

**ENE TECHNOLOGY INC AND
SUBSIDIARIES**

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

MARCH 31st, 2019 AND 2018

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Translated Independent Auditor's Review Report

To the Board of Directors of ENE TECHNOLOGY INC.:

Introduction

We have reviewed the consolidated balance sheets of ENE TECHNOLOGY INC and subsidiaries as of March 31st, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flow for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of above said financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standards 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Qualified Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly the consolidated financial status of ENE TECHNOLOGY INC. and subsidiaries as of March 31st, 2019 and 2018, and of its

consolidated financial performance and cash flows for the three-month periods then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standards 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

KPMG
Tseng, Mei-Yu
Lu, Chien-Hui

May 8th, 2019

The Balance Sheet as of March 31, 2019 and 2018 are reviewed, not audited
ENE TEHCNOLOGY INC. and Subsidiaries
Consolidated Balance Sheets

Unit: NTD\$ Thousands

Asset		20190331		20181231		20180331		Liabilities and Equity		20190331		20181231		20180331	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current Asset:								Current Liabilities:							
1100	Cash & cash equivalents (Note 6(1))	\$ 277,072	29	333,262	35	320,607	38	2100	Short term loan (Note6(9) & 8)	\$ 258,500	27	245,500	26	191,500	23
1110	Financial assets measured at fair value through profit/loss- current (Note6((2))	-	-	-	-	22,014	3	2170	Account payable	128,722	13	105,837	11	32,341	4
1170	Notes and accounts receivables (note6((3))	139,561	14	165,491	17	117,705	14	2180	Related parties account payable (note7)	7,275	1	10,217	1	3,678	-
1180	Accounts receivables from related parties (Note6(3) & 7)	598	-	5,385	1	3,730	-	2201	Salary payable	10,840	1	12,473	1	7,725	1
130X	Inventories (Note6(4))	188,776	19	113,836	12	109,234	13	2280	Lease liabilities – current (note6(10))	7,760	1	-	-	-	-
1470	Prepaid expenses & other current assets	14,563	2	16,301	2	10,919	1	2300	Other current liabilities	12,323	1	13,269	1	11,931	2
1476	Other financial assets – current (Note6(8) & 8)	325,988	33	294,939	31	221,373	27			425,420	44	387,296	40	247,175	30
		946,558	97	929,214	98	805,582	96								
Non-Current Asset:								Non-current liabilities:							
1517	Financial assets measured at fair value through other comprehensive profit/loss – non-current (Note6(2))	-	-	-	-	226	-	2570	Deferred income tax liabilities	54	-	33	-	-	-
1600	Real estate, plant and equipment (note6(5))	10,319	1	11,980	1	14,373	2	2580	Lease liabilities – non-current (note6(10))	3,546	-	-	-	-	-
1755	Right-of-use asset(note6(6))	11,269	1	-	-	-	-	2670	Other non-current liabilities - others	-	-	-	-	1,377	-
1780	Intangible asset (note6(7))	63	-	112	-	532	-			3,600	-	33	-	1,377	-
1840	Deferred tax asset	3,573	-	3,573	-	3,573	-		Total Liabilities	429,020	44	387,329	40	248,552	30
1975	Net defined benefit asset – non-current	5,534	1	5,534	1	4,045	1		Equity (Note6(14)):						
1980	Other financial asset – non-current (note6(8) & 8)	3,525	-	3,511	-	4,525	1	3110	Ordinary share capital	749,767	76	749,767	79	749,767	90
		34,283	3	24,710	2	27,274	4	3200	Capital surplus	81,967	8	81,967	9	81,967	10
Total Asset		\$ 980,841	100	953,924	100	832,856	100	3350	Accumulated loss	(275,130)	(28)	(260,272)	(27)	(242,430)	(29)
								3400	Other equity	(4,783)	-	(4,867)	(1)	(5,000)	(1)
									Total Equity	551,821	56	566,595	60	584,304	70
									Total Liabilities & Equity	\$ 980,841	100	953,924	100	832,856	100

(Please refer to accompanying notes to consolidated financial statements)

Consolidated Statements of Comprehensive Income
as of March 31st 2019 are Reviewed, not Audited
ENE TECHNOLOGY INC and Subsidiaries
Consolidated Statements of Comprehensive Income

Unit: NTD\$ Thousands

		<u>20190101~20190331</u>		<u>20180101~20180331</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4110	Operating revenue (Note6(16) & 7)	\$ 119,742	100	97,860	100
5000	Operating cost (Note6(4) & 7)	93,289	78	77,195	79
	Gross profit	26,453	22	20,665	21
	Operating expenses (note6(3), (10), 7 & 12):				
6100	Selling expenses	13,624	11	14,939	15
6200	General and admin expenses	16,657	14	17,606	18
6300	Research and development expenses	13,808	12	17,075	17
	Total operating expenses	44,089	37	49,620	50
	Operating loss	(17,636)	(15)	(28,955)	(29)
	Non-operating income & expenses:				
7020	Other gains and losses (note6(18))	648	1	(12,650)	(13)
7100	Interest income	2,892	2	1,312	1
7510	Interest expense (note6(10))	(762)	(1)	(497)	(1)
		2,778	2	(11,835)	(13)
	Loss before income tax	(14,858)	(13)	(40,790)	(42)
	Income tax expenses (note6(13))	-	-	-	-
	Net loss for the period	(14,858)	(13)	(40,790)	(42)
8300	Other comprehensive profit and loss:				
8360	Items may be reclassified to profit or loss				
8361	Cumulative translation differences of foreign operation	105	-	-	-
8399	Income tax relating to items may be reclassified (Note6(13))	(21)	-	-	-
	Total items that be reclassified to profit & loss	84	-	-	-
8300	Other comprehensive profit and loss	84	-	-	-
	Total comprehensive income	<u>\$ (14,774)</u>	<u>(13)</u>	<u>(40,790)</u>	<u>(42)</u>
	Earnings per share (in dollar)(note6(15))				
9750	Basic earnings per share	<u>\$ (0.20)</u>		<u>(0.54)</u>	

(Please refer to accompanying notes to consolidated financial statements)

Consolidated Statements of Changes in Equity as of March 31st 2019 and 2018 are Reviewed, not Audited

ENE TECHNOLOGY INC and Subsidiaries
Consolidated Statements of Changes in Equity

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 20180101	\$ 749,767	81,967	(206,640)	-	-	-	625,094
Adjustments of retrospective approach	-	-	5,000	-	(5,000)	(5,000)	-
Balance at 20180101 after adjustment	749,767	81,967	(201,640)	-	(5,000)	(5,000)	625,094
Net loss of the period	-	-	(40,790)	-	-	-	(40,790)
Other comprehensive income of the period	-	-	-	-	-	-	-
Total comprehensive income	-	-	(40,790)	-	-	-	(40,790)
Balance as of 20180331	\$ 749,767	81,967	(242,430)	-	(5,000)	(5,000)	584,304
Balance as of 20190101	\$ 749,767	81,967	(260,272)	133	(5,000)	(4,867)	566,595
Net loss of the period	-	-	(14,858)	-	-	-	(14,858)
Other comprehensive income of the period	-	-	-	84	-	84	84
Total comprehensive income	-	-	(14,858)	84	-	84	(14,774)
Balance as of 20190331	\$ 749,767	81,967	(275,130)	217	(5,000)	(4,783)	551,821

(Please refer to accompanying notes to consolidated financial statements)

Consolidated Statements of Cash Flows
as of March 31st 2019 and 2018 are Reviewed, Not Audited
ENE TECHNOLOGY INC and Subsidiaries
Consolidated Statements of Cash Flows

Unit: NTD\$ Thousands

	<u>20190101~0331</u>	<u>20180101~0331</u>
Cash Flow from operating activities:		
Income before income tax	\$ (14,858)	(40,790)
Adjustments:		
Income and expenses/loss items		
Depreciation	3,841	2,230
Amortization	49	256
Expected credit impairment loss	115	(59)
Allowance for inventory evaluation & obsolesce loss	1,109	3,477
Gain on financial assets at fair value through profit or loss	-	(2,032)
Interest expense	762	497
Interest income	(2,892)	(1,312)
Disposal of real estate, plant and equipment	-	(15)
Others not affecting cash flow	-	480
Total of income and expense/loss items	<u>2,984</u>	<u>3,522</u>
Changes in operating assets and liabilities:		
Increase in financial asset measured at fair value through profit and loss	-	(13,674)
Decrease in notes and account receivables	25,812	46,444
Decrease (Increase) account receivable from related parties	4,790	(911)
Inventory (increase) decrease	(76,049)	7,992
Decrease of other operating asset	1,739	4,215
Total changes in operating assets and liabilities	<u>(43,708)</u>	<u>44,066</u>
Increase (decrease) in account payable	22,885	(25,171)
Decrease in account payable from related parties	(2,942)	(3,245)
Decrease in other operating liabilities	(1,459)	(9,113)
Total changes in operating liabilities	<u>18,484</u>	<u>(37,529)</u>
Net changes in operating assets and liabilities	<u>(25,224)</u>	<u>6,537</u>
Cash flows from operating activities	(37,098)	(30,731)
Interest received	2,852	1,250
Interest paid	(760)	(496)
Net cash flow from operating activities	<u>(35,006)</u>	<u>(29,977)</u>

(continued)

(Please refer to accompanying notes to consolidated financial statements)

Consolidated Statements of Cash Flows
as of March 31st 2019 and 2018 are Reviewed, Not Audited
ENE TECHNOLOGY INC and Subsidiaries
Consolidated Statements of Cash Flows

Unit: NTD\$ Thousands

	<u>20190101~0331</u>	<u>20180101~0331</u>
Cash flows from investment activities:		
Acquisition of real estate, plant and equipment	(1,338)	(1,923)
Disposal of real estate, plant and equipment	-	77
Decrease (increase) in Refundable deposits	(10)	345
Increase in other financial asset - current	(31,008)	(37,521)
Net Cash flow from investment activities	<u>(32,356)</u>	<u>(39,022)</u>
Cash flows from financing activities:		
Increase in short term loan	13,000	122,500
Decrease in short term loan	-	(89,000)
Lease liabilities principle repayment	(1,926)	-
Net cash flows from financing activities	<u>11,074</u>	<u>33,500</u>
Effect of exchange rate to cash and cash equivalent	98	-
Net decrease in cash and cash equivalent	(56,190)	(35,499)
Cash and cash equivalent at beginning of period	333,262	356,106
Cash and cash equivalent at end of period	<u><u>\$ 277,072</u></u>	<u><u>320,607</u></u>

(Please refer to accompanying notes to consolidated financial statements)

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

(REVIEWED, NOT AUDITED)
(All amounts are expressed in Thousands of New Taiwan Dollars,
excepted otherwise indicated)
ENE TECHNOLOGY INC. and Subsidiaries
Notes to the Consolidated Financial Statements
Three-Month Periods Ended March 31st, 2019 and 2018

1. Company History

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

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

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

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

These consolidated financial statements were approved and authorized by the Board of Directors on May 8th, 2019.

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

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

The new standards, amendments, principles and interpretations endorsed by the FSC effective from 2019 adopted by the Company are as follows:

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

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

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

1. IFRS 16 "Lease"

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

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

1.1 Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(3).

When transiting to IFRS 16, the Company chose to apply the practical expedient to evaluate the assessment of which transactions are leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for

ENE TECHNOLOGY INC and Subsidiaries

Notes to Consolidated Financial Statements

whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts committed or changed on or after January 1st, 2019.

1.2 As a lessee

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

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

1.2.1 Leases classified as operating leases under IAS 17.

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

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

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

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

ENE TECHNOLOGY INC and Subsidiaries

Notes to Consolidated Financial Statements

contains options to extend to terminate the lease

1.3 Impacts on financial statements

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

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

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

2. IFRIC 23 "Uncertainty over Income Tax Treatments"

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

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

ENE TECHNOLOGY INC and Subsidiaries

Notes to Consolidated Financial Statements

entity expects to better predict the resolution of the uncertainty.

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

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 3 “Definition of a Business:	2020.Jan.01
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture”	Effective date TBD by IASB
IFRS 17 “Insurance Contracts”	2021.Jan.01
Amendments to IAS 1 and IAS 8 “Definition of Material”	2020.Jan.01

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

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

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

Other than the below described, the significant accounting policies applied in the consolidated financial statements are the same as those applied in the consolidated financial statements for the year ended December 31st, 2018, and have been applied consistently to all periods presented in the consolidated financial statements. Please refer to Note 4 of the consolidated financial statements dated 2018.Dec.31st for details.

ENE TECHNOLOGY INC and Subsidiaries

Notes to Consolidated Financial Statements

(2) Basis of consolidation

1. List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Subsidiaries	Business	Percentage of Ownership			Note
			2019.3.31	2018.12.31	2018.3.31	
ENE	Janus Power Electronics Pty Ltd. (Janus Power)	Electronic components	100%	100%	100%	
ENE	ENE Touch Technology Co.,Ltd	Electronic materials distributor	100%	100%	- %	Note 1

Note 1: ENE Touch Technology Co., Ltd was registered on August 10th, 2018.

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

(3) Lease (policy applicable from January 1st, 2019)

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-to-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and 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. In general, the Company takes its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability are comprised of the following;

1. Fixed payments
2. Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
3. Amounts expected to be payable under a residual value guarantee
4. Payments for purchase or termination options that are reasonably certain to be exercised.

ENE TECHNOLOGY INC and Subsidiaries

Notes to Consolidated Financial Statements

Lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

1. There is a change in future lease payments arising from the change in an index or rate
2. There is a change in the Company estimation of the amount expected to be payable under a residual value guarantee
3. There is change of its assessment on whether it will exercise a purchase
4. There is a change of its assessment on whether it will extend or terminate option
5. There is any lease modifications

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 assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has chosen not to recognize right-of-use assets and lease liabilities for short-term leases of transportation vehicles and other equipment 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) Income tax

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

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

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

(5) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the reporting date of the prior fiscal year, adjusted for

ENE TECHNOLOGY INC and Subsidiaries

Notes to Consolidated Financial Statements

significant market fluctuations subsequent to the end of prior fiscal year and for significant curtailments, settlements, or other significant one-time events.

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

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

In preparation of the consolidated financial statements, critical accounting judgements and key sources of estimation uncertainty used by management in the application of accounting policies are consistent with those described in Note 5 of the consolidated financial statements dated December 31st, 2018.

6. Descriptions on Significant Accounts

Other than items described below, the descriptions of significant accounts in the accompanying consolidated financial statement is not materially different from those described in Note 6 of the consolidated financial statement dated December 31st, 2018.

(1) Cash and Cash Equivalent

	<u>2019.03.31</u>	<u>2018.12.31</u>	<u>2018.03.31</u>
Cash	\$ 25	25	20
Cash in Bank and Cheque	115,403	147,037	145,519
Term Deposit	161,644	186,200	175,068
	<u>\$ 277,072</u>	<u>333,262</u>	<u>320,607</u>

(2) Financial Assets

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

	<u>2019.03.31</u>	<u>2018.12.31</u>	<u>2018.03.31</u>
Forced financial assets at fair value through profit & loss :			
Non derivative financial assets			
Beneficiary certificates—			
open end funds	<u>\$ -</u>	<u>-</u>	<u>22,014</u>

ENE TECHNOLOGY INC and Subsidiaries

Notes to Consolidated Financial Statements

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

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

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

The Company has not sold any strategic investment for the period ending March 31st 2019 and 2018, thus there was no transfer of equity gain or loss during the period.

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

3. Please refer to note 6(20) for information on the credit risks and market risks.

4. The above said financial assets have not been provided for pledge guarantee.

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

	2019.03.31	2018.12.31	2018.03.31
Notes receivable	\$ 2,729	1,552	164
Account receivable	139,081	166,070	118,823
Receivables from related parties	<u>598</u>	<u>5,388</u>	<u>3,737</u>
	142,408	173,010	122,724
Less: allowance for doubtful accounts	<u>(2,249)</u>	<u>(2,134)</u>	<u>(1,289)</u>
	<u>\$ 140,159</u>	<u>170,876</u>	<u>121,435</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.

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

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

	2019.3.31		
	Notes & account receivables carrying amount	Weighted average loss rate	Loss Allowance
Not past due	\$ 124,670	0.00%	-
Past due 0~30 days	191	0.00%	-
Past due 31-60 days	151	0.00%	-
Past due over 121 days	-	100.00%	-
	<u>\$ 125,012</u>		<u>-</u>

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

	2018.3.31		
	Notes & account receivables carrying amount	Weighted average loss rate	Loss Allowance
Not past due	\$ 111,025	0.02%	21
Past due 0~30 days	1,978	2.81%	55
Past due 31~60 days	1,485	13.11%	195
Past due 61~90 days	15	13.61%	2
Past due 91~120 days	4	21.43%	1
Past due over 121 days	-	100.00%	-
	<u>\$ 114,507</u>		<u>274</u>

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

	2019.3.31		
	Notes & account receivables carrying amount	Weighted average loss rate	Loss Allowance
Not past due	\$ 11,919	1.14%	136
Past due 0~30 days	3,660	13.33%	488
Past due 31~60 days	137	33.90%	46
Past due 61~90 days	79	40.50%	32
Past due 91~120 days	157	65.41%	103
Past due over 121 days	1,444	100.00%	1,444
	\$ 17,396		2,249

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

	2018.3.31		
	Notes & account receivables carrying amount	Weighted average loss rate	Loss Allowance
Not past due	\$ 6,833	0.02%	1
Past due 0~30 days	188	0.83%	2
Past due 31~60 days	88	21.43%	19
Past due 61~90 days	114	28.21%	32
Past due 91~120 days	60	45.79%	27
Past due over 121 days	934	100.00%	934
	\$ 8,217		1,015

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Changes for loss allowance are:

	2019	2018
	Jan to March	Jan to March
Balance of January 1 st	\$ 2,134	1,348
Recognized loss	115	-
Loss on reversal of impairment loss	-	(59)
Balance of March 31 st	<u>\$ 2,249</u>	<u>1,289</u>

Notes and account receivables (including related parties) dated on 2019.03.31, 2018.12.31 and 2018.03.31 have not been provided for pledge guarantee.

(4) Inventory

	2019.03.31	108.12.31	2018.03.31
Raw materials	\$ 9,599	6,557	5,758
Work in Process	132,836	86,759	71,461
Finished product	46,341	20,520	32,015
	<u>\$ 188,776</u>	<u>113,836</u>	<u>109,234</u>

Details of operating cost are :

	2019	2018
	Jan to March	Jan to March
Cost of goods sold	\$ 92,180	73,718
Allowance for inventory valuation loss	1,109	3,477
	<u>\$ 93,289</u>	<u>77,195</u>

(5) Real estate, plant and equipment

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

	R&D	Improvement	Office and	
	equipment	on lease	other	Total
			equipment	
Cost:				
Balance on January 1 st 2019	\$ 20,768	2,066	43,766	66,600
Acquisition	-	-	216	216
Balance on March 31 st 2019	<u>\$ 20,768</u>	<u>2,066</u>	<u>43,982</u>	<u>66,816</u>

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Balance on January 1 st 2018	\$	21,792	2,066	39,769	63,627
Acquisition		-	-	527	527
Disposal		(955)	-	-	(955)
Balance on March 31 st 2018	\$	20,837	2,066	40,296	63,199
Amortization:					
Balance on January 1 st 2019	\$	19,243	276	35,101	54,620
Amortization		575	52	1,250	1,877
Balance on March 31 st 2019	\$	19,818	328	36,351	56,497
Balance on January 1 st 2018	\$	16,446	69	30,974	47,489
Amortization		960	52	1,218	2,230
Disposal		(893)	-	-	(893)
Balance on March 31 st 2018	\$	16,513	121	32,192	48,826
Carrying amount:					
January 1 st 2019	\$	1,525	1,790	8,665	11,980
March 31 st 2019	\$	950	1,738	7,631	10,319
January 1 st 2018	\$	5,346	1,997	8,795	16,138
March 31 st 2018	\$	4,324	1,945	8,104	14,373

- Changes to the account payable related to real estate, plant and equipment for the period 2019.01.01 to 2019.03.31 and 2018.01.01 to 2018.03.31 are NT\$1,122 thousands and NT\$1,396 thousands.
- Real estate, plant and equipment of the Company dated on March 31st of 2018 and 2019 have not been provided for pledge guarantee.

(6) Right-of-use asset

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

		Buildings	Transportation Vehicles	Other equipment	Total
Cost:					
Balance at 2019.01.01	\$	-	-	-	-
Effects of retrospective application		8,742	4,014	451	13,207
Effects of foreign exchange		27	-	-	27
Balance at 2019.03.31	\$	8,769	4,014	451	13,234
Accumulated depreciation and loss:					

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Balance at 2019.01.01	\$	-	-	-	-
Depreciation of the year		1,583	277	104	1,964
Effects of foreign exchange		1	-	-	1
Balance of 2019.03.31	<u>\$</u>	<u>1,584</u>	<u>277</u>	<u>104</u>	<u>1,965</u>
Carrying amount:					
Balance at 2019.01.01 (Effects of retrospective application of IFRS16)	<u>\$</u>	<u>8,742</u>	<u>4,014</u>	<u>451</u>	<u>13,207</u>
Balance at 2019.03.31	<u>\$</u>	<u>7,185</u>	<u>3,737</u>	<u>347</u>	<u>11,269</u>

Please refer to Note 6(11) for information on the office rental and company car rental 2018.01.01~2018.03.31.

(7) Intangible Assets

	<u>Patents</u>	<u>Computer Software Cost</u>	<u>Total</u>
Carrying value:			
2019.01.01	<u>\$ 57</u>	<u>55</u>	<u>112</u>
2019.03.31	<u>\$ 36</u>	<u>27</u>	<u>63</u>
2018.01.01	<u>\$ 207</u>	<u>581</u>	<u>788</u>
2018.03.31	<u>\$ 144</u>	<u>388</u>	<u>532</u>

There is no significant addition, disposal, allowance for loss or reversal of the intangible assets during the period of 2019.01.01~2019.03.31 and 2018.01.01~2018.03.31. Please refer to Note 12(1) for details. Please refer to Note 6(7) of the 2018 Consolidated Financial Report for other related information.

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

	<u>2019.3.31</u>	<u>2018.12.31</u>	<u>2018.3.31</u>
Current:			
Restricted cash in bank	\$ 320,554	289,546	215,808
Term deposit (> 3 months)	5,000	5,000	5,000
Other receivables	1	-	335
Others	<u>433</u>	<u>393</u>	<u>230</u>
	<u>\$ 325,988</u>	<u>294,939</u>	<u>221,373</u>
Non-Current			
Refundable deposit	\$ 2,509	2,495	3,517

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Restricted cash in bank	1,016	1,016	1,008
	<u>\$ 3,525</u>	<u>3,511</u>	<u>4,525</u>

There is no loss in other financial assets – current and non-current (excluding other receivables) for the period ended 2019.03.31, 2018.12.31 and 2018.03.31.

Other receivables and allowances for loss of the Company for the period ended 2019.03.31, 2018.12.31 and 2018.03.31.:

	<u>2019.3.31</u>	<u>2018.12.31</u>	<u>2018.3.31</u>
Other receivables	\$ 22,270	22,269	22,604
Less: allowances for loss	<u>(22,269)</u>	<u>(22,269)</u>	<u>(22,269)</u>
	<u>\$ 1</u>	<u>-</u>	<u>335</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 other credit risks.

(9) Short term loan

	<u>2019.3.31</u>	<u>2018.12.31</u>	<u>2018.3.31</u>
Guarantee bank loan	<u>\$ 258,500</u>	<u>245,500</u>	<u>191,500</u>
Unused quota	<u>91,490</u>	<u>104,490</u>	<u>108,490</u>
Range of interests	<u>1.098%~1.23%</u>	<u>1.098%~1.23%</u>	<u>1.095%~1.27%</u>

For the period 20190101~20190331, new loan amount is NT\$13,000 thousands and NT\$122,500 thousands. Interest rate ranges from 1.098%~1.23% and 1.095%~1.27%. Due dates are 2019 April and 2018 April to August. Amounts due are NT\$0 and NT\$89,000 thousands.

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

(10) Lease Liabilities

	<u>2019.03.31</u>	
	<u>Future minimum lease payments</u>	<u>Present value of minimum lease payments</u>
Less one year	\$ 7,867	107
One~ five years	3,681	135
	<u>\$ 11,548</u>	<u>242</u>
	<u>11,306</u>	<u>11,306</u>

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Current	<u>\$</u>	<u>7,867</u>	<u>107</u>	<u>7,760</u>
Non-Current	<u>\$</u>	<u>3,681</u>	<u>135</u>	<u>3,546</u>

The Company did not issue, repurchase or repay lease liabilities for the period of 2019.01.01 ~2019.03.31.

Loss recognized as:

	2019.01.01~ 2019.03.31
Interest expense from lease liabilities	<u>\$</u> <u>56</u>
Payment not included in lease liabilities	<u>\$</u> <u>162</u>
Expense of short term lease	<u>\$</u> <u>30</u>
Expense of low-value assets (excluding short-term lease of low-value assets)	<u>\$</u> <u>22</u>

Amount recognized in cash flow statement:

	2019.01.01~ 2019.03.31
Total cash outflow of lease	<u>\$</u> <u>2,196</u>

1. Real estate leases

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.

(11) Operating lease

There were no significant additions to operating lease contract for the three months ended March 31st, 2018. For related information about operating lease, please refer to Note 6(10) of the consolidated financial statements for the year ended December 31st, 2018.

(12) Employee benefits

There was no significant market fluctuations, significant curtailments, settlements or other significant one-off event in the prior fiscal year, pension costs in the financial statements are measured and disclosed according to the actuarial results determined on December 31st, 2018

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and 2017.

Please refer to Note 12(1) for information related to the Company pension costs.

(13) Income tax

1. Income tax expense is best estimated by multiplying pre-tax income of the interim period by a projected annual effective tax rate as forecasted by the management.

2. The amount of income tax expenses was:

	20190101~ 20190331	20180101~ 20180331
Current income tax expense	\$ -	-

3. The amount of income tax expense (benefit) recognized in other comprehensive income for the three months ended March 31st, 2019 and 2018:

	20190101~ 20190331	20180101~ 20180331
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of foreign affiliates	\$ 21	-

4. Approval of income tax

The tax authority has assessed the Company's income tax returns through 2015.

(14) Capital and other equity interest

Other than items described in the following, there were no significant changes in the Company capital and other equity interest for the three months ended March 31st, 2019 and 2018. Please refer to Note 6(13) of the consolidated financial statements for the year ended December 31st, 2018 for related information about the shareholder's equity.

1. Capital reservation

	2019.03.31	2018.12.31	2018.03.31
Issue stock premium	\$ 68,283	68,283	68,283
Treasury stock trading	11,534	11,534	11,534
Long term investment	2,150	2,150	2,150
	\$ 81,967	81,967	81,967

2. Retained earnings

According to the Articles of Incorporation of the Company, when the Company has profit as

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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.

There were no differences between the 2017 and 2016 Loss Appropriation Statement proposed by the Board of the Directors and the ones approved in the shareholder meeting on 2018.06.13th and 2017.06.13th. Related details can be viewed in MOPS website.

The Board of the Company has prepared the Loss Appropriation Statement of 2018 on March 20th, 2019. The Loss Appropriation Statement of 2018 is to be approved in the Shareholder Meeting. Related details can be viewed in MOPS website after the Statement is approved.

3. Other equity interest (earnings after tax)

	Exchange differences on translation of financial statements of foreign affiliates	Unrealized profit and loss through other complicated profit and loss through fair value of financial assets	Total
Balance on 2019.01.01	\$ 133	(5,000)	(4,867)
Exchange differences on translation of financial statements of foreign affiliates	84	-	84
Balance on 2019.03.31	<u>\$ 217</u>	<u>(5,000)</u>	<u>(4,783)</u>
Balance on 2018.01.01	\$ -	-	-

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Retrospective number to IFRS	-	(5,000)	(5,000)
Adjusted balance on 2018.01.01 (Balance on 2018.03.31)	<u>\$ -</u>	<u>(5,000)</u>	<u>(5,000)</u>

(15) Earnings per share

The calculation of basic earnings per share was as following:

	<u>2019.01.01~ 2019.03.31</u>	<u>2018.01.01~ 2018.03.31</u>
Basic earnings per share:		
Net income for the period	<u>\$ (14,858)</u>	<u>(40,790)</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>\$ (0.20)</u>	<u>(0.54)</u>

(16) Revenue from Contracts with Customers

1. Segmentation of revenue

	<u>2019.01.01~ 2019.03.31</u>	<u>2018.01.01~ 2018.03.31</u>
Major regional markets		
China	\$ 76,809	60,636
Taiwan	41,541	36,373
Others	<u>1,392</u>	<u>851</u>
	<u>\$ 119,742</u>	<u>97,860</u>
Major products		
NB computer related ICs	\$ 91,886	75,304
Capacitive touch controller related ICs	27,207	21,669
Others	<u>649</u>	<u>887</u>
	<u>\$ 119,742</u>	<u>97,860</u>

2. Contract Balance

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

(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

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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.

The Company has not allocated any remuneration to employees, directors and supervisors as the Company was at loss for the period January 1st - March 31st 2019 and 2018. If there is any differences between the estimation and actual amount, it will be regarded as accounting estimation change and recognized as loss of the year.

The Company was at loss for the year 2018 and 2017, so there was no remuneration allocated to the employees, Directors and Supervisors. Please refer to the MOPS for details.

(18) Non-operating income and expenses

The details of other gains and losses were as follows:

	20190101~ 20190331	20180101 20180331
Foreign exchange gains (losses)	\$ 647	(14,878)
Gain/Loss on financial assets at fair value through profit and loss	-	2,032
Disposal of real estate, plant and equipment (net)	-	15
Miscellaneous income and expenses	<u>1</u>	<u>181</u>
	<u>\$ 648</u>	<u>(12,650)</u>

(19) Financial instruments

Other than items described in the following paragraph, there were no significant changes in the Company fair value of financial instruments exposed to credit risk liquidity risk and market risk. Please refer to Note 6(18) of the consolidated financial statements for the year ended December 31st, 2018 for related information on fair value of financial instruments.

1. Credit risk

(1) Concentration of credit risk

The customer base is concentrated in NB industry. The credit risk is relatively high as 5 customers are taking up 86%, 84% and 82% of the balance for account receivables (including related parties) on March 31st, 2019, December 31st, 2018 and March 31st, 2018 respectively. To decrease the credit risk, the Company continuously evaluate financial status of customers and conduct periodical review on the recovery possibility of A/R. Currently, the recovery of account receivables has been successful and has no concern for major loss.

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(2)Credit risks on account receivables and debt securities

- A. Please refer to Note 6(4) for details on credit risk exposure of notes and trade receivables.
- B. Other financial assets at amortized cost include other receivables and term deposits.

2019.03.31			
Credit Rating	Evaluation after amortized cost		
	12 months expected loss	Impairment provision during the period – not impaired	Impairment provision during the period – impaired
BBB ~ AAA	\$ 329,513	-	-
D	-	-	22,269
Total carrying amount	\$ 329,513	-	22,269
Allowance for loss	-	-	(22,269)
Cost after amortization	\$ 329,513	-	-
Carrying amount	\$ 329,513	-	-

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

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Credit Rating	2018.03.31		
	Evaluation after amortized cost		
	12 months expected loss	Impairment provision during the period — not impaired	Impairment provision during the period — impaired
BBB ~ AAA	\$ 225,898	-	-
D	-	-	22,269
Total carrying amount	\$ 225,898	-	22,269
Allowance for loss	-	-	(22,269)
Cost after amortization	<u>\$ 225,898</u>	<u>-</u>	<u>-</u>
Carrying amount	<u>\$ 225,898</u>	<u>-</u>	<u>-</u>

There is no impairment provision or reversal after amortized cost of financial assets for the period January 1st to March 31st, 2019 and 2018.

2. Liquidity risk

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

	Contractual cash flow	Within 6 months	6 to 12 months	Over 1 year
2019.03.31				
Non-derivative financial liabilities				
Bank Loan	\$ (258,803)	(258,803)	-	-
Lease liabilities (current and non-current)	(11,548)	(3,966)	(3,901)	(3,681)
	<u>\$ (270,351)</u>	<u>(262,769)</u>	<u>(3,901)</u>	<u>(3,681)</u>
2018.12.31				
Non-derivative financial liabilities				
Bank Loan	<u>\$ (245,891)</u>	<u>(245,891)</u>	<u>-</u>	<u>-</u>

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2018.03.31

Non-derivative financial
liabilities

Bank Loan	<u>\$ (192,034)</u>	<u>(192,034)</u>	<u>-</u>	<u>-</u>
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There is no expectation that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

3. Market risk

Currency risk

(1)Exposure to currency risk

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

		2019.03.31			2018.12.31			Unit: FX in thousands 2018.03.31		
		FX	Ex. rate	NTD	FX	Ex. rate	NTD	FX	Ex. rate	NTD
<u>Financial assets</u>										
Monetary items										
USD	\$	21,295	30.82	656,297	22,744	30.8	700,502	21,162	29.16	617,071
RMD		738	4.586	3,384	685	4.466	3,057	710	4.61	3,272
<u>Financial liabilities</u>										
<u>Monetary items</u>										
USD		3,105	30.82	95,691	2,246	30.8	69,172	846	29.16	24,676

(2)Sensitivity analysis

The exposure to foreign current risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalent, account receivables (including related parties, other financial assets (current and non-current), account payables and other current liabilities. A depreciation or appreciation around 5% fluctuation in the NTD/RMD and USD exchange rate on the reporting date, with other factors remain constant, would have increased or decreased the net loss amounted to NTD22,560 thousands and NTD23,827 thousands respectively for the three months ended March 31, 2019 and 2018.

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

The Company foreign exchange gains (losses), including realized and unrealized, on

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monetary items are:

	201901~201903		201801~201803	
	FX gain/loss	Ave FX rate	FX gain/loss	Ave FX rate
USD	\$ 556	30.82	(14,891)	29.38
RMB	91	4.564	13	4.603

(4)Interest risk

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

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 NTD263 thousands or NTD116 thousands respectively for the period January 1st to March 31st 2019 and 2018. This is due to the cash and cash equivalent, short term loan and other current financial assets.

(5)Other price risk

If the price of the equity securities has changed on the reporting (giving both period take the same base, and assume other factors remain constant), the impact for the profit and loss items are:

Price of securities on reporting date	20190101~20190331		20180101~20180331	
	Other comprehensive gain/loss after tax	Gain/loss after tax	Other comprehensive gain/loss after tax	Gain/loss after tax
Increase by 1%	\$ -	-	-	(220)
Decrease by 1%	-	-	-	220

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

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

		2019.03.31				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
Cash and cash equivalent	\$	277,072	-	-	-	-
Net account receivables (including related parties)		140,159	-	-	-	-
Other financial assets (current and non-current)		329,513	-	-	-	-
Sub-total	\$	746,744	-	-	-	-
Financial liabilities measured at amortized cost						
Short term loan	\$	258,500	-	-	-	-
Account payable (including related parties)		135,997	-	-	-	-
Lease liabilities (current and non-current)		11,306	-	-	-	-
Sub-total	\$	405,803	-	-	-	-

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

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Account payable (including related parties)	116,054	-	-	-	-
Sub-total	\$ 361,554	-	-	-	-

2018.03.31					
	Carry Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss - current					
Forced financial assets measured at fair value through profit or loss - current	\$ 22,014	22,014	-	-	22,014
Financial assets measured at fair value through other comprehensive income- non-current	\$ 226	-	-	226	226
Financial asset measured at amortized cost					
Cash and cash equivalents	\$ 320,607	-	-	-	-
Net account receivables (including related parties)	121,435	-	-	-	-
Other financial assets (current and non-current)	225,898	-	-	-	-
Sub-Total	\$ 667,940	-	-	-	-
Financial liabilities measured at amortized costs					
Short term loan	\$ 191,500	-	-	-	-
Account payable (including related parties)	36,019	-	-	-	-
Sub-Total	\$ 227,519	-	-	-	-

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).

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(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 as of March 31st 2019 and 2018.

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

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

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

Quantified information of significant unobservable inputs was:

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

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(20) Financial risk management

There were no significant changes in the objectives and policies in the financial risk management from Note 6(21) outlined in the consolidated financial statement for the year ended December 31st 2018.

(21) Capital management

The objective, policies and processes for capital management were consistent with the consolidated financial statements for the year ended December 31st 2018. There were no significant changes in quantified factors of capital management from information disclosed in the consolidated financial statement for the year ended December 31st 2018. Please refer to Note 6(20) of the consolidated financial statement dated December 31st 2018 for details.

(22) Financing activities not affecting current cash flow

The financing activities not affecting current cash flow in the 3 months ended March 31st 2019 and 2018 were:

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

Reconciliation of liabilities arising from financing activities were as follows:

	<u>Short term loan</u>	<u>Lease liabilities</u>
Balancing at January 1 st 2019	\$ 245,500	13,207
Changes in cash flow from financing activities		
New loan	13,000	-
Payment on lease liabilities	-	(1,926)
Sub-total cash flow from financing activities	<u>\$ 13,000</u>	<u>(1,926)</u>
Other changes in liabilities related items		
Interest expense	\$ -	56
Interest paid	-	(56)
Effects on foreign exchanges	-	25
Sub-total other changes in liabilities related items	<u>\$ -</u>	<u>25</u>
Balance at March 31 st 2019	<u>\$ 258,500</u>	<u>11,306</u>
Balance at January 1 st 2018	\$ 158,000	-
Changes in cash flow from financing activities		
New loan	122,500	-
Loan repayment	(89,000)	-
Sub-total cash flow from financing activities	<u>\$ 33,500</u>	<u>-</u>
Balance at March 31 st 2018	<u>\$ 191,500</u>	<u>-</u>

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7. Related-Party Transactions

(1) Names and relationship

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

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

(2) Significant transactions with related parties

1. Sales

The amounts of significant sales were:

	<u>Sales</u>	
	<u>2019</u>	<u>2018</u>
	<u>0101~0331</u>	<u>0101~0331</u>
Key personnel of the Company	<u>\$ 8,483</u>	<u>9,569</u>

	<u>Related parties account receivables</u>		
	<u>20190331</u>	<u>20181231</u>	<u>20180331</u>
Key personnel of the Company	\$ 598	5,388	3,737
Less: Allowances for loss	-	(3)	(7)
	<u>\$ 598</u>	<u>5,385</u>	<u>3,730</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.

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2. Purchasing and OEM

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

	Purchase and OEM	
	2019	2018
	0101~0331	0101~0331
Key personnel of the Company-Siguard	<u><u>\$ 6,673</u></u>	<u><u>5,326</u></u>

	Related parties account payables		
	20190331	20181231	20180331
Key personnel of the Company -Siguard	<u><u>\$ 7,016</u></u>	<u><u>9,958</u></u>	<u><u>3,678</u></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 and paid royalties to related parties accordingly. Amounts to be balanced were:

	Related parties account payables		
	20190331	20181231	20180331
Key personnel of the Company	<u><u>\$ 259</u></u>	<u><u>259</u></u>	<u><u>-</u></u>

(3) Transactions with key personnel

Compensation of the key personnel were:

	2019	2018
	0101~0331	0101~0331
Short term employee benefits	\$ 5,024	7,769
Post-employment benefits	911	144
	<u><u>\$ 5,935</u></u>	<u><u>7,913</u></u>

8. Pledged Assets

Assets	Purpose	20190331	20181231	20180331
Term deposit (other financial assets-non-current)	Purchase and Guarantee deposits of customs duty – non-current)	\$ 1,016	1,016	1,008
Term deposit (other financial assets-current)	Guarantee for short term loan	320,554	289,546	215,808
		<u><u>\$ 321,570</u></u>	<u><u>290,562</u></u>	<u><u>216,816</u></u>

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9. Significant Commitments and Contingencies

Other than items described in Note 6(11) and Note 7, the significant commitments of the Company 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>20190331</u>	<u>20181231</u>	<u>20180331</u>
Unused L/C	<u>\$ 3,236</u>	<u>3,234</u>	<u>3,062</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>20190331</u>	<u>20181231</u>	<u>20180331</u>
Guarantee Notes	<u>\$ 390,810</u>	<u>390,790</u>	<u>399,150</u>

There were no financing activities on account receivables up till 20190331.

10. Losses due to major disasters: None

11. Significant subsequent events: None

12. Other

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

By Function Classification	20190101~20190331			20180101~20180331		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries	-	21,892	21,892	-	25,655	25,655
Labor and health insurance	-	1,598	1,598	-	1,681	1,681
Pension	-	1,016	1,016	-	1,161	1,161
Others	-	470	470	-	553	553
Depreciations	-	3,841	3,841	-	2,230	2,230
Amortizations	-	49	49	-	256	256

(2) The operation of the Company does not affected by seasonality or periodical factors.

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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 March 31st 2019 (other than investments in subsidiaries, associates and JVs):

4. Unit: NTD\$ thousands/ thousand shares

Name of Holder	Category & Name of Security	Relationship with The Company	Account title	Ending balance				Note
				Shares	Book Value	Ownership %	Fair Value	
The Company	Shares of Touchsens Ltd	-	Financial assets measured at fair value through other comprehensive profit and loss – non-current	250	-	7.59 %	Note1	

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.

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

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(2) Investment

Investment information for the period 20190101~20190331 (excluding investees in China)

Investor Company	Investee Company	Location	Business scope and products	Original Investment amount		Balance as of 20190331			Net income (loss) of investee	Share of P/L of investee	Note
				20190331	20181231	Shares	Ownership %	Book value			
The Company	Janus Power	New Taipei City	Electronic components	105,542	105,542	700	100.00%	2,657	-	-	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 as of 20180101	Investment Flow		Accumulated outflow from TW As of 20180331	Net Income/loss	Ownership %	Gain/loss (Note4)	Book Value	Accumulated remittance of Earnings
					Outflow	Inflow						
ENE Touch Technology Inc	Distribution of electronic parts	4,484 (USD150)	(Note1)	4,484 (USD150)	-	-	4,484 (USD150)	(919)	100.00%	(919)	3,230	-

2. Limitation on investment in Mainland China :

Accumulated Investment in Mainland China as of 20190331 (Note2)	Investment amount Authorized by MOEA (Note2)	Maximum limit on Investment (Note3)
4,484 (USD150 Thousands)	4,623 (USD150 Thousands)	331,092

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: none

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14. Segment Information

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