overall corporate: the business scope covered by the Company and its subsidiary include the design, manufacturing, sales and software application of IC.

(5) 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%

Note: Current Directors, supervisors and General manager of Janus Power are assigned by the Company.

(6) Operation of the affiliates

Unit: NT\$ thousands

Name	Capital	Total Assets	Total Liability	Net Worth	Revenue	Operation profit	Net Profit/Loss	EPS (\$)
Janus Power	7,000	2,655	0	2,655	0	0	0	0
ENE Touch Technology	9,048	6,527	2,949	3,578	2,800	(25)	(39)	—

Information source: 2021Q1 financial report (reviewed by CPA)

A2. Disclosure items for the affiliates:

(1) 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%

(2) Name of subsidiaries not included in the consolidated report, shareholding information or capital ratio and the reason for exclusion: none

(3) Transactions that have been eliminated between the controlling company and subordinates or between subordinate companies, information regarding financing, endorsements and guarantees, trading in derivative products, significant contingent matters, significant subsequent events, names of bills and securities held, and their quantities, cost, market value (or net par value if a bill or security does not have a market value), shareholding or capital contribution ratio, description of any pledges, and the highest amount of shareholding or capital contribution during the period, other matters of significance or explanations that would contribute to a fair presentation of the consolidated financial statement of the affiliates: As total asset and revenue of the subordinates have not reached 10% of the items of the controller company, thus the information is not to be disclosed.

A3. Affiliation report: not applicable

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

## **9. Items have significant impact on the shareholder's equity or security price**

Up till the date of the report printed, there is no 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 year.

**ENE TECHNOLOGY INC AND  
SUBSIDIARIES**

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

**December 31<sup>st</sup>, 2020 AND 2019**

**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 31<sup>st</sup>, 2020, 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 11<sup>th</sup>, 2021

## 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, 2020 and 2019, 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, 2020 and 2019, 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 ENE Technology Inc. and its subsidiaries 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, 2020. 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, 2020 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, 2020 and 2019, 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 and 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, 2020 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 11<sup>th</sup>, 2021

**ENE TEHCNOLOGY INC**

**Consolidated Balance Sheets**

**2020.12.31 and 2019.12.31**

**Unit: NTD\$ Thousands**

Asset		2020.12.31		2019.12.31			Liabilities and Equity	2020.12.31		2019.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current Asset:</b>							<b>Current Liabilities:</b>				
1100	Cash and Cash equivalent(N6(1))	\$ 188,059	22	97,750	11	2100	Short term loan (N6(3)(9) & 8)	\$ 301,449	36	291,149	34
1170	Notes and accounts receivables (N6(3)(16) & 8)	168,414	19	166,141	19	2170	Account payables	69,865	8	41,494	5
1180	Accounts receivables from related parties (N6(3)(16) & 7&8)	21,180	2	14,584	2	2180	Related parties account payable (N7)	3,932	-	5,624	1
130X	Inventories (N6(4))	145,398	17	229,079	26	2201	Salary payable	12,998	1	8,633	1
1470	Prepaid expenses & other current assets	17,662	2	20,281	2	2280	Lease liabilities – current (N6(11))	6,849	1	3,258	-
1476	Other financial assets – current (N6(8) & 8)	291,665	33	312,155	36	2300	Other current liabilities (N6(5))	10,248	1	12,644	2
		832,378	95	839,990	96	2322	Long term loan (including maturity within 1 year) (N6(10))	7,273	1	-	-
<b>Non-Current Asset:</b>								412,614	48	362,802	43
1600	Real estate, plant and equipment (N6(5))	12,509	2	8,854	1		<b>Non-Current Liabilities:</b>				
1755	Right-of-use asset (N6(6))	15,408	2	5,451	1	2541	Long term loan (N6(10))	10,910	1	-	-
1840	Deferred tax asset (N6(13))	3,573	-	3,573	1	2570	Deferred income tax liabilities (N6(13))	39	-	27	-
1975	Net defined benefit asset – non-current (N6(12))	5,782	1	5,640	1	2580	Lease liabilities – non-current (N6(11))	9,057	1	2,289	-
1980	Other financial asset – non-current (N6(8) & 8)	3,323	-	3,200	-			20,006	2	2,316	-
		40,595	5	26,718	4		<b>Total Liabilities</b>	432,620	50	365,118	43
<b>Total Asset</b>		<b>\$ 872,973</b>	<b>100</b>	<b>866,708</b>	<b>100</b>	3110	<b>Equity (N6(14)) :</b>				
						3200	Ordinary share capital	749,767	86	749,767	87
						3350	Capital surplus	81,967	9	81,967	9
						3400	Accumulated loss	(386,539)	(44)	(325,252)	(38)
							Other equity	(4,842)	(1)	(4,892)	(1)
							<b>Total Equity</b>	440,353	50	501,590	57
							<b>Total Liabilities &amp; Equity</b>	<b>\$ 872,973</b>	<b>100</b>	<b>866,708</b>	<b>100</b>

**ENE TECHNOLOGY INC and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**January 1<sup>st</sup> to December 31<sup>st</sup>, 2020 & 2019**

Unit: NTD\$ Thousands

		<b>2020</b>		<b>2019</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4110	<b>Operating revenue</b> (N6(16) & 7)	\$ 636,513	100	559,933	100
5000	<b>Operating cost</b> (N6(4) & 7)	490,593	77	438,581	78
	<b>Gross profit</b>	145,920	23	121,352	22
	<b>Operating expenses</b> (N6(3)(7)(11)& 7):				
6100	Selling expenses	48,537	8	57,945	10
6200	General and administration expenses	59,857	9	65,148	12
6300	Research and development expenses	62,417	10	59,883	11
6450	Allowances for credit loss	681	-	11	-
	<b>Total operating expenses</b>	171,492	27	182,987	33
	<b>Operating loss</b>	(25,572)	(4)	(61,635)	(11)
	<b>Non-operating income &amp; expenses:</b>				
7020	Other gains and losses (N6(18))	(35,384)	(6)	(9,788)	(2)
7100	Interest income	2,956	-	9,322	2
7510	Interest expense (N6(11))	(3,358)	(1)	(3,152)	(1)
		(35,786)	(7)	(3,618)	(1)
	<b>Loss before income tax</b>	(61,358)	(11)	(65,253)	(12)
7950	<b>Income tax expenses</b> (N6(13))	-	-	-	-
	<b>Net loss for the period</b>	(61,358)	(11)	(65,253)	(12)
8300	<b>Other comprehensive profit and loss:</b>				
8310	<b>Items not be reclassified to profit or loss</b>				
8311	Gain/Loss of remeasurement of defined benefit plan (N6(12))	71	-	273	-
	<b>Total for Items not be reclassified to profit or loss</b>	71	-	273	-
8360	<b>Items may be reclassified to profit or loss</b>				
8361	Cumulative translation differences of foreign operation	62	-	(31)	-
8399	Income tax relating to items may be reclassified (N6(13))	(12)	-	6	-
	<b>Total items that be reclassified to profit &amp; loss</b>	50	-	(25)	-
8300	<b>Other comprehensive profit and loss</b>	121	-	248	-
	<b>Total comprehensive income</b>	<b>\$ (61,237)</b>	<b>(11)</b>	<b>(65,005)</b>	<b>(12)</b>
	<b>Earnings per share (in dollar)(N6(15))</b>				
9750	<b>Basic earnings per share</b>	<b>\$ (0.82)</b>		<b>(0.87)</b>	

**ENE TECHNOLOGY INC and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**January 1<sup>st</sup> to December 31<sup>st</sup>, 2020 and 2019**

Unit: NTD\$ Thousands

	Other Equity Items						
	Ordinary Share Capital	Capital Surplus	Accumulated Loss	Cumulative translation differences of foreign operation	Unrealized P&L From financial assets measured at fair value through comprehensive P&L	Total	Total Equity
Balance as of 20190101	\$ 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
Net loss of the period	\$ -	-	(61,358)	-	-	-	(61,358)
Other comprehensive income of the period	-	-	71	50	-	50	121
Total comprehensive income	-	-	(61,287)	50	-	50	(61,237)
Balance as of 20201231	\$ 749,767	81,967	(386,539)	158	(5,000)	(4,842)	440,353

**ENE TECHNOLOGY INC and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**January 1<sup>st</sup> to December 31<sup>st</sup> , 2020 and 2019**

**Unit: NTD\$ Thousands**

	<u>2020</u>	<u>2019</u>
<b>Cash Flow from operating activities:</b>		
Income before income tax	\$ (61,358)	(65,253)
<b>Adjustments:</b>		
Income and expenses/loss items		
Depreciation	10,421	13,504
Amortization	-	112
Expected credit impairment loss	681	11
Allowance for inventory evaluation & obsolesce loss	1,390	8,487
Interest expense	3,358	3,152
Interest income	(2,956)	(9,322)
Others not affecting cash flow	(71)	83
Total of income and expense/loss items	<u>12,823</u>	<u>16,027</u>
Changes in operating assets and liabilities:		
Increase in notes and account receivables	(2,946)	(664)
Increase account receivable from related parties	(6,596)	(9,196)
Inventory (increase) decrease	82,291	(123,730)
Decrease (increase) of other operating asset	2,620	(3,983)
Total changes in operating assets and liabilities	<u>75,369</u>	<u>(137,573)</u>
Increase (decrease) in account payable	28,371	(64,343)
Decrease in account payable from related parties	(1,692)	(4,593)
Increase (decrease) in other operating liabilities	1,739	(3,181)
Total changes in operating liabilities	<u>28,418</u>	<u>(72,117)</u>
Net changes in operating assets and liabilities	<u>103,787</u>	<u>(209,690)</u>
Cash flows from operating activities	55,252	(258,916)
Interest received	3,136	9,503
Interest paid	(3,335)	(3,120)
<b>Net cash flow from operating activities</b>	<u>55,053</u>	<u>(252,533)</u>

**(continued)**



**ENE TECHNOLOGY INC and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**January 1<sup>st</sup> to December 31<sup>st</sup> , 2020 and 2019**

**Unit: NTD\$ Thousands**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from investment activities:</b>		
Acquisition of real estate, plant and equipment	(7,295)	(4,428)
Decrease (increase) in Refundable deposits	(114)	315
Decrease in other financial asset - current	20,310	(17,397)
Increase in other financial asset – non-current	(7)	(9)
<b>Net Cash flow from investment activities</b>	<u>12,894</u>	<u>(21,519)</u>
<b>Cash flows from financing activities:</b>		
Increase in short term loan	355,334	447,929
Decrease in short term loan	(345,034)	(402,200)
Long term loan	20,000	-
Long term loan repayment	(1,817)	-
Lease liabilities principle repayment	(6,180)	(7,151)
<b>Net cash flows from financing activities</b>	<u>22,303</u>	<u>38,578</u>
Effect of exchange rate to cash and cash equivalent	<u>59</u>	<u>(38)</u>
Net decrease in cash and cash equivalent	90,309	(235,512)
Cash and cash equivalent at beginning of period	<u>97,750</u>	<u>333,262</u>
Cash and cash equivalent at end of period	<u><b>\$ 188,059</b></u>	<u><b>97,750</b></u>

**ENE TECHNOLOGY INC and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For 2020 & 2019**  
**(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<sup>th</sup>, 1998. The Company was inaugurated in Hsinchu Science Industrial Park on Aug 31<sup>st</sup>, 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<sup>nd</sup>, 2003 and listed on Taiwan Stock Exchange on December 17<sup>th</sup>, 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<sup>th</sup>, 2017. ENE TECHNOLOGY INC. was the surviving company and ENE International Investment INC. was dissolved.

a.

**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 11<sup>th</sup>, 2021.

b.

**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 2020.01.01 adopted by the Company are as follows:

**New Standards/Amendments/Principles and Interpretations**

Amendments to IFRS 3 “Definition of a Business”

Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”

Amendments to IAS 1 and IAS 8 “Definition of Material”

Amendments to IFRS 16 “Covid-19 Related Rent Concessions”

The Company believes that the adoption of the above listed IFRSs would not have any material impact on its consolidated financial statements.

**3.2 The impact of IFRSs issued by IASB and endorsed by the FSC but not yet adopted by the Company**

The Company has evaluated the following standards and interpretations effected from 2021.01.01 and concluded that these shall not have any material impact on financial position and results of operations of the Company.

**New, Revised or Amended Standards and Interpretations**

Amendments to IFRS 4 “Extension of the temporary exemption from applying IFRS 9”

Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 “Interest rate benchmark reform-second stage”

**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**

Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture”

IFRS 17 “Insurance Contracts” and Amendments to IFRS 17

Amendments to IAS 1 “To classify debt as current or non-current”

Amendments to IAS 16 “Property, Plant and Equipment-Proceeds before Intended Use”

Amendments to IAS 37 “Onerous Contracts-Cost of Fulfilling a Contract”

Annual Improvements to IFRS Standards 2018-2020

Amendments to IFRS 3, “Reference to the conceptual framework”

Amendments to IAS 1 “Disclosure of Accounting Policy”

Amendments to IAS 8 “Definition of Accounting Estimates”

The Company has evaluated the standards and interpretations and concluded that these shall not have any material impact on financial position and results of operations of the Company.

#### **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**

###### **1. 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.

2. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiaries	Business activities	Ownership (%)		Description
			2020	2019	
			12.31	12.31	
ENE	Janus Power Electronics Inc. (Janus Power)	Electronic Components	100%	100%	
ENE	ENE Touch Technology Co. Ltd., (ENE Touch)	Electronic Component distribution	100%	100%	

3. 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 its 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) Derecognition 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.

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

(4) Derecognition 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

### 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 lessee

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-line 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.

#### **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 softwares 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 transfers 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**

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

c. 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(19) Financial instruments for assumptions for fair value measurements.

## 6. Contents of significant accounts

### 6.1 Cash and cash equivalent

	<u>2020.12.31</u>	<u>2019.12.31</u>
Cash on hand	\$ 56	74
Checking and savings	161,603	71,276
Term deposits	<u>26,400</u>	<u>26,400</u>
	<u><b>\$ 188,059</b></u>	<u><b>97,750</b></u>

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- non-current:

On the basis of long term strategic goals instead of trading purposes, the fair value of the shareholdings of Touchsens Ltd. has been evaluated through other comprehensive income.

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

- b. Please refer to Note 6(19) for information on credit risks and market risks.  
c. The above said financial assets were not pledged for collateral.

### 6.3 Notes and account receivable (including related parties)

	<u>2020.12.31</u>	<u>2019.12.31</u>
Notes receivable	\$ 10	225
Account receivable	171,230	168,061
Receivables from related parties	<u>21,180</u>	<u>14,584</u>
	192,420	182,870
Less: allowance for doubtful accounts	<u>(2,826)</u>	<u>(2,145)</u>
	<u><b>\$ 189,594</b></u>	<u><b>180,725</b></u>

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:

	<b>2020.12.31</b>		
	<b>Notes &amp; account receivables carrying amount</b>	<b>Weighted average loss rate</b>	<b>Loss Allowance</b>
Not past due	\$ 174,076	0.00%	-
Past due 0~30 days	786	0.00%	-
Past due over 121 days	-	100.00%	-
Total	<b><u>\$ 174,862</u></b>		<b><u>-</u></b>

	<b>2019.12.31</b>		
	<b>Notes &amp; account receivables carrying amount</b>	<b>Weighted average loss rate</b>	<b>Loss Allowance</b>
Not past due	\$ 171,126	0.00%	-
Past due 0~30 days	320	0.00%	-
Past due 31-60 days	10	0.00%	-
Past due over 121 days	-	100.00%	-
Total	<b><u>\$ 171,456</u></b>		<b><u>-</u></b>

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

<b>2020.12.31</b>			
	<b>Notes &amp; account receivables carrying amount</b>	<b>Weighted average loss rate</b>	<b>Loss Allowance</b>
Not past due	\$ 14,575	1.57%	228
Past due 0~30 days	449	21.16%	95
Past due 61-90 days	86	83.72%	72
Past due 91-120 days	123	86.16%	106
Past due over 121 days	<u>2,325</u>	100.00%	<u>2,325</u>
Total	<b><u>\$ 17,558</u></b>		<b><u>2,826</u></b>

<b>2019.12.31</b>			
	<b>Notes &amp; account receivables carrying amount</b>	<b>Weighted average loss rate</b>	<b>Loss Allowance</b>
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	<u>1,900</u>	100.00%	<u>1,900</u>
Total	<b><u>\$ 11,414</u></b>		<b><u>2,145</u></b>

Changes for loss allowance (including related parties) are:

	<b>2020</b>	<b>2019</b>
Balance of January 1 <sup>st</sup>	\$ 2,145	2,134
Recognized loss	<u>681</u>	<u>11</u>
Balance of December 31 <sup>st</sup>	<b><u>\$ 2,826</u></b>	<b><u>2,145</u></b>

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, 2020 were as follows:

**2020.12.31**

<b>Purchaser</b>	<b>Amount transferred</b>	<b>Quota</b>	<b>Amount advanced (recognized in short term loan)</b>	<b>Interest rate collar</b>	<b>Collateral</b>
CTBC Bank	\$ 56,819 (USD2,022K)	80,000	42,149 (USD1,500K)	1.45%~ 1.55%	Account receivables and Bank note \$80,000

**2019.12.31**

<b>Purchaser</b>	<b>Amount transferred</b>	<b>Quota</b>	<b>Amount advanced (recognized in short term loan)</b>	<b>Interest rate collar</b>	<b>Collateral</b>
CTBC Bank	\$ 25,186 (USD837K)	70,000	20,149 (USD670K)	3.25%	Account receivables and Bank note \$70,000

As of December 31, 2020 and 2019 the notes and account receivables (including related parties) were not pledged. Please refer to Note 8 for details.

#### 6.4 Inventory

	<u>2020.12.31</u>	<u>2019.12.31</u>
Raw materials	\$ 14,599	14,788
Work in Process	106,566	180,215
Finished product	<u>24,233</u>	<u>34,076</u>
	<u><b>\$ 145,398</b></u>	<u><b>229,079</b></u>

Details of operating cost are:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Relist of inventory sales	\$ 489,203	430,094
Allowance for inventory valuation loss	<u>1,390</u>	<u>8,487</u>
	<u><b>\$ 490,593</b></u>	<u><b>438,581</b></u>

Inventory dated December 31<sup>st</sup>, 2020 and 2019 were not pledged for collateral.

## 6.5 Property, plants and equipment

### 1. Details on cost and amortization:

	<b>R&amp;D equipment</b>	<b>Improvement on lease</b>	<b>Office and other equipment</b>	<b>Total</b>
Cost:				
Balance on January 1 <sup>st</sup> 2020	\$ 20,768	2,526	46,434	69,728
Acquisition	-	-	7,497	7,497
Balance on Dec 31 <sup>st</sup> 2020	<b><u>\$ 20,768</u></b>	<b><u>2,526</u></b>	<b><u>53,931</u></b>	<b><u>77,225</u></b>
Balance on January 1 <sup>st</sup> 2019	\$ 20,768	2,066	43,766	66,600
Acquisition	-	460	2,668	3,128
Balance on Dec 31 <sup>st</sup> 2019	<b><u>\$ 20,768</u></b>	<b><u>2,526</u></b>	<b><u>46,434</u></b>	<b><u>69,728</u></b>
Amortization:				
Balance on January 1 <sup>st</sup> 2020	\$ 20,734	529	39,611	60,874
Amortization	34	298	3,510	3,842
Balance on Dec 31 <sup>st</sup> 2020	<b><u>\$ 20,768</u></b>	<b><u>827</u></b>	<b><u>43,121</u></b>	<b><u>64,716</u></b>
Balance on January 1 <sup>st</sup> 2019	\$ 19,243	276	35,101	54,620
Amortization	1,491	253	4,510	6,254
Balance on Dec 31 <sup>st</sup> 2019	<b><u>\$ 20,734</u></b>	<b><u>529</u></b>	<b><u>39,611</u></b>	<b><u>60,874</u></b>
Carrying amount:				
December 31st, 2020	<b><u>\$ -</u></b>	<b><u>1,699</u></b>	<b><u>10,810</u></b>	<b><u>12,509</u></b>
January 1 <sup>st</sup> 2019	<b><u>\$ 1,525</u></b>	<b><u>1,790</u></b>	<b><u>8,665</u></b>	<b><u>11,980</u></b>
December 31st, 2019	<b><u>\$ 34</u></b>	<b><u>1,997</u></b>	<b><u>6,823</u></b>	<b><u>8,854</u></b>

- Changes to the account payable related to property, plant and equipment for 2020 and 2019 are increase of NT\$202 thousands and decrease of NT\$1,300 thousands respectively.
- Property, plant and equipment of the Company dated on December 31st of 2020 and 2019 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:

	<b>Buildings</b>	<b>Transportation Vehicles</b>	<b>Other equipment</b>	<b>Total</b>
Cost:				
Balance at 2020.01.01	\$ 7,078	4,536	451	12,065
Acquire	16,010	513	-	16,523
Disposal	(973)	-	-	(973)
Effects of foreign exchange	21	-	-	21
Balance at 2020.12.31	<b>\$ 22,136</b>	<b>5,049</b>	<b>451</b>	<b>27,636</b>
Balance at 2019.01.01	\$ -	-	-	-
Effects of retrospective application of IFRS	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	<b>\$ 7,078</b>	<b>4,536</b>	<b>451</b>	<b>12,065</b>
Accumulated depreciation and loss:				
Balance at 2020.01.01	\$ 5,071	1,127	416	6,614
Depreciation	5,333	1,211	35	6,579
Disposal	(973)	-	-	(973)
Effects of foreign exchange	8	-	-	8
Balance at 2020.12.31	<b>\$ 9,439</b>	<b>2,338</b>	<b>451</b>	<b>12,228</b>
Balance at 2019.01.01	\$ -	-	-	-
Depreciation	5,707	1,127	416	7,250
Disposal	(610)	-	-	(610)
Effects of foreign exchange	(26)	-	-	(26)
Balance at 2019.12.31	<b>\$ 5,071</b>	<b>1,127</b>	<b>416</b>	<b>6,614</b>
Carrying amount:				
Balance at 2020.12.31	<b>\$ 12,697</b>	<b>2,711</b>	<b>-</b>	<b>15,408</b>
Balance at 2019.01.01 (Effects of retrospective application of IFRS 16)	<b>\$ 8,742</b>	<b>4,014</b>	<b>451</b>	<b>13,207</b>
Balance at 2019.12.31	<b>\$ 2,007</b>	<b>3,409</b>	<b>35</b>	<b>5,451</b>

## 6.7 Intangible Assets

Details on the cost and amortization as of 2020 and 2019 are:

	<u>Patents</u>	<u>Computer Software Cost</u>	<u>Total</u>
Cost:			
2020.01.01 (same as 2020.12.31)	<u>\$ 17,749</u>	<u>23,561</u>	<u>41,310</u>
2019.01.01 (same as 2019.12.31)	<u>\$ 17,749</u>	<u>23,561</u>	<u>41,310</u>
Amortization:			
2020.01.01 (same as 2020.12.31)	<u>\$ 17,749</u>	<u>23,561</u>	<u>41,310</u>
2019.01.01	\$ 17,692	23,506	41,198
Amortization	<u>57</u>	<u>55</u>	<u>112</u>
2019.12.31	<u>\$ 17,749</u>	<u>23,561</u>	<u>41,310</u>
Carry amount:			
2020.12.31	<u>\$ -</u>	<u>-</u>	<u>-</u>
2019.01.01	<u>\$ 57</u>	<u>55</u>	<u>112</u>
2019.12.31	<u>\$ -</u>	<u>-</u>	<u>-</u>

Amortization expenses of Intangible assets for 2020 and 2019 are NT\$0 thousands and NT\$112 thousands respectively.

Intangible assets dated December 31<sup>st</sup>, 2020 and 2019 were not pledged for collateral.

## 6.8 Other financial assets- current and non-current:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Current:		
Restricted cash in bank	\$ 286,633	306,943
Term deposit ( > 3 months)	5,000	5,000
Others	<u>32</u>	<u>212</u>
	<u>\$ 291,665</u>	<u>312,155</u>
Non-Current		
Refundable deposit	\$ 2,291	2,175
Restricted cash in bank	<u>1,032</u>	<u>1,025</u>
	<u>\$ 3,323</u>	<u>3,200</u>

There is no impairment in other financial assets – current and non-current (excluding other receivables) for the period ended December 31<sup>st</sup>, 2020 and 2019.

Other receivables and allowances for loss of the Company for the period ended December 31<sup>st</sup>, 2020 and 2019:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Other receivables	\$ -	22,269
Less: allowances for loss	<u>-</u>	<u>(22,269)</u>
	<u><u>\$ -</u></u>	<u><u>-</u></u>

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

	<u>108.12.31</u>	<u>107.12.31</u>
Guarantee bank loan	\$ 259,300	271,000
Account receivable financing	<u>42,149</u>	<u>20,149</u>
	<u><u>\$ 301,449</u></u>	<u><u>291,149</u></u>
Unused quota	<u><u>\$ 187,577</u></u>	<u><u>118,851</u></u>
Range of interests	<b>0.89%~ 1.55%</b>	<b>1.105%~ 3.25%</b>

For 2020 and 2019, new addition of short term loans is NT\$355,334 thousands and NT\$447,929 thousands respectively. Interest rate ranges from 0.89%~1.55% and 1.105%~3.25%. Amounts due are NT\$345,034 thousands and NT\$402,200 thousands.

Due dates are 2021 January to 2021 June and 2020 February to 2020 May.

Please refer to Note 8 for details on assets pledged as bank loan collaterals.

## 6.10 Long Term Liabilities

	<u>2020.12.31</u>	<u>2019.12.31</u>
Guarantee bank loan	\$ 15,456	-
Non-guarantee bank loan	<u>2,727</u>	<u>-</u>
	18,183	-
less : maturity within one year	<u>(7,273)</u>	<u>-</u>
Total	<u><u>\$ 10,910</u></u>	<u><u>-</u></u>
Unused quota	<u><u>\$ -</u></u>	<u><u>-</u></u>
Range of interests	<b>1.2685%~ <u>2.1617%</u></b>	<b>-</b>

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

### 6.11 Lease liabilities

Carry amount of the lease liabilities are:

	<b>2020.12.31</b>	<b>2019.12.31</b>
Current	<u><u>\$ 6,849</u></u>	<u><u>3,258</u></u>
Non-current	<u><u>\$ 9,057</u></u>	<u><u>2,289</u></u>

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:

	<b>2020</b>	<b>2019</b>
Interest expense from lease liabilities	<u><u>\$ 192</u></u>	<u><u>165</u></u>
Expense of short term lease	<u><u>\$ 117</u></u>	<u><u>225</u></u>
Expense of low-value assets (excluding short-term lease of low-value assets)	<u><u>\$ 113</u></u>	<u><u>105</u></u>

Amount recognized in cash flow statement :

	<b>2020</b>	<b>2019</b>
Total cash outflow of lease	<u><u>\$ 6,602</u></u>	<u><u>7,646</u></u>

#### 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 Employee Benefits

### 1. Defined benefit

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Defined benefit obligation	\$ 1,606	1,450
Plan assets at fair value	<u>(7,388)</u>	<u>(7,090)</u>
Net defined benefit liabilities (assets)	<u><u>\$ (5,782)</u></u>	<u><u>(5,640)</u></u>

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 \$7,388 thousands as of December 31<sup>st</sup>, 2020. 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

	<b>2020</b>	<b>2019</b>
Defined benefit obligation January 1 <sup>st</sup>	\$ 1,450	2,408
Service cost and interest expense	18	33
Remeasurements of the defined benefit liabilities (assets):		
Actuarial gain/losses arising from changes in financial assumptions	28	(110)
Actuarial gain/losses arising from experience adjustments	110	92
Past service cost	-	(507)
Liquidation of eliminated debts	-	(466)
Defined benefit obligation December 31 <sup>st</sup>	<b><u>\$ 1,606</u></b>	<b><u>1,450</u></b>

c. Changes of fair value of plan assets

	<b>2020</b>	<b>2019</b>
Fair value of plan assets January 1 <sup>st</sup>	\$ 7,090	7,942
Interest income	89	109
Paid pension	-	(1,216)
Remeasurements of net defined benefit liabilities (assets)		
Return on plan assets (excluding interests)	209	255
Fair value of plan asset December 31 <sup>st</sup>	<b><u>\$ 7,388</u></b>	<b><u>7,090</u></b>

d. Movements of NABCI

Movements of NABCI for the 2020 and 2019 were both zero.

e. Amounts recognized in profit and loss

	<b>2020</b>	<b>2019</b>
Net interest on the net defined benefit liabilities (asset)	\$ (71)	(76)
Past service cost	-	243
	<b><u>\$ (71)</u></b>	<b><u>167</u></b>
Administrative cost	<b><u>\$ (71)</u></b>	<b><u>167</u></b>

Defined benefit obligations were decreased by 0 thousands and 507 thousands and recognized in profit and loss due to decrease number of total employees for 2020 and 2019.

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

	<b>2020</b>	<b>2019</b>
Accumulated balance January 1 <sup>st</sup>	\$ 7,239	6,966
Amount for the period	<u>71</u>	<u>273</u>
Accumulated balance December 31 <sup>st</sup>	<u><b>\$ 7,310</b></u>	<u><b>7,239</b></u>

g. Actuarial assumptions

	<b>2020.12.31</b>	<b>2019.12.31</b>
Discount rate	0.875%	1.250%
Future salary increases	1.000%	1.000%

The Company has granted annual approvals from the Science Industrial Park Administration since 2017 to temporary suspend the pension preparation fund.

The weighted average lifetime of the defined benefits plan is 20.15 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:

	<b>Impact on the defined benefit obligation</b>	
	<b>Increase by 0.25%</b>	<b>Decrease by 0.25%</b>
2020 December 31 <sup>st</sup>		
Discount rate	<u><b>\$ (74)</b></u>	<u><b>78</b></u>
Future salary increases	<u><b>\$ 77</b></u>	<u><b>(74)</b></u>
2019 December 31 <sup>st</sup>		
Discount rate	<u><b>\$ (70)</b></u>	<u><b>74</b></u>
Future salary increases	<u><b>\$ 73</b></u>	<u><b>(70)</b></u>

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.

Overseas subsidiary has participated the Social Insurance Plan provided by the Chinese Authorities.

The expenses of the pension to the Labor Pension Fund in 2020 and 2019 are NT\$4,196 thousands and NT\$4,119 thousands respectively.

Pension expenses for overseas subsidiary in 2020 and 2019 were NT\$13 thousands and NT\$147 thousands.

## 6.13 Income tax

### 1. Details on income tax:

	<b>2020</b>	<b>2019</b>
Current income tax	\$ -	-
Deferred tax expenses	-	-
	<b>\$ -</b>	<b>-</b>

Tax expense (income) recognized in profit and loss:

	<b>2020</b>	<b>2019</b>
Items might be reclassified to profit and loss		
Exchange Differences on Translation of Foreign Financial Statements	<b>\$ 12</b>	<b>(6)</b>

Adjustments to the income tax expense and loss before income tax for 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Loss before income tax	\$ (61,358)	(65,253)
Tax effects of different tax rates applicable in foreign jurisdiction	(12,272)	(13,051)
Impact of foreign tax rate difference	(99)	(153)
Reconciliation of permanent differences	1,258	(244)
Impact of deferred income tax asset not yet recognized	11,113	13,448
	<b>\$ -</b>	<b>-</b>

### 2. Deferred income tax assets not yet recognized:



	<b>2020.12.31</b>	<b>2019.12.31</b>
Unused tax losses carryforwards	\$ 187,027	182,177
Deductible temporary differences	10,645	4,382
	<b><u>\$ 197,672</u></b>	<b><u>186,559</u></b>

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 for a period of ten 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 31<sup>st</sup> 2020, taxable loss not yet recognized as deferred tax assets of the company and domestic subsidiaries:

<b>Year of Loss</b>	<b>Loss not yet deducted</b>	<b>Expiry year</b>
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)	50,962	2029
2020 (estimated amount)	28,166	
	<b><u>\$ 928,248</u></b>	

For the period ended December 31<sup>st</sup> 2020, taxable loss not yet recognized as deferred tax assets of the foreign subsidiaries:

<b>Year of Loss</b>	<b>Loss not yet deducted</b>	<b>Expiry year</b>
2019 (applied amount)	\$ 585	2023
2020 (assessed amount)	2,942	2024
2021 (estimated amount)	1,982	2025
	<b><u>\$ 5,509</u></b>	

### 3. Deferred income tax assets/liabilities recognized:

Deferred income tax assets

	<u>2019.01.01</u>	<u>Recognized in P&amp;L</u>	<u>2019.12.31</u>	<u>Recognized in P&amp;L</u>	<u>2020.12.31</u>
Inventory valuation loss	\$ 3,354	(212)	3,142	18	3,160
Unrealized gross margin	-	431	431	(18)	413
Others	219	(219)	-	-	-
	<u>\$ 3,573</u>	<u>-</u>	<u>3,573</u>	<u>-</u>	<u>3,573</u>

Deferred income tax liabilities:

	<u>2019.01.01</u>	<u>Recognized in P&amp;L</u>	<u>Recognized in Other Comprehensive income</u>	<u>2019.12.31</u>	<u>Recognized in P&amp;L</u>	<u>Recognized in Other Comprehensive income</u>	<u>2020.12.31</u>
Translation profit from Foreign operation and others	\$ (33)	-	6	(27)	-	(12)	(39)
	<u>\$ (33)</u>	<u>-</u>	<u>6</u>	<u>(27)</u>	<u>-</u>	<u>(12)</u>	<u>(39)</u>

4. Assessment and approval of income tax

The income tax return through 2018 have been assessed and approved by the Taxation Authority.

## 6.14 Capital and other equity

For the period ending December 31<sup>st</sup> 2020 and 2019, 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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Issue stock premium	\$ 68,283	68,283
Treasury stock trading	11,534	11,534
Long term investment	2,150	2,150
	<u>\$ 81,967</u>	<u>81,967</u>

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 2019 and 2018 Loss Appropriation Statement proposed by the Board of the Directors and the ones approved in the shareholder meeting on 2020.06.10<sup>th</sup> and 2019.06.13<sup>th</sup>. Related details can be viewed in MOPS website.

BOD has prepared Loss Appropriation Proposal for 2020 on March 11<sup>th</sup>, 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 2020.01.01	\$ 108	(5,000)	(4,892)
Exchange differences on translation of financial statements of foreign affiliates	50	-	50
Balance on 2020.12.31	<b>\$ 158</b>	<b>(5,000)</b>	<b>(4,842)</b>

	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 December 31 <sup>st</sup> , 2019	<b>\$ 108</b>	<b>(5,000)</b>	<b>(4,892)</b>

## 6.15 Earnings per share

The calculation of basic earnings per share was as following:

	<u>2020</u>	<u>2019</u>
Basic earnings per share:		
Net income for the period	<u>\$ (61,358)</u>	<u>(65,253)</u>
Weighted average number of ordinary shares outstanding during the year (in thousands)	<u>74,977</u>	<u>74,977</u>
Basic earnings per share (NT dollars)	<u>\$ (0.82)</u>	<u>(0.87)</u>

## 6.16 Revenue from customer contracts

### 1. Segmentation of revenue

	<u>2020</u>	<u>2019</u>
Major regional markets		
China	\$ 387,429	373,004
Taiwan	245,393	182,351
Others	3,691	4,578
	<u>\$ 636,513</u>	<u>559,933</u>
Major products		
Computer and peripheral related ICs	\$ 558,111	512,491
Others	78,402	47,442
	<u>\$ 636,513</u>	<u>559,933</u>

### 2. Contract balance

	<u>2020.12.31</u>	<u>2019.12.31</u>	<u>2019.1.1</u>
Account receivables and notes (Including related parties)	\$ 192,420	182,870	173,010
Less: allowances for bad debts	(2,826)	(2,145)	(2,134)
Total	<u>\$ 189,594</u>	<u>180,725</u>	<u>170,876</u>

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 2020 and 2019, 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:

	2020	2019
Foreign exchange gains (losses)	\$ (35,393)	(9,688)
Miscellaneous income and expenses	9	(100)
	<u>\$ (35,384)</u>	<u>(9,788)</u>

### 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 90% and 87% of the balance of account receivables (including related parties) at the period ending December 31<sup>st</sup>, 2020 and 2019. To decrease the credit risk, the Company continuously evaluates 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.

The following table outlines the impairment of financial assets and credit loss:

<b>2020.12.31</b>			
<b>Credit Rating</b>	<b>Evaluation after amortized cost</b>		
	<b>12 months expected loss</b>	<b>Impairment provision during the period — not impaired</b>	<b>Impairment provision during the period — impaired</b>
BBB-AAA	<b>\$ 294,988</b>	-	-
Carrying amount	<b>\$ 294,988</b>	-	-

<b>2019.12.31</b>			
<b>Credit Rating</b>	<b>Evaluation after amortized cost</b>		
	<b>12 months expected loss</b>	<b>Impairment provision during the period — not impaired</b>	<b>Impairment provision during the period — impaired</b>
BBB-AAA	\$ 315,355	-	-
D	-	-	22,269
Total carrying amount	315,355	-	22,269
Allowance for loss	-	-	(22,269)
Cost after amortization	<b>\$ 315,355</b>	-	-
Carrying amount	<b>\$ 315,575</b>	-	-

There is no impairment provision or reversal after amortized cost of financial assets for the period ending December 31st, 2020 and 2019.

## 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:

	<b>Contractual cash flow</b>	<b>Within 6 months</b>	<b>6 to 12 months</b>	<b>Over 1 year</b>
<b>2020.12.31</b>				
Non-derivative financial liabilities				
Bank Loan	\$ (303,231)	(303,231)	-	-
Lease liabilities (current and non-current)	(16,230)	(3,534)	(3,534)	(9,162)
Bank Loan-long term (including maturity within 1 year)	(18,615)	(3,742)	(3,777)	(11,096)
	<b>\$ (338,076)</b>	<b>(310,507)</b>	<b>(7,311)</b>	<b>(20,258)</b>

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

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

	<u>2020.12.31</u>			<u>2019.12.31</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial asset</u>						
USD	\$ 22,200	28.099	623,808	17,954	30.09	540,230
RMB	1,648	4.320	7,119	398	4.302	1,711
<u>Financial liabilities</u>						
USD	3,310	28.099	93,007	1,717	30.09	51,668

#### (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 NT\$21,526 thousands and NT\$19,611 thousands for the period ending December 31<sup>st</sup>, 2020 and 2019.



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

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

	2020		2019	
	FX gain/loss	Ave. FX rate	FX gain/loss	Ave. FX rate
USD	\$ (35,368)	29.460	(9,667)	30.909
RMD	(25)	4.270	(21)	4.475

(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 NT\$245 thousands or NTD10 thousands respectively for the period ending December 31<sup>st</sup>, 2020 and 2019. This is due to the cash and cash equivalent, short term loan and other current financial assets-current and long term loan (including maturity within one year).

4. Fair value of financial instruments

(1) Categories of financial instruments and fair value

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

		2020.12.31				
		Carry Amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
Cash and cash equivalent	\$	188,059	-	-	-	-
Net account receivables (including related parties)		189,594	-	-	-	-
Other financial assets (current and non-current)		294,988	-	-	-	-
Sub-total	\$	672,641	-	-	-	-
Financial liabilities measured at amortized cost						
Short term loan	\$	301,449	-	-	-	-
Account payable (including related parties)		73,797	-	-	-	-
Lease liabilities (current and non-current)		15,906	-	-	-	-
Long term long (including maturity within I year)		18,183	-	-	-	-
Sub-total	\$	409,335	-	-	-	-
		2019.12.31				
		Carry Amount	Fair Value			
			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	-	-	-	-

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 2020 and 2019.

(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 31<sup>st</sup>, 2020 and 2019, the Company has not provided 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 31<sup>st</sup>,

2020, the company has sufficient operation fund and unused bank loan of \$187,577 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:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Total liabilities	<u>\$ 432,620</u>	<u>365,118</u>
Total equity	<u>\$ 440,353</u>	<u>501,590</u>
Debt-to-equity ratio	<u>98.24%</u>	<u>72.79%</u>

### 6.22 Financing activities not affecting current cash flow

The financing activities not affecting current cash flow for 2020 and 2019 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:

	<b>Short term loan</b>	<b>Lease liabilities</b>	<b>Long term liabilities</b>
Balancing at January 1 <sup>st</sup> 2020	\$ 291,149	5,547	-
Changes in cash flow from financing activities			
New loan	355,334	-	20,000
Loan repayment	(345,034)	-	(1,817)
Payment on lease liabilities	-	(6,180)	-
Sub-total cash flow from financing activities	<u>10,300</u>	<u>(6,180)</u>	<u>18,183</u>
Other changes in liabilities related items			
Interest expense	-	192	-
Interest paid	-	(192)	-
Acquisition of right-of-use asset	-	16,523	-
Effects on foreign exchanges	-	16	-
Sub-total other changes in liabilities related items	<u>-</u>	<u>16,539</u>	<u>-</u>
Balance at December 31 <sup>st</sup> , 2020	<u><b>\$ 301,449</b></u>	<u><b>15,906</b></u>	<u><b>18,183</b></u>

	<b>Short term loan</b>	<b>Lease liabilities</b>	<b>Long term liabilities</b>
Balance at January 1 <sup>st</sup> 2019	\$ 245,500	13,207	-
Changes in cash flow from financing activities			
New loan	447,929	-	-
Loan repayment	(402,200)	-	-
Lease repayment	-	(7,151)	-
Sub-total cash flow from financing activities	<u>45,729</u>	<u>(7,151)</u>	<u>-</u>
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	<u>(80)</u>	<u>(509)</u>	<u>-</u>
Balance at December 31 <sup>st</sup> , 2019	<u><b>\$ 291,149</b></u>	<u><b>5,547</b></u>	<u><b>-</b></u>

## 7. Related-Party Transactions

### (1) Names and relationship

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

<b>Names</b>	<b>Relationship</b>
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:

	<b>Sales</b>	
	<b>2020</b>	<b>2019</b>
Key personnel of the Company-ASUSTek	<u>\$ 83,227</u>	<u>53,535</u>
	<b>Related parties account receivables</b>	
	<b>2020</b>	<b>2019</b>
Key personnel of the Company-ASUSTek	<u>\$ 21,180</u>	<u>14,584</u>

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

#### 2. Purchasing and OEM

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

	<b>Purchase and OEM</b>	
	<b>2020</b>	<b>2019</b>
Key personnel of the Company -Siguard	<u>\$ 35,769</u>	<u>29,715</u>
	<b>Related parties account payables</b>	
	<b>2020</b>	<b>2019</b>
Key personnel of the Company -Siguard	<u>\$ 3,932</u>	<u>5,624</u>

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

### 3. Other transactions

The Company signed technical contracts, miscellaneous procurement, machine rentals, royalties and program development to related parties accordingly. Amounts to be balanced were:

		<b>Amount</b>	
	<b>Trading items</b>	<b>2020</b>	<b>2019</b>
Key personnel of the Company	Machines rentals	\$ 159	780
Key personnel of the Company	Miscellaneous	68	148
Key personnel of the Company	Program development	538	-
Key personnel of the Company	Royalty	-	16
		<b>\$ 765</b>	<b>944</b>
<b>Related parties account payables</b>			
		<b>2020</b>	<b>2019</b>
Key personnel of the Company		<b>\$ -</b>	<b>-</b>

### (3) Transactions with key personnel

Compensation of the key personnel were:

	<b>2020</b>	<b>2019</b>
Short term employee benefits	\$ 19,653	21,311
Post-employment benefits	634	1,396
	<b>\$ 20,287</b>	<b>22,707</b>

## 8. Pledged Assets

d.

<b>Assets</b>	<b>Purpose</b>	<b>2020.12.31</b>	<b>2019.12.31</b>
Term deposit (other financial assets- non-current)	Purchase and Guarantee deposits of customs duty – non-current)	\$ 1,032	1,025
Term deposit (other financial assets- current)	Guarantee for short term loan	286,633	306,943
Account receivables	Guarantee for short term loan	56,819	25,186
		<b>\$ 344,484</b>	<b>333,154</b>

## 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 December 31<sup>st</sup> 2020 and 2019 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:

	<b>2020</b>	<b>2019</b>
Unused L/C	<u>\$ -</u>	<u>3,159</u>

(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:

	<b>2020</b>	<b>2019</b>
Guarantee Notes	<u>\$ 538,099</u>	<u>460,080</u>

**10. Losses due to major disasters: None**

**11. Significant subsequent events: None**

**12. Others**

Employee benefits, depreciation and amortization expenses by functions:

<b>By Function</b> <b>Classification</b>	<b>2020</b>			<b>2019</b>		
	<b>Operating costs</b>	<b>Operating expenses</b>	<b>Total</b>	<b>Operating costs</b>	<b>Operating expenses</b>	<b>Total</b>
Employee benefits						
Salaries	-	87,552	87,552	-	86,802	86,802
Labor and health insurance	-	6,316	6,316	-	6,341	6,341
Pension	-	4,138	4,138	-	4,433	4,433
Others	-	2,250	2,250	-	2,206	2,206
Depreciations	-	10,421	10,421	-	13,504	13,504
Amortizations	-	-	-	-	112	112

**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 December 31<sup>st</sup> 2020 (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
10. Business relationship and significant intercompany transactions: none

## (2) Investment

Investment information for the period ending 20201231 (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	100.00%	2,655	100.00%			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	9,047 (USD300)	(Note1)	4,484 (USD150)	4,563 (USD150)	-	9,047 (USD300)	(1,967)	100.00%	(1,967)	3619	-

#### 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)
9,047 (USD300 Thousands)	8,430 (USD300 Thousands)	264,212

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 2020/12/31.

### (4) Major shareholder's information: no single shareholding exceeding 5%.

## 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:

	<b>2020</b>	<b>2019</b>
NB and peripheral consumer related ICs	\$ 558,111	512,491
Others	78,402	47,442
	<b><u>\$ 636,513</u></b>	<b><u>559,933</u></b>

### (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:

<b>Location</b>	<b>2020</b>	<b>2019</b>
China	\$ 387,429	373,004
Taiwan	245,393	182,351
Other countries	3,691	4,578
	<b><u>\$ 636,513</u></b>	<b><u>559,933</u></b>

#### 2. Non-current assets:

<b>Location</b>	<b>2020</b>	<b>2019</b>
Taiwan	\$ 27,047	14,019
China	870	286
	<b><u>\$ 27,917</u></b>	<b><u>14,305</u></b>

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

### (4) Major customers

	<b>2020</b>	<b>2019</b>
Compal Electronics and subsidiaries	\$ 283,276	267,109
Wistron Corporation and subsidiaries	28,927	55,902
	<b><u>\$ 312,203</u></b>	<b><u>323,011</u></b>

**ENE TECHNOLOGY INC**  
**FINANCIAL STATEMENTS AND**  
**REVIEW REPORT OF**  
**INDEPENDENT ACCOUNTANTS**

**December 31<sup>st</sup>, 2020 AND 2019**

**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**

## 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, 2020 and 2019, 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, 2020 and 2019, 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, 2020. 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, 2020 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 and 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, 2020 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 11<sup>th</sup>, 2021

**2020 and 2019 December 31<sup>st</sup>**

## Assets

1100	Cash and cash equivalents (N6(1))
1170	Notes and accounts receivable, net (N6(3)(17) & 8)
1180	Receivables from related parties (N6(3)(17) 7 & 8)
130X	Inventories (N6(4))
1470	Prepaid expenses and other current assets
1476	Other financial assets (N6(9) 7 & 8)

	Investments accounted for using equity method
1550	(N6(5))
1600	Property, plant and equipment (N6(6))
1755	Right-of-use assets (N6(7))
1840	Deferred income tax assets (N6(14))
1975	Defined benefit obligation, noncurrent (N6(13))
1980	Other financial assets, noncurrent (N6(9) & 8)

**Total assets**

	2020.12.31		2019.12.31	
	Amount	%	Amount	%
\$	183,726	21	96,906	11
	168,205	19	165,691	19
	21,848	3	14,584	2
	145,398	17	229,079	27
	14,903	2	17,557	2
	292,032	33	312,521	36
	826,112	95	836,338	97
	6,274	1	3,616	-
	12,509	1	8,854	1
	14,538	2	5,165	1
	3,573	-	3,573	-
	5,782	1	5,640	1
	3,186	-	3,054	-
	45,862	5	29,902	3

**Current liabilities :**

**Noncurrent liabilities :**

	Long term loan (N6(11))
2570	Deferred income tax liabilities (N6(14))
2580	Lease liabilities-noncurrent (N6(12))

### Total Liabilities

**Equity (N6(15)) :**

3110	Common stock
3200	Capital surplus
3350	Accumulated deficit
3400	Total other equity interest

**Total Equity**

### Liabilities and Equity

2020.12.31			108.12.31	
Amount	%		Amount	%
\$ 301,449	35		291,149	33
69,865	8		41,494	5
3,932	-		5,624	1
12,922	2		8,472	1
6,235	1		2,966	-
10,208	1		12,629	2
7,273	1		-	-
411,884	48		362,334	42
10,910	1		-	-
39	-		27	-
8,788	1		2,289	-
19,737	2		2,316	-
431,621	50		364,650	42
749,767	86		749,767	87
81,967	9		81,967	9
(386,539)	(44)		(325,252)	(37)
(4,842)	(1)		(4,892)	(1)
440,353	50		501,590	58
<b>\$ 871,974</b>	<b>100</b>		<b>866,240</b>	<b>100</b>

**ENE TECHNOLOGY INC**  
**Income Statement**  
**2020 and 2019 January 1<sup>st</sup> to December 31<sup>st</sup>**

		Unit: NTD Thousands			
		2020		2019	
		Amount	%	Amount	%
4110	<b>Operating revenue</b> (N6(17) & 7)	\$ 636,046	100	559,923	100
5000	<b>Operating cost</b> (N6(4) & 7)	<u>490,593</u>	<u>77</u>	<u>438,581</u>	<u>78</u>
	<b>Gross profit</b>	<u>145,453</u>	<u>23</u>	<u>121,342</u>	<u>22</u>
	<b>Operating expenses</b> (N6(3)(8)(12)& 7) :				
6100	Selling expenses	48,537	8	57,945	10
6200	General and administration expenses	57,408	9	62,118	11
6300	Research and development expenses	62,417	10	59,883	11
6450	Allowances for credit loss	<u>681</u>	<u>-</u>	<u>11</u>	<u>-</u>
	<b>Total operating expenses</b>	<u>169,043</u>	<u>27</u>	<u>179,957</u>	<u>32</u>
	<b>Operating loss</b>	<u>(23,590)</u>	<u>(4)</u>	<u>(58,615)</u>	<u>(10)</u>
	<b>Non-operating income &amp; expenses:</b>				
7020	Other gains and losses (N6(19))	(35,431)	(6)	(9,784)	(2)
7060	Share of loss of associates accounted for using equity methods (N6(5))	(1,967)	-	(3,052)	(1)
7100	Interest income	2,948	-	9,320	2
7510	Interest expense (N6(12))	<u>(3,318)</u>	<u>(1)</u>	<u>(3,122)</u>	<u>(1)</u>
		<u>(37,768)</u>	<u>(7)</u>	<u>(6,638)</u>	<u>(2)</u>
	<b>Net Loss before income tax</b>	(61,358)	(11)	(65,253)	(12)
	<b>Income tax expenses</b> (N6(14))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Net Loss</b>	<u>(61,358)</u>	<u>(11)</u>	<u>(65,253)</u>	<u>(12)</u>
8300	<b>Other comprehensive income (loss) :</b>				
8310	<b>Items not be reclassified to profit or loss :</b>				
8311	Gain/Loss of remeasurement of defined benefit plan (N6(13))	<u>71</u>	<u>-</u>	<u>273</u>	<u>-</u>
	<b>Total for Items not be reclassified to profit or loss :</b>	<u>71</u>	<u>-</u>	<u>273</u>	<u>-</u>
8360	<b>Items that may be reclassified to profit or loss :</b>				
8361	Cumulative translation differences of foreign operation	62	-	(31)	-
8399	Income tax relating to items may be reclassified (N6(14))	<u>(12)</u>	<u>-</u>	<u>6</u>	<u>-</u>
	<b>Total items that may be reclassified to profit or loss</b>	<u>50</u>	<u>-</u>	<u>(25)</u>	<u>-</u>
8300	<b>Other comprehensive income (Net after tax)</b>	<u>121</u>	<u>-</u>	<u>248</u>	<u>-</u>

	<b>Total comprehensive income (Net after tax)</b>	<b>\$ <u>(61,237)</u> <u>(11)</u> <u>(65,005)</u> <u>(12)</u></b>
	<b>Earnings per share (N6(16))</b>	
9750	<b>Basic earnings per share</b>	<b>\$ <u>(0.82)</u> <u>(0.87)</u></b>

**ENE TECHNOLOGY INC and Subsidiaries**  
**Statements of Changes in Equity**  
**January 1<sup>st</sup> to December 31<sup>st</sup> , 2020 and 2019**

Unit: NTD\$ Thousands

	Other Equity Items						
	Ordinary Share Capital	Capital Surplus	Accumulated Loss	Cumulative translation differences of foreign operation	Unrealized P&L From financial assets measured at fair value through comprehensive P&L	Total	Total Equity
Balance as of 20190101	\$ 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
Net loss of the period	\$ -	-	(61,358)	-	-	-	(61,358)
Other comprehensive income of the period	-	-	71	50	-	50	121
Total comprehensive income	-	-	(61,287)	50	-	50	(61,237)
Balance as of 20201231	\$ 749,767	81,967	(386,539)	158	(5,000)	(4,842)	440,353

**ENE TECHNOLOGY INC**  
**Statement of Cash Flows**  
**2020 and 2019 January 1<sup>st</sup> to December 31<sup>st</sup>**

**Unit: NTD Thousands**

	<u>2020</u>	<u>2019</u>
<b>Cash Flow from operation activities</b>		
<b>Profit/Loss before income tax</b>	\$ (61,358)	(65,253)
<b>Adjustment items:</b>		
Adjustment to reconcile profit/loss		
Depreciation expenses	9,785	12,791
Amortization expenses	-	112
Expected credit loss/gain/provision/reversal of provision for bad debt expense	681	11
Allowance for inventory valuation and obsolescence losses	1,390	8,487
Interest expense	3,318	3,122
Interest income	(2,948)	(9,320)
Share of loss of associates accounted for using equity method	1,967	3,052
Other adjustments to reconcile profit/loss	(71)	87
Total adjustments to reconcile profit/loss	<u>14,122</u>	<u>18,342</u>
Changes in operating assets and liabilities:		
Increase in account receivables	(3,195)	(214)
Increase in account receivables-related parties	(7,264)	(9,196)
Decrease (increase) of inventory	82,291	(123,730)
Decrease (increase) of other operating assets	2,653	(3,898)
Total changes in operating assets	<u>74,485</u>	<u>(137,038)</u>
Increase (decrease) account payable	28,371	(64,343)
Decrease account payable- related parties	(1,692)	(4,593)
Increase (decrease) in other operating liabilities	1,805	(3,338)
Total changes in operating liabilities	<u>28,484</u>	<u>(72,274)</u>
Total changes in operating assets and liabilities	<u>102,969</u>	<u>(209,312)</u>
Cash inflow (outflow) generated from operations	55,733	(256,223)
Interest received	3,128	9,501
Interest paid	(3,296)	(3,090)
<b>Net cash flows from (used in) operating activities</b>	<u>55,565</u>	<u>(249,812)</u>

**(Next page)**



**ENE TECHNOLOGY INC**  
**Statement of Cash Flows (Continued)**

**2020 and 2019 January 1<sup>st</sup> to December 31<sup>st</sup>**

**Unit: NTD Thousands**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities :</b>		
Acquisition of investment by equity method	(4,563)	-
Acquisition of property, plant and equipment	(7,295)	(4,428)
Increase (decrease) in refundable deposits	(125)	315
Decrease (increase) in other financial assets-current	20,310	(17,397)
Increase in other financial assets-noncurrent	(7)	(9)
Net Cash flows from investment activities	<u>8,320</u>	<u>(21,519)</u>
<b>Cash flows from financing activities :</b>		
Increase in short-term loan	355,334	447,929
Decrease in short-term loan	(345,034)	(402,200)
Long term loan	20,000	-
Long term loan repayments	(1,817)	-
Lease repayments	<u>(5,548)</u>	<u>(6,443)</u>
Net cash flows from financing activities	<u>22,935</u>	<u>39,286</u>
Cash and cash equivalents at beginning of period	86,820	(232,045)
Cash and cash equivalents at end of period	<u>96,906</u>	<u>328,951</u>
Cash and cash equivalents reported in the statement of financial position	<u><b>\$ 183,726</b></u>	<u><b>96,906</b></u>

**ENE TECHNOLOGY INC**  
**Notes to Parent Only Financial Statements**  
**For 2020 & 2019**

(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<sup>th</sup>, 1998. The Company was inaugurated in Hsinchu Science Industrial Park on Aug 31<sup>st</sup>, 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<sup>nd</sup>, 2003 and listed on Taiwan Stock Exchange on December 17<sup>th</sup>, 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<sup>th</sup>, 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 11<sup>th</sup>, 2021.

**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 2020 adopted by the Company are as follows:

**New Standards/Amendments/Principles and Interpretations**

Amendments to IFRS 3 “Definition of a Business”

Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”

Amendments to IAS 1 and IAS 8 “Definition of Material”

Amendments to IFRS 16 “Covid-19 Related Rent Concessions”

3.2 The impact of IFRSs issued by IASB and endorsed by the FSC but not yet adopted by the Company

The Company has evaluated the following standards and interpretations effective from 2021.01.01 and concluded that these shall not have any material impact on financial position and results and concluded that these shall not have any material impact on financial position and results of operations of the Company.

**New, Revised or Amended Standards and Interpretations**

Amendments to IFRS 4 “Extension of the temporary exemption from applying IFRS 9”

Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 “Interest rate benchmark reform-second stage”

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**

Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture”

IFRS 17 “Insurance Contracts” and Amendments to IFRS 17

Amendments to IAS 1 “To classify debt as current or non-current”

Amendments to IAS 16 “Property, Plant and Equipment-Proceeds before Intended Use”

Amendments to IAS 37 “Onerous Contracts-Cost of Fulfilling a Contract”

Annual Improvements to IFRS Standards 2018-2020

Amendments to IFRS 3, “Reference to the conceptual framework”

Amendments to IAS 1 “Disclosure of Accounting Policy”

Amendments to IAS 8 “Definition of Accounting Estimates”

The Company has evaluated the standards and interpretations and concluded that these shall not have any material impact on financial position and results of operations of the Company.

#### **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:

- 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 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 its 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) Derecognition 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.

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

(4) Derecognition 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**

##### **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, and 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 lessee

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-line 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.

## **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 transfers 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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Cash on hand	\$ 56	74
Checking and savings	157,270	70,432
Term deposits	<u>26,400</u>	<u>26,400</u>
	<u><b>\$ 183,726</b></u>	<u><b>96,906</b></u>

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- non-current:

On the basis of long term strategic goals instead of trading purposes, the fair value of the shareholdings of Touchsens Ltd have been evaluated through other comprehensive income.

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

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

### 6.3 Notes and account receivable (including related parties)

	<u>2020.12.31</u>	<u>2019.12.31</u>
Notes receivable	\$ 10	225
Account receivable	171,021	167,611
Receivables from related parties	<u>21,848</u>	<u>14,584</u>
	192,879	182,420
Less: allowance for doubtful accounts	<u>(2,826)</u>	<u>(2,145)</u>
	<u><b>\$ 190,053</b></u>	<u><b>180,275</b></u>

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:

	<b>2020.12.31</b>		
	<b>Notes &amp; account receivables carrying amount</b>	<b>Weighted average loss rate</b>	<b>Loss Allowance</b>
Not past due	\$ 174,535	0.00%	-
Past due 0~30 days	786	0.00%	-
Past due over 121 days	-	100.00%	-
Total	<b><u>\$ 175,321</u></b>		<b><u>-</u></b>

	<b>2019.12.31</b>		
	<b>Notes &amp; account receivables carrying amount</b>	<b>Weighted average loss rate</b>	<b>Loss Allowance</b>
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	<b><u>\$ 171,006</u></b>		<b><u>-</u></b>

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

	<b>2020.12.31</b>		
	<b>Notes &amp; account receivables carrying amount</b>	<b>Weighted average loss rate</b>	<b>Loss Allowance</b>
Not past due	\$ 14,575	1.57%	228
Past due 0~30 days	449	21.16%	95
Past due 61-90 days	86	83.72%	72
Past due 91-120 days	123	86.16%	106
Past due over 121 days	2,325	100.00%	2,325
Total	<b><u>\$ 17,558</u></b>		<b><u>2,826</u></b>

	<b>2019.12.31</b>		
	<b>Notes &amp; account receivables carrying amount</b>	<b>Weighted average loss rate</b>	<b>Loss Allowance</b>
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	<u><b>\$ 11,414</b></u>		<u><b>2,145</b></u>

Changes for loss allowance (including related parties) are:

	<b>2020</b>	<b>2019</b>
Balance of January 1 <sup>st</sup>	\$ 2,145	2,134
Recognized loss	681	11
Balance of December 31 <sup>st</sup>	<u><b>\$ 2,826</b></u>	<u><b>2,145</b></u>

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, 2020 were as follows:

<b>2020.12.31</b>					
<b>Purchaser</b>	<b>Amount transferred</b>	<b>Quota</b>	<b>Amount advanced (recognized in short term loan)</b>	<b>Interest rate collar</b>	<b>Collateral</b>
CTBC Bank	\$ 56,819 (USD2,022K)	80,000	42,149 (USD1,500K)	1.45%~ 1.55%	Account receivables and Bank note \$80,000

<b>108.12.31</b>					
<b>Purchaser</b>	<b>Amount transferred</b>	<b>Quota</b>	<b>Amount advanced (recognized in short term loan)</b>	<b>Interest rate collar</b>	<b>Collateral</b>
CTBC Bank	\$ 25,186 (USD837K)	70,000	20,149 (USD670K)	3.25%	Account receivables and Bank note \$70,000

As of December 31, 2020 and 2019 the notes and account receivables (including related parties) were not pledged. Please refer to Note 8 for details.

#### 6.4 Inventory

	<u>2020.12.31</u>	<u>2019.12.31</u>
Raw materials	\$ 14,599	14,788
Work in Process	106,566	180,215
Finished product	<u>24,233</u>	<u>34,076</u>
	<u><b>\$ 145,398</b></u>	<u><b>229,079</b></u>

Details of operating cost are:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Relisting of inventory sales	\$ 489,203	430,094
Allowance for inventory valuation loss	<u>1,390</u>	<u>8,487</u>
	<u><b>\$ 490,593</b></u>	<u><b>438,581</b></u>

Inventory dated December 31, 2020 and 2019 were not pledged for collateral.

#### 6.5 Investment by equity method

- Investment by equity method:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Subsidiaries	<u><b>\$ 6,274</b></u>	<u><b>3,616</b></u>

- Subsidiaries

Please refer to the consolidated financial report for related information.

	<u>2020</u>	<u>2019</u>
Share of Profit & Loss from the Subsidiaries	<u><b>\$ (1,967)</b></u>	<u><b>(3,052)</b></u>

- Collateral

As of December 31, 2020 and 2019 the investments in aforementioned equity-accounted investees were not pledged as collateral.

## 6.6 Property, plants and equipment

### 1. Details on cost and amortization:

	<b>R&amp;D equipment</b>	<b>Improvement on lease</b>	<b>Office and other equipment</b>	<b>Total</b>
Cost:				
Balance on January 1 <sup>st</sup> 2020	\$ 20,768	2,526	46,434	69,728
Acquisition	-	-	7,497	7,497
Balance on Dec 31 <sup>st</sup> 2020	<b>\$ 20,768</b>	<b>2,526</b>	<b>53,931</b>	<b>77,225</b>
Balance on January 1 <sup>st</sup> 2019	\$ 20,768	2,066	43,766	66,600
Acquisition	-	460	2,668	3,128
Balance on Dec 31 <sup>st</sup> 2019	<b>\$ 20,768</b>	<b>2,526</b>	<b>46,434</b>	<b>69,728</b>
Amortization:				
Balance on January 1 <sup>st</sup> 2020	\$ 20,734	529	39,611	60,874
Amortization	34	298	3,510	3,842
Balance on Dec 31 <sup>st</sup> 2020	<b>\$ 20,768</b>	<b>827</b>	<b>43,121</b>	<b>64,716</b>
Balance on January 1 <sup>st</sup> 2019	\$ 19,243	276	35,101	54,620
Amortization	1,491	253	4,510	6,254
Balance on Dec 31 <sup>st</sup> 2019	<b>\$ 20,734</b>	<b>529</b>	<b>39,611</b>	<b>60,874</b>
Carrying amount:				
December 31 <sup>st</sup> , 2020	<b>\$ -</b>	<b>1,699</b>	<b>10,810</b>	<b>12,509</b>
January 1 <sup>st</sup> 2019	<b>\$ 1,525</b>	<b>1,790</b>	<b>8,665</b>	<b>11,980</b>
December 31 <sup>st</sup> , 2019	<b>\$ 34</b>	<b>1,997</b>	<b>6,823</b>	<b>8,854</b>

- Changes to the account payable related to property, plant and equipment for 2020 and 2019 are increase of NT\$202 thousands and decrease of NT\$1,300 thousands respectively.
- Property, plant and equipment of the Company dated on December 31 of 2020 and 2019 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:

	<b>Buildings</b>	<b>Transportation Vehicles</b>	<b>Other equipment</b>	<b>Total</b>
Cost:				
Balance at 2020.01.01	\$ 6,105	4,536	451	11,092
Acquisition	14,803	513	-	15,316
Balance at 2020.12.31	<b>\$ 20,908</b>	<b>5,049</b>	<b>451</b>	<b>26,408</b>
Balance at 2019.01.01	\$ -	-	-	-
Effects of retrospective application	7,732	4,014	451	12,197
Acquisition	-	522	-	522
Disposal	(1,627)	-	-	(1,627)
Balance at 2019.12.31	<b>\$ 6,105</b>	<b>4,536</b>	<b>451</b>	<b>11,092</b>
Accumulated depreciation and loss:				
Balance at 2020.01.01	\$ 4,384	1,127	416	5,927
Depreciation of the year	4,697	1,211	35	5,943
Balance at 2020.12.31	<b>\$ 9,081</b>	<b>2,338</b>	<b>451</b>	<b>11,870</b>
Balance at 2019.01.01	\$ -	-	-	-
Depreciation of the year	4,994	1,127	416	6,537
Disposal	(610)	-	-	(610)
Balance at 2019.12.31	<b>\$ 4,384</b>	<b>1,127</b>	<b>416</b>	<b>5,927</b>
Carrying amount:				
Balance at 2020.12.31	<b>\$ 11,827</b>	<b>2,711</b>	<b>-</b>	<b>14,538</b>
Balance at 2019.01.01 (Effects of retrospective application of IFRS 16)	<b>\$ 7,732</b>	<b>4,014</b>	<b>451</b>	<b>12,197</b>
Balance at 2019.12.31	<b>\$ 1,721</b>	<b>3,409</b>	<b>35</b>	<b>5,165</b>

## 6.8 Intangible Assets

Details on the cost and amortization as of 2020 and 2019 are:

	<u>Patents</u>	<u>Computer Software Cost</u>	<u>Total</u>
Cost:			
2020.01.01 (same as 2020.12.31)	<u>\$ 17,659</u>	<u>23,561</u>	<u>41,220</u>
2019.01.01 (same as 2019.12.31)	<u>\$ 17,659</u>	<u>23,561</u>	<u>41,220</u>
Amortization:			
2020.01.01 (same as 2020.12.31)	<u>\$ 17,659</u>	<u>23,561</u>	<u>41,220</u>
2019.01.01	\$ 17,602	23,506	41,108
Amortization	<u>57</u>	<u>55</u>	<u>112</u>
2019.12.31	<u>\$ 17,659</u>	<u>23,561</u>	<u>41,220</u>
Carry amount:			
2020.12.31	<u>\$ -</u>	<u>-</u>	<u>-</u>
2019.01.01	<u>\$ 57</u>	<u>55</u>	<u>112</u>
2019.12.31	<u>\$ -</u>	<u>-</u>	<u>-</u>

Amortization expenses for 2020 and 2019 are NT\$0 thousands and NT\$112 thousands respectively.

Intangible assets dated December 31<sup>st</sup>, 2020 and 2019 were not pledged as collateral.

## 6.9 Other financial assets- current and non-current:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Current:		
Restricted cash in bank	\$ 286,633	306,943
Term deposit ( > 3 months)	5,000	5,000
Other account receivables-related parties	367	366
Others	<u>32</u>	<u>212</u>
	<u>\$ 292,032</u>	<u>312,521</u>
Non-Current		
Refundable deposit	\$ 2,154	2,029
Restricted cash in bank	<u>1,032</u>	<u>1,025</u>
	<u>\$ 3,186</u>	<u>3,054</u>

There is no loss in other financial assets – current and non-current (excluding other receivables) for the period ended December 31<sup>st</sup>, 2020 and 2019.



Other receivables and allowances for loss of the Company for the period ended December 31<sup>st</sup>, 2020 and 2019:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Other receivables	\$ -	22,269
Less: allowances for loss	<u>-</u>	<u>(22,269)</u>
	<u><u>\$ -</u></u>	<u><u>-</u></u>

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Guarantee bank loan	\$ 259,300	271,000
Account receivable financing	<u>42,149</u>	<u>20,149</u>
	<u><u>\$ 301,449</u></u>	<u><u>291,149</u></u>
Unused quota	<u><u>\$ 187,577</u></u>	<u><u>118,851</u></u>
Range of interests	<u><u>0.89%~ 1.55%</u></u>	<u><u>1.105%~ 3.25%</u></u>

For the period 20200101~20200930, new addition of NT\$355,334 thousands and NT\$447,929 thousands. Interest rate ranges from 0.89%~1.55% and 1.105%~3.25%. Due dates are 2021 January to 2021 June and 2020 February to 2020 May. Amount due are NT\$345,034 thousands and NT\$402,200 thousands.

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

#### 6.11 Long Term Liabilities

	<u>2020.12.31</u>	<u>2019.12.31</u>
Guarantee bank loan	\$ 15,456	-
Non-guarantee bank loan	<u>2,727</u>	<u>-</u>
	18,183	-
less : maturity within one year	<u>(7,273)</u>	<u>-</u>
Total	<u><u>\$ 10,910</u></u>	<u><u>-</u></u>
Unused quota	<u><u>\$ -</u></u>	<u><u>-</u></u>
Range of interests	<u><u>1.2685%~ 2.1617%</u></u>	<u><u>-</u></u>

## 6.12 Lease liabilities

	2020.12.31	2019.12.31
Current	<u>\$ 6,235</u>	<u>2,966</u>
Non-current	<u>\$ 8,788</u>	<u>2,289</u>

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:

	2020	2019
Interest expense from lease liabilities	<u>\$ 153</u>	<u>135</u>
Expense of short term lease	<u>\$ 117</u>	<u>225</u>
Expense of low-value assets (excluding short-term lease of low-value assets)	<u>\$ 113</u>	<u>105</u>

Amount recognized in cash flow statement :

	2020	2019
Total cash outflow of lease	<u>\$ 5,931</u>	<u>6,908</u>

### 1. House and building

The Company has rented house and architecture for operation purposes. The Office lease contract is normally 3 years.

### 2. Other lease

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

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

### 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:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Defined benefit obligation	\$ 1,606	1,450
Plan assets at fair value	<u>(7,388)</u>	<u>(7,090)</u>
Net defined benefit liabilities (assets)	<u><u>\$ (5,782)</u></u>	<u><u>(5,640)</u></u>

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 NT\$7,388 thousands as of December 31<sup>st</sup>, 2020. 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

	<u>2020</u>	<u>2019</u>
Defined benefit obligation January 1st	\$ 1,450	2,408
Service cost and interest expense	18	33
Remeasurements of the defined benefit liabilities (assets):		
Actuarial gain/losses arising from changes in financial assumptions	28	(110)
Actuarial gain/losses arising from experience adjustments	110	92
Past service cost	-	(507)
Liquidation of eliminated debts	-	(466)
Defined benefit obligation December 31 <sup>st</sup>	<u>\$ 1,606</u>	<u>1,450</u>

c. Changes of fair value of plan assets

	<u>2020</u>	<u>2019</u>
Fair value of plan assets January 1 <sup>st</sup>	\$ 7,090	7,942
Interest income	89	109
Paid pension	-	(1,216)
Remeasurements of net defined benefit liabilities (assets)		
Return on plan assets (excluding interests)	209	255
Fair value of plan asset December 31 <sup>st</sup>	<u>\$ 7,388</u>	<u>7,090</u>

d. Movements of NABCI

Movements of NABCI for the 2020 and 2019 were both zero.

e. Amounts recognized in profit and loss

	<u>2020</u>	<u>2019</u>
Net interest on the net defined benefit liabilities (asset)	\$ (71)	(76)
Past service cost	-	243
	<u>\$ (71)</u>	<u>167</u>
Administrative cost	<u>\$ (71)</u>	<u>167</u>

Defined benefit obligation was decreased by NT\$0 and NT\$507 thousands and recognized in profit and loss due to decrease number of total employees for 2020 and 2019.

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

	<u>2020</u>	<u>2019</u>
Accumulated balance January 1 <sup>st</sup>	\$ 7,239	6,966
Amount for the period	<u>71</u>	<u>273</u>
Accumulated balance December 31 <sup>st</sup>	<u><b>\$ 7,310</b></u>	<u><b>7,239</b></u>

g. Actuarial assumptions

	<u>2020.12.31</u>	<u>2019.12.31</u>
Discount rate	0.875%	1.250%
Future salary increases	1.000%	1.000%

The Company has granted annual approvals from the Science Industrial Park Administration since 2017 to temporary suspend the pension preparation fund.

The weighted average lifetime of the defined benefits plan is 20.15 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:

	<u>Impact on the defined benefit obligation</u>	
	<u>Increase by 0.25%</u>	<u>Increase by 0.25%</u>
2020 December 31 <sup>st</sup>		
Discount rate	<u><b>\$ (74)</b></u>	<u><b>78</b></u>
Future salary increases	<u><b>\$ 77</b></u>	<u><b>(74)</b></u>
2019 December 31 <sup>st</sup>		
Discount rate	<u><b>\$ (70)</b></u>	<u><b>74</b></u>
Future salary increases	<u><b>\$ 73</b></u>	<u><b>(70)</b></u>

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 2020 and 2019 are NT\$4,196 thousands and NT\$4,119 thousands respectively.

## 6.14 Income tax

### 1. Details on income tax:

	<b>2020</b>	<b>2019</b>
Current income tax	\$ -	-
Deferred tax expenses	-	-
	<b>\$ -</b>	<b>-</b>

### Tax expense (income) recognized in profit and loss:

	<b>2020</b>	<b>2019</b>
Items might be reclassified to profit and loss		
Exchange Differences on Translation of Foreign Financial Statements	<b>\$ 12</b>	<b>(6)</b>

Adjustments to the income tax expense and loss before income tax for 2020 and 2019: :

	<b>2020</b>	<b>2019</b>
Loss before income tax	\$ (61,358)	(65,253)
Tax effects of different tax rates applicable in foreign jurisdiction	(12,272)	(13,051)
Reconciliation of permanent differences	1,654	485
Impact of deferred income tax asset not yet recognized	10,618	12,566
	<b>\$ -</b>	<b>-</b>

### 2. Deferred income tax assets not yet recognized:

	<b>2020.12.31</b>	<b>2019.12.31</b>
Unused tax losses carryforwards	\$ 165,446	161,091
Deductible temporary differences	10,645	4,382
	<b>\$ 176,091</b>	<b>165,473</b>

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 31<sup>st</sup> 2020, taxable loss not yet recognized as deferred tax assets of the company and domestic subsidiaries:

<u>Year of Loss</u>	<u>Loss not yet deducted</u>	<u>Expiry year</u>
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)	50,962	2029
2020 (assessed amount)	28,166	2030
	<u><u>\$ 827,229</u></u>	

### 3. Deferred income tax assets/liabilities recognized:

#### Deferred income tax assets

	<u>2019.01.01</u>	<u>Recognized in P&amp;L</u>	<u>2019.12.31</u>	<u>Recognized in P&amp;L</u>	<u>2020.12.31</u>
Inventory valuation loss	\$ 3,354	(212)	3,142	18	3,160
Unrealized gross margin	-	431	431	(18)	413
Others	219	(219)	-	-	-
	<u><u>\$ 3,573</u></u>	<u><u>-</u></u>	<u><u>3,573</u></u>	<u><u>-</u></u>	<u><u>3,573</u></u>

#### Deferred income tax liabilities:

	<u>2019.01.01</u>	<u>Recognized in P&amp;L</u>	<u>Recognized in Other Comprehensive income</u>	<u>2019.12.31</u>	<u>Recognized in P&amp;L</u>	<u>Recognized in Other Comprehensive income</u>	<u>2020.12.31</u>
Translation profit from Foreign operation and others	\$ (33)	-	6	(27)	-	(12)	(39)
	<u><u>\$ (33)</u></u>	<u><u>-</u></u>	<u><u>6</u></u>	<u><u>(27)</u></u>	<u><u>-</u></u>	<u><u>(12)</u></u>	<u><u>(39)</u></u>

### 4. Assessment and approval of income tax

The income tax return through 2018 have been assessed and approved by the Taxation Authority.

## 6.15 Capital and other equity

For the period ending December 31<sup>st</sup> 2020 and 2019, the authorized total capital is NT\$950,000 thousands (including reserved employee options NT\$50,000 thousands and convertible corporate bonds 10,000 thousands). Ordinary share is valued at \$10 per share. Paid-up capital is NT\$749,767 thousands.

### 1. Capital reserve

	<b>2020.12.31</b>	<b>2019.12.31</b>
Issue stock premium	\$ 68,283	68,283
Treasury stock trading	11,534	11,534
Long term investment	2,150	2,150
	<b><u>\$ 81,967</u></b>	<b><u>81,967</u></b>

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 2019 and 2018 Loss Appropriation Statement proposed by the Board of the Directors and the ones approved in the shareholder meeting on 2020.06.10<sup>th</sup> and 2019.06.13<sup>th</sup>. Related details can be viewed in MOPS website.

BOD has prepared Loss Appropriation Proposal for 2020 on March 11<sup>th</sup>, 2021. 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 2020.01.01	\$ 108	(5,000)	(4,892)
Exchange differences on translation of financial statements of foreign affiliates	50	-	50
Balance on 2020.12.31	<u>\$ 158</u>	<u>(5,000)</u>	<u>(4,842)</u>
Balance on 2019.01.01	\$ 133	(5,000)	(4,867)
Exchange differences on translation of financial statements of foreign affiliates	(25)	-	(25)
Balance on December 31 <sup>st</sup> , 2019	<u>\$ 108</u>	<u>(5,000)</u>	<u>(4,892)</u>

## 6.16 Earnings per share

The calculation of basic earnings per share was as following:

	<u>2020</u>	<u>2019</u>
Basic earnings per share:		
Net income for the period	\$ <u>(61,358)</u>	<u>(65,253)</u>
Weighted average number of ordinary shares outstanding during the year (in thousands)	<u>74,977</u>	<u>74,977</u>
Basic earnings per share (NT dollars)	\$ <u>(0.82)</u>	<u>(0.87)</u>

## 6.17 Revenue from customer contracts

### 1. Segmentation of revenue

	<u>2020</u>	<u>2019</u>
Major regional markets		
China	\$ 386,962	372,994
Taiwan	245,393	182,351
Others	<u>3,691</u>	<u>4,578</u>
	<u>\$ 636,046</u>	<u>559,923</u>
Major products		
NB & peripheral consumer related ICs	\$ 558,111	512,491
Others	<u>77,935</u>	<u>47,432</u>
	<u>\$ 636,046</u>	<u>559,923</u>

### 2. Contract balance

	<u>2020.12.31</u>	<u>2019.12.31</u>	<u>2019.1.1</u>
Account receivables and notes (Including related parties)	\$ 192,879	182,420	173,010
Less: allowances for bad debts	<u>(2,826)</u>	<u>(2,145)</u>	<u>(2,134)</u>
Total	<u>\$ 190,053</u>	<u>180,275</u>	<u>170,876</u>

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 2019 and 2018, 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:

	<u><b>2020</b></u>	<u><b>2019</b></u>
Foreign exchange gains (losses)	\$ (35,432)	(9,686)
Miscellaneous income and expenses	<u>1</u>	<u>(98)</u>
	<u><b>\$ (35,431)</b></u>	<u><b>(9,784)</b></u>

## 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 90% and 87% of the balance of account receivables (including related parties) at the period ending December 31<sup>st</sup>, 2020 and 2019. 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.

<b>2020.12.31</b>			
<b>Credit Rating</b>	<b>Evaluation after amortized cost</b>		
	<b>12 months expected loss</b>	<b>Impairment provision during the period — not impaired</b>	<b>Impairment provision during the period — impaired</b>
BBB-AAA	\$ 295,218	-	-
Carrying amount	\$ 295,218	-	-

<b>2019.12.31</b>			
<b>Credit Rating</b>	<b>Evaluation after amortized cost</b>		
	<b>12 months expected loss</b>	<b>Impairment provision during the period — not impaired</b>	<b>Impairment provision during the period — impaired</b>
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	-	-

There is no impairment provision or reversal after amortized cost of financial assets for the period ending December 31, 2020 and 2019.

### 2. Liquidity risk

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

	<u>Contractual cash flow</u>	<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>Over 1 year</u>
<b>2020.12.31</b>				
Non-derivative financial liabilities				
Bank Loan	\$ (303,231)	(303,231)	-	-
Lease liabilities (current and non-current)	(15,301)	(3,206)	(3,206)	(8,889)
Long term loan (including maturity within 1 year)	(18,615)	(3,742)	(3,777)	(11,096)
	<u><b>\$ (337,147)</b></u>	<u><b>(310,179)</b></u>	<u><b>(6,983)</b></u>	<u><b>(19,985)</b></u>
<b>2019.12.31</b>				
Non-derivative financial liabilities				
Bank Loan	\$ (292,098)	(292,098)	-	-
Lease liabilities (current and non-current)	(5,348)	(1,509)	(1,509)	(2,330)
	<u><b>\$ (297,446)</b></u>	<u><b>(293,607)</b></u>	<u><b>(1,509)</b></u>	<u><b>(2,330)</b></u>

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

	<b>2020.12.31</b>			<b>2019.12.31</b>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
Currency items						
USD	\$ 22,195	28.099	623,670	17,936	30.09	539,694
RMB	711	4.320	3,071	398	4.302	1,711
Non-currency items						
RMB	838	4.320	3,619	223	4.302	961
<u>Financial liabilities</u>						
Currency items						
USD	3,310	28.099	93,007	1,717	30.09	51,668

#### (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 NT\$21,349 thousands and NT\$19,589 thousands for the period ending December 31<sup>st</sup>, 2020 and 2019.

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

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

	2020		2019	
	FX gain/loss	Ave. FX rate	FX gain/loss	Ave. FX rate
USD	\$ (35,407)	29.460	(9,665)	30.909
RMD	(25)	4.270	(21)	4.475

(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 NT\$234 thousands or NT\$8 thousands respectively for the period ending December 31<sup>st</sup>, 2020 and 2019. This is due to the cash and cash equivalent, short term loan, other financial assets-current and long term loan (including maturity within 1 year).

4. Fair value of financial instruments

(1) Categories of financial instruments and fair value

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

		2020.12.31				
		Carry Amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
Cash and cash equivalent	\$	183,726	-	-	-	-
Net account receivables (including related parties)		190,053	-	-	-	-
Other financial assets (current and non-current)		295,218	-	-	-	-
Sub-total	\$	668,997	-	-	-	-
Financial liabilities measured at amortized cost						
Short term loan	\$	301,449	-	-	-	-
Account payable (including related parties)		73,797	-	-	-	-
Lease liabilities (current and non-current)		15,023	-	-	-	-
Long term loan (including maturity within 1 year)		18,183	-	-	-	-
Sub-total	\$	408,452	-	-	-	-
		2019.12.31				
		Carry Amount	Fair Value			
			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	-	-	-	-

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 2020 and 2019.

(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: :

<b>Item</b>	<b>Valuation techniques</b>	<b>Significant unobservable inputs</b>	<b>Relationship between inputs and fair value measurement</b>
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 31<sup>st</sup>, 2020 and 2019, 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 31<sup>st</sup>, 2020, 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:

	<b>2020.12.31</b>	<b>2019.12.31</b>
Total liabilities	<b>\$ 431,621</b>	<b>364,650</b>
Total equity	<b>\$ 440,353</b>	<b>501,590</b>
Debt-to-equity ratio	<b>98.02%</b>	<b>72.70%</b>

## 6.23 Financing activities not affecting current cash flow

The financing activities not affecting current cash flow for 2020 and 2019 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:

	<b>Short term loan</b>	<b>Lease liabilities</b>	<b>Long term loan</b>
Balancing at January 1 <sup>st</sup> 2020	\$ 291,149	5,255	-
Changes in cash flow from financing activities			
New loan	355,334	-	20,000
Loan repayment	(345,034)	-	(1,817)
Payment on lease liabilities	-	(5,548)	-
Sub-total cash flow from financing activities	10,300	(5,548)	18,183
Other changes in liabilities related items			
Interest expense	-	153	-
Interest paid	-	(153)	-
Acquisition of right-of-use asset	-	15,316	-
Sub-total other changes in liabilities related items	-	15,316	-
Balance at December 31 <sup>st</sup> , 2020	<b>\$ 301,449</b>	<b>15,023</b>	<b>18,183</b>
Balance at January 1 <sup>st</sup> 2019	\$ 245,500	12,197	-
Changes in cash flow from financing			

activities			
New loan	447,929	-	-
Loan repayment	(402,200)	-	-
Lease liability repayment	-	(6,443)	-
Sub-total cash flow from financing activities	<u>45,729</u>	<u>(6,443)</u>	<u>-</u>
Other changes in liabilities related items			
Interest expense	-	135	-
Interest paid	-	(135)	-
Acquisition of right-of-use assets	-	522	-
Disposal of right-of-use assets	-	(1,021)	-
Effects on foreign exchanges	(80)	-	-
Sub-total other changes in liabilities related items	<u>(80)</u>	<u>(499)</u>	<u>-</u>
Balance at December 31 <sup>st</sup> , 2019	<u><b>\$ 291,149</b></u>	<u><b>5,255</b></u>	<u><b>-</b></u>

## 7. Related-Party Transactions

### (1) Names and relationship

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

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

	<u>Sales</u>	
	<u>2020</u>	<u>2019</u>
Key personnel of the Company-Asustek	\$ 83,227	53,535
Subsidiaries of the Company	734	622
	<u><b>\$ 83,961</b></u>	<u><b>54,157</b></u>
	<u>Related parties account receivables</u>	
	<u>2020</u>	<u>2019</u>
Key personnel of the Company-Asustek	\$ 21,180	14,584
Subsidiaries of the Company	668	-
Less: Allowances for loss	-	-
	<u><b>\$ 21,848</b></u>	<u><b>14,584</b></u>

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

## 2. Purchasing and OEM

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

	<b>Purchase and OEM</b>	
	<b>2020</b>	<b>2019</b>
Key personnel of the Company -Siguard	<b>\$ 35,769</b>	<b>29,715</b>
	<b>Related parties account payables</b>	
	<b>2020</b>	<b>2019</b>
Key personnel of the Company -Siguard	<b>\$ 3,932</b>	<b>5,624</b>

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

## 3. Other transactions

The Company signed technical contracts and paid royalties to related parties accordingly.

Amounts to be balanced were:

		<b>Amount</b>	
		<b>2020</b>	<b>2019</b>
	<b>Trading items</b>		
Key personnel of the Company	Machines rentals	\$ 159	780
Key personnel of the Company	Miscellaneous	68	148
Key personnel of the Company	Program development	538	-
Key personnel of the Company	Royalty	-	16
		<b>\$ 765</b>	<b>944</b>
		<b>Related parties account payables</b>	
		<b>2020</b>	<b>2019</b>
Key personnel of the Company		<b>\$ -</b>	<b>-</b>

## (3) Transactions with key personnel

Compensation of the key personnel were:

	<b>2020</b>	<b>2019</b>
Short term employee benefits	\$ 19,653	21,311
Post-employment benefits	634	1,396
	<b>\$ 20,287</b>	<b>22,707</b>

## 8. Pledged Assets

<u>Assets</u>	<u>Purpose</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Term deposit (other financial assets- non-current)	Purchase and Guarantee deposits of customs duty – non-current)	\$ 1,032	1,025
Term deposit (other financial assets- current)	Guarantee for short term loan	286,633	306,943
Account receivables	Guarantee for short term loan	56,819	25,186
		<u>\$ 344,484</u>	<u>333,154</u>

Account payables are due Advance payment for the subsidiaries

## 9. Significant Commitments and Contingencies

Other than items described in Note 6(12) and Note 7, the significant commitments of the Company dated December 31<sup>st</sup> of 2020 and 2019 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:

	<u>2020</u>	<u>2019</u>
Unused L/C	<u>\$ -</u>	<u>3,159</u>

- (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:

	<u>2020</u>	<u>2019</u>
Guarantee Notes	<u>\$ 538,099</u>	<u>460,080</u>

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	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries	-	85,407	85,407	-	84,672	84,672
Labor and health insurance	-	6,268	6,268	-	6,279	6,279
Pension	-	4,125	4,125	-	4,286	4,286
Compensation for Directors	-	875	875	-	930	930
Others	-	2,199	2,199	-	2,154	2,154
Depreciations	-	9,785	9,785	-	12,791	12,791
Amortizations	-	-	-	-	112	112

Information on number of employees and employee benefits are:

	2020	2019
Number of employee	<u>72</u>	<u>71</u>
No. of non-employee Directors	<u>6</u>	<u>6</u>
Ave. employee benefits expense	<u>\$ 1,485</u>	<u>1,498</u>
Ave. employee salary expense	<u>\$ 1,294</u>	<u>1,303</u>
Adjustments to ave. employee salary expense	<u>-0.66%</u>	
Compensation to the supervisors	<u>\$ -</u>	<u>339</u>

The Compensation Policy (including Directors, Executive managers and employees) is as following:

1. Directors: according to the Company charter, the compensation for Directors shall be proposed by the Chairman of the Board, submitted to the Compensation Committee for approval.
2. Executive managers: according to the Compensation Policy of the Company, compensation of the Executive managers shall be proposed by the Chairman of the Board, submitted to the Compensation Committee and the Board for approval.
3. Employee compensation: according to the Compensation Policy, compensation package of the employees shall take into considerations of professional experiences, seniority and performance.
4. Quarterly bonus of employees and Executive managers: bonus shall be based on the quarterly achievement rate of the Company's and the individual employee's.

### 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 December 31<sup>st</sup> 2020 (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 20201231 (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	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	9,047 (USD300)	(Note1)	4,484 (USD150)	4,563 (USD150)	-	9,047 (USD300)	(1,967)	100.00%	(1,967)	3619	-

#### 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)
9,047 (USD300 Thousands)	8,430 (USD300 Thousands)	264,212

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 20201231.

### 14. Operating Segments Information

Please refer to 2020 Consolidated Financial Report for details.



**ENE TECHNOLOGY INC**  
**Statement of Cash and Cash Equivalent**  
**December 31, 2020**  
**(Expressed in thousands of NTD thousands)**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Cash — NTD	Cash and petty cash	\$ 56
Demand deposits — NTD		4,253
— Foreign currency	USD2,021,034.63 & CNY48,365.01	152,902
Check deposits		115
Term deposits — NTD		<u>26,400</u>
Total		<u><b>\$ 183,726</b></u>

Note: the ending rates of foreign currency deposits on December 31, 2020 are:

USD/NTD=28.099

RMB/NTD=4.320

**ENE TECHNOLOGY INC**  
**Statement of Notes and Account Receivables**  
**December 31, 2020**  
**(Expressed in thousands of NTD thousands)**

<b>Item</b>	<b>Amount</b>
Compal Electronic Inc	\$ 129,898
MSI	10,135
Others (note)	<u>30,998</u>
Sub-total	171,031
Less: Allowances for loss	<u>(2,826)</u>
Total:	<u><b>\$ 168,205</b></u>

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, 2020**  
**(Expressed in thousands of NTD thousands)**

<u>Item</u>	<u>Amount</u>		<u>Note</u>
	<u>Cost</u>	<u>Net realizable value</u>	
Finished goods	\$ 27,279		Please refer to N4(7) of Parent only financial statements for details
Less: allowances for loss	(3,046)		
	<u>24,233</u>	30,896	
Work in process	117,363		
Less: allowances for loss	(10,797)		
	<u>106,566</u>	148,450	
Raw materials	17,853		
Less: allowances for loss	(3,254)		
	<u>14,599</u>	<u>14,599</u>	
	<u><b>\$ 145,398</b></u>	<u><b>193,945</b></u>	

**Prepaid Expenses and Other Current Assets**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other prepaid expenses	Prepaid software maintenance and consultant fee	\$ 10,148
Tax refund and Sales tax refund		4,355
Others		<u>400</u>
Total		<u><b>\$ 14,903</b></u>

Note: Total of individual items not exceeding 5% of total amount.

**ENE TECHNOLOGY INC**

**Statement of Movement of Investments Accounted for Using**

**Equity Method**

**January 1 to December 31, 2020**

**(Expressed in NTD thousands)**

<u>Name of investee</u>	<u>Beginning Balance</u>		<u>Increase</u>		<u>Decrease</u>		<u>Investment Income</u>	<u>Adjustments</u>	<u>Ending Balance</u>			
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			<u>Shares</u>	<u>Ownership %</u>	<u>Amount</u>	<u>Collateral</u>
Janus Power	700	\$ 2,655	-	-	-	-	-	-	700	100.00	2,655	None
ENE Touch Technology Inc	-	961	-	4,563	-	-	(1,967)	62	-	100.00	3,619	None
		<u>\$ 3,616</u>		<u>4,563</u>		<u>-</u>	<u>(1,967)</u>	<u>62</u>			<u>6,274</u>	

**ENE TECHNOLOGY INC**  
**Statement of Movement of Property, Plant and**  
**Equipment**  
**January 1 to December 31, 2020**

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, 2020**

Please refer to N6(9) of Parent only Financial Statements for details.

**ENE TECHNOLOGY INC**  
**Statement of Short-Term Loan**  
**December 31, 2020**

Please refer to N6(10) of Parent only Financial Statements for details.

**Statement of Long Term Loan**  
**As of December 31, 2020**

**Unit: NT\$ Thousands**

<b>Type</b>	<b>Lenders</b>	<b>Amount</b>	<b>Contract period</b>	<b>Interest Rate (%)</b>	<b>Loan Commitments</b>	<b>Collateral</b>
Secured loan	Taipei Fubon Bank	\$ 15,456	109.06~112.06	1.2685%~2.1617%	17,000	Note
Unsecured loan	Taipei Fubon Bank	<u>2,727</u>	109.06~112.06	1.2685%~2.1617%	3,000	None
		18,183				
Less: Maturity within 1 year:		<u>(7,273)</u>				
		<b><u>\$ 10,910</u></b>				

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

## Statement of Lease Liabilities

As of December 31, 2020

Unit: NT\$ Thousands

Items	Descriptions	Lease Term	Discount rates	Ending Balance
Buildings and facilities	Office	109.5.1~112.06.15	1.43%	\$ 12,238
Transportation equipment	Company rental car	106.10.20~114.11.1		<u>2,785</u>
				15,023
	Less: maturity within 1 year			<u>(6,235)</u>
				<u><b>\$ 8,788</b></u>

## Statement of Account Payables

(Expressed in NTD thousands)

Item	Amount
HHNEC (Shanghai)	\$ 33,818
ASE (Kunshan)	14,236
Greatek	10,683
ASE (Chung-li)	8,561
Others (Note)	<u>2,567</u>
Total	<u><b>\$ 69,865</b></u>

Note: Total of individual vendors not exceeding 5% of total of account payables.

**ENE TECHNOLOGY INC**  
**Statement of Other Current Liabilities**  
**December 31, 2020**  
**(Expressed in NTD thousands)**

<u>Item</u>	<u>Amount</u>
Commission payable	\$ 1,107
Accrued pension expenses	1,066
Accrued labor and health insurance	1,010
Accrued service expenses	860
Others (Note)	<u>6,165</u>
Total	<u><u>\$ 10,208</u></u>

Note: Total of individual items not exceeding 5% of total amount.

**Statement of Revenue**  
**January 1 to December 31, 2020**

<u>Item</u>	<u>Qty</u>	<u>Amount</u>
NB & peripheral consumer related application ICs	49,665	\$ 558,111
Others	9,233	<u>77,935</u>
		<u><u>\$ 636,046</u></u>



**ENE TECHNOLOGY INC**  
**Statement of Cost of Sales**  
**January 1 to December 31, 2020**  
**(Expressed in NTD thousands)**

<u>Item</u>	<u>Amount</u>
Beginning balance of inventory	\$ -
Add: purchase	1,053
Less: ending balance of inventory	<u>-</u>
Cost of trading	<u>1,053</u>
Raw material used	
Beginning balance of raw materials	16,801
Add: purchase	186,788
Reversal of internal use	(69)
Less: ending balance of raw materials	<u>(17,853)</u>
Raw material used	185,667
Manufacturing expense	<u>219,598</u>
Cost of manufacturing	405,265
Add: Beginning balance of work-in-process inventory	190,745
Less: Ending balance of work-in-process inventory	(117,363)
Transferred	<u>(337)</u>
Cost of finished goods	478,310
Add: Beginning balance of finished goods	37,240
Less: Ending balance of finished goods	(27,279)
Transferred	<u>(121)</u>
Cost of sales	488,150
Allowances for loss	<u>1,390</u>
Total Cost of Sales	<u><u>\$ 490,593</u></u>

Note: Total of individual items not exceeding 5% of total amount.

**ENE TECHNOLOGY INC**  
**Statement of Sales Expenses**  
**January1 to December 31, 2109**  
**(Expressed in NTD thousands)**

<b>Item</b>	<b>Amount</b>
Salary expenses	\$ 24,321
Freight	7,961
Commission expenses	4,665
Engineering verification fees	2,306
Others	9,284
	<b><u>\$ 48,537</u></b>

**Statement of Management Expenses**

<b>Item</b>	<b>Amount</b>
Salary expenses	\$ 30,861
Depreciation	6,559
Service consultant	4,024
Others	15,964
	<b><u>\$ 57,408</u></b>

Note: Total of individual items not exceeding 5% of total amount.

**ENE TECHNOLOGY INC**  
**Statement of Research and Development**  
**Expenses**  
**January 1 to December 31, 2020**  
**(Expressed in NTD thousands)**

<u>Item</u>	<u>Amount</u>
Salary	\$ 30,225
Miscellaneous	17,957
Masks	5,412
Others	<u>8,823</u>
	<u><b>\$ 62,417</b></u>

Note: Total of individual items not exceeding 5% of total amount.