

**ENE TECHNOLOGY INC AND
SUBSIDIARIES**

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

June 30th, 2020 AND 2019

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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 June 30th, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flow for the six-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of above said financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standards 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Qualified Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Company as of June 30th, 2020 and 2019, its consolidated

financial performance for the three months ending June 30th, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the six months ending June 30th, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed by and issued into effect by the Financial Supervisory Commission of the Republic of China.

KPMG
Tseng, Mei-Yu
Lu, Chien-Hui

Aug 4th, 2020

The Balance Sheet as of June 30th , 2020 and 2019 are reviewed, not audited
ENE TECHNOLOGY INC. and Subsidiaries
Consolidated Balance Sheets

Unit: NT\$ thousands

Assets		2020.6.30		2019.12.31		2019.6.30		Liabilities and Equity		2020.6.30		2019.12.31		2019.6.30	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current Assets :								Current Liabilities:							
1100	Cash & cash equivalents (Note 6(1))	\$ 142,508	17	97,750	11	207,832	22	2100	Short term loan (Note6(3)(9) & 8)	\$ 269,500	31	291,149	34	258,500	27
1170	Notes and accounts receivables (note6(3) (16) & 8)	151,481	18	166,141	19	160,495	17	2170	Account payable	49,619	6	41,494	5	115,068	12
1180	Accounts receivables from related parties (Note6(3) (16), 7 & 8)	23,860	3	14,584	2	6,990	1	2180	Related parties account payable (note7)	7,885	1	5,624	1	8,200	1
130X	Inventories (Note6(4))	189,677	22	229,079	26	229,844	24	2201	Salary payable	11,335	1	8,633	1	11,265	1
1470	Prepaid expenses & other current assets	9,567	1	20,281	2	11,234	1	2280	Lease liabilities – current (note6(11))	6,300	1	3,258	-	5,930	1
1476	Other financial assets – current (Note6(8) & 8)	307,201	36	312,155	36	309,999	32	2300	Other current liabilities (note6(5))	9,833	1	12,644	2	10,994	1
		<u>824,294</u>	<u>97</u>	<u>839,990</u>	<u>96</u>	<u>926,394</u>	<u>97</u>	2322	Long term loan matured within one year (note6(10))	5,455	1	-	-	-	-
										<u>359,927</u>	<u>42</u>	<u>362,802</u>	<u>43</u>	<u>409,957</u>	<u>43</u>
Non-Current Asset:								Non-current liabilities:							
1600	Property, plant and equipment (note6(5))	6,870	1	8,854	1	8,779	1	2541	Long term loan(Note6(10))	14,545	2	-	-	-	-
1755	Right-of-use asset(note6(6))	18,221	1	5,451	1	8,277	1	2570	Deferred income tax liabilities	4	-	27	-	46	-
1780	Intangible asset (note6(7))	-	-	-	-	14	-	2580	Lease liabilities – non-current (N6(11))	12,027	1	2,289	-	2,409	-
1840	Deferred tax asset	3,573	-	3,573	1	3,573	-			<u>26,576</u>	<u>3</u>	<u>2,316</u>	<u>-</u>	<u>2,455</u>	<u>-</u>
1975	Net defined benefit asset – non-current	5,640	1	5,640	1	5,534	1	Total Liabilities		<u>386,503</u>	<u>45</u>	<u>365,118</u>	<u>43</u>	<u>412,412</u>	<u>43</u>
1980	Other financial asset – non-current (note6(8) & 8)	3,181	-	3,200	-	3,527	-	Equity (Note6(14)) :							
		<u>37,485</u>	<u>3</u>	<u>26,718</u>	<u>4</u>	<u>29,704</u>	<u>3</u>	3110	Ordinary share capital	749,767	87	749,767	87	749,767	78
								3200	Capital surplus	81,967	10	81,967	9	81,967	9
								3350	Accumulated loss	(351,475)	(41)	(325,252)	(38)	(283,230)	(29)
								3400	Other equity	(4,983)	(1)	(4,892)	(1)	(4,818)	(1)
								Total Equity		<u>475,276</u>	<u>55</u>	<u>501,590</u>	<u>57</u>	<u>543,686</u>	<u>57</u>
Total Asset		<u>\$ 861,779</u>	<u>100</u>	<u>866,708</u>	<u>100</u>	<u>956,098</u>	<u>100</u>	Total Liabilities & Equity		<u>\$ 861,779</u>	<u>100</u>	<u>866,708</u>	<u>100</u>	<u>956,098</u>	<u>100</u>

(Please refer to accompanying notes to consolidated financial statements)

Consolidated Statements of Comprehensive Income
as of June 30th 2020 are Reviewed, not Audited
ENE TECHNOLOGY INC and Subsidiaries
Consolidated Statements of Comprehensive Income

Unit: NTD\$ Thousands

	202004~202006		201904~201906		202001~202006		201901~201906	
	Amount	%	Amount	%	Amount	%	Amount	%
4110 Operating revenue (Note6(16) & 7)	\$ 154,656	100	142,544	100	277,845	100	262,286	100
5000 Operating cost (Note6(4) & 7)	117,216	76	111,524	78	211,295	76	204,813	78
Gross profit	<u>37,440</u>	<u>24</u>	<u>31,020</u>	<u>22</u>	<u>66,550</u>	<u>24</u>	<u>57,473</u>	<u>22</u>
Operating expenses (note6(3), 7 & 13):								
6100 Selling expenses	11,703	8	13,487	9	22,314	8	26,996	10
6200 General and admin expenses	15,572	10	15,237	11	30,157	11	31,894	12
6300 Research and development expenses	15,711	10	16,716	12	33,982	12	30,524	12
6450 Expected credit loss	237	-	37	-	832	-	152	-
Total operating expenses	<u>43,223</u>	<u>28</u>	<u>45,477</u>	<u>32</u>	<u>87,285</u>	<u>31</u>	<u>89,566</u>	<u>34</u>
Operating loss	<u>(5,783)</u>	<u>(4)</u>	<u>(14,457)</u>	<u>(10)</u>	<u>(20,735)</u>	<u>(7)</u>	<u>(32,093)</u>	<u>(12)</u>
Non-operating income & expenses:								
7020 Other gains and losses (note6(18))	(10,943)	(7)	4,441	3	(6,137)	(2)	5,089	2
7100 Interest income	956	1	2,706	2	2,366	1	5,598	2
7510 Interest expense (note6(11))	(733)	-	(790)	(1)	(1,717)	(1)	(1,552)	(1)
	<u>(10,720)</u>	<u>(6)</u>	<u>6,357</u>	<u>4</u>	<u>(5,488)</u>	<u>(2)</u>	<u>9,135</u>	<u>3</u>
Loss before income tax	<u>(16,503)</u>	<u>(10)</u>	<u>(8,100)</u>	<u>(6)</u>	<u>(26,223)</u>	<u>(9)</u>	<u>(22,958)</u>	<u>(9)</u>
Income tax expenses (note6(13))	-	-	-	-	-	-	-	-
Net loss for the period	<u>(16,503)</u>	<u>(10)</u>	<u>(8,100)</u>	<u>(6)</u>	<u>(26,223)</u>	<u>(9)</u>	<u>(22,958)</u>	<u>(9)</u>
8300 Other comprehensive profit and loss:								
8360 Items may be reclassified to profit or loss								
8361 Cumulative translation differences of foreign operation	(110)	-	(44)	-	(114)	-	61	-
8399 Income tax relating to items may be reclassified (Note6(13))	22	-	9	-	23	-	(12)	-
Total items that be reclassified to profit & loss	<u>(88)</u>	<u>-</u>	<u>(53)</u>	<u>-</u>	<u>(91)</u>	<u>-</u>	<u>49</u>	<u>-</u>
8300 Other comprehensive profit and loss	<u>(88)</u>	<u>-</u>	<u>(53)</u>	<u>-</u>	<u>(91)</u>	<u>-</u>	<u>49</u>	<u>-</u>
Total comprehensive income	<u>\$ (16,591)</u>	<u>(10)</u>	<u>(8,153)</u>	<u>(6)</u>	<u>(26,314)</u>	<u>(9)</u>	<u>(22,909)</u>	<u>(9)</u>
Earnings per share (in dollar) (note6(15))								
9750 Basic earnings per share	<u>\$ (0.22)</u>		<u>(0.11)</u>		<u>(0.35)</u>		<u>(0.31)</u>	

(Please refer to accompanying notes to consolidated financial statements)

Consolidated Statements of Changes in Equity as of June 30th 2020 and 2019 are Reviewed, not Audited

**ENE TECHNOLOGY INC and Subsidiaries
Consolidated Statements of Changes in Equity**

Unit: NTD\$ Thousands

	Ordinary Share Capital	Capital Surplus	Accumulated Loss	Other Equity Items		Total	Total Equity
				Cumulative translation differences of foreign operation	Unrealized P&L From financial assets measured at fair value through comprehensive P&L		
Balance as of 20190101	\$ 749,767	81,967	(260,272)	133	(5,000)	(4,867)	566,595
Net loss of the period	-	-	(22,958)	-	-	-	(22,958)
Other comprehensive income of the period	-	-	-	49	-	49	49
Total comprehensive income	-	-	(22,958)	49	-	49	(22,909)
Balance as of 20190630	\$ 749,767	81,967	(283,230)	182	(5,000)	(4,818)	543,686
Balance as of 20200101	\$ 749,767	81,967	(325,252)	108	(5,000)	(4,892)	501,590
Net loss of the period	-	-	(26,223)	-	-	-	(26,223)
Other comprehensive income of the period	-	-	-	(91)	-	(91)	(91)
Total comprehensive income	-	-	(26,223)	(91)	-	(91)	(26,314)
Balance as of 20200630	\$ 749,767	81,967	(351,475)	17	(5,000)	(4,983)	475,276

(Please refer to accompanying notes to consolidated financial statements)

Consolidated Statements of Cash Flows
as of June 30th 2020 and 2019 are Reviewed, Not Audited
ENE TECHNOLOGY INC and Subsidiaries
Consolidated Statements of Cash Flows

Unit: NTD\$ Thousands

	20200101-0630	20190101-0630
Cash Flow from operating activities:		
Income before income tax	\$ (26,223)	(22,958)
Adjustments:		
Income and expenses/loss items		
Depreciation	5,189	7,344
Amortization	-	98
Expected credit impairment loss	832	152
Allowance for inventory evaluation & obsolesce loss	(2,740)	3,788
Interest expense	1,717	1,552
Interest income	(2,366)	(5,598)
Other net profits not affecting cash flow	-	(4)
Total of income and expense/loss items	2,632	7,332
Changes in operating assets and liabilities:		
Decrease in notes and account receivables	13,828	4,842
Decrease (Increase) account receivable from related parties	(9,276)	(1,603)
Inventory (increase) decrease	42,142	(119,796)
Decrease of other operating asset	10,711	4,898
Total changes in operating assets and liabilities	57,405	(111,659)
Increase (decrease) in account payable	8,125	9,231
Decrease in account payable from related parties	2,261	(2,017)
Decrease in other operating liabilities	(49)	(2,193)
Total changes in operating liabilities	10,337	5,021
Net changes in operating assets and liabilities	67,742	(106,638)
Cash flows from operating activities	44,151	(122,264)
Interest received	2,527	5,710
Interest paid	(1,759)	(1,531)
Net cash flow from operating activities	44,919	(118,085)

(Continue)

(Please refer to accompanying notes to consolidated financial statements)

Consolidated Statements of Cash Flows
as of June 30th 2020 and 2019 are Reviewed, Not Audited
ENE TECHNOLOGY INC and Subsidiaries
Consolidated Statements of Cash Flows

Unit: NTD\$ Thousands

	<u>20200101~0630</u>	<u>20190101~0630</u>
Cash flows from investment activities:		
Acquisition of property, plant and equipment	\$ -	(1,516)
Decrease (increase) in Refundable deposits	19	(9)
Increase in other financial asset - current	4,794	(15,015)
Increase in other financial asset - current	(4)	(5)
Net Cash flow from investment activities	<u>4,809</u>	<u>(16,545)</u>
Cash flows from financing activities:		
Increase in short term loan	107,835	216,200
Decrease in short term loan	(129,564)	(203,200)
Increase in long term loan	20,000	-
Lease liabilities principle repayment	(3,198)	(3,861)
Net cash flows from financing activities	<u>(4,927)</u>	<u>9,139</u>
Effect of exchange rate to cash and cash equivalent	(43)	61
Net decrease in cash and cash equivalent	44,758	(125,430)
Cash and cash equivalent at beginning of period	97,750	333,262
Cash and cash equivalent at end of period	<u>\$ 142,508</u>	<u>207,832</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
Six-Months Periods Ended JUNE 30th , 2020 and 2019

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 Aug 4th, 2020.

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 2020 adopted by the Company are as follows:

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

<u>New Standards/Amendments/Principles and Interpretations</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3 “Definition of a Business”	2020.Jan.01
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	2020.Jan.01
Amendments to IAS 1 and IAS 8 “Definition of Material”	2020.Jan.01
Amendments to IFRS 16 “Covid-19 Related Rent Concessions”	2020.Jun.01

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

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
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”	2023.Jan.01
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	2023.Jan.01
Amendments to IAS 16 “Property, Plant and Equipment-Proceeds before Intended Use”	2022.Jan.01
Amendments to IAS 37 “Onerous Contracts-Cost of Fulfilling a Contract”	2022.Jan.01
Annual Improvements to IFRS Standards 2018-2020	2022.Jan.01
Amendments to IFRS 17 “Insurance Contracts”	2023.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

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and IAS 34, Interim Financial Reporting, as endorsed and issued into effect by the FSC.

Other than the below described, the significant accounting policies applied in the consolidated financial statements are the same as those applied in the consolidated financial statements for the year ended Dec 31st, 2019, 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 .Dec.31st 2019 for details.

(2) Basis of consolidation

1. List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Subsidiaries	Business	Percentage of Ownership		
			2020.6.30	2019.12.31	2019.6.30
ENE	Janus Power Electronics Pty Ltd. (Janus Power)	Electronic components	100%	100%	100%
ENE	ENE Touch Technology Co., Ltd (ENE Touch)	Electronic materials distributor	100%	100%	100%

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

(3) 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.

(4) 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, 2019.

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, 2019.

(1) Cash and Cash Equivalent

	2020.6.30	2019.12.31	2019.6.30
Cash	\$ 133	74	25
Cash in Bank and Cheque	115,975	71,276	88,597
Term Deposit	26,400	26,400	119,210
	\$ 142,508	97,750	207,832

(2) Financial Assets

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

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

The Company holds Touchsens shares at the equivalent of NT5,000 thousands have been recognized as loss in prior year.

The Company has not sold any strategic investment for the period ending June 30th 2020 and

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

2019, thus there was no transfer of equity gain or loss during the period.

2. Please refer to note 6(19) for information on the credit risks and market risks.

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

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

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Notes receivable	\$ 153	225	2,291
Account receivable	154,305	168,061	160,489
Receivables from related parties	<u>23,860</u>	<u>14,584</u>	<u>6,991</u>
	178,318	182,870	169,771
Less: allowance for doubtful accounts	<u>(2,977)</u>	<u>(2,145)</u>	<u>(2,286)</u>
	<u>\$ 175,341</u>	<u>180,725</u>	<u>167,485</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:

	<u>2020.6.30</u>		
	<u>Notes & account receivables carrying amount</u>	<u>Weighted average loss rate</u>	<u>Loss Allowance</u>
Not past due	\$ 165,280	0.00%	-
Past due over 121 days	-	100.00%	-
Total	<u>\$ 165,280</u>		<u>-</u>

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

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

	2019.6.30		
	Notes & account receivables carrying amount	Weighted average loss rate	Loss Allowance
Not past due	\$ 157,320	0.01%	-
Past due over 121 days	-	100.00%	-
Total	\$ 157,320		-

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

	2020.6.30		
	Notes & account receivables carrying amount	Weighted average loss rate	Loss Allowance
Not past due	\$ 10,758	8.06%	867
Past due 0~30 days	190	15.51%	29
Past due 31-60 days	1	70.22%	1
Past due 61~90 days	84	88.97%	75
Past due 91~120 days	89	100.00%	89
Past due over 121 days	1,916	100.00%	1,916
Total	\$ 13,038		2,977

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

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

	2019.6.30		
	Notes & account receivables carrying amount	Weighted average loss rate	Loss Allowance
Not past due	\$ 9,106	1.85%	169
Past due 0~30 days	1,269	17.32%	220
Past due 31~60 days	218	46.98%	102
Past due 61~90 days	103	56.55%	58
Past due 91~120 days	85	77.78%	66
Past due over 121 days	1,670	100.00%	1,670
Total	\$ 12,451		2,285

Changes for loss allowances:

	2020 0101~0630	2019 0101~0630
Balance of January 1 st	\$ 2,145	2,134
Recognized loss	832	152
Balance of June 30 th	\$ 2,977	2,286

Please refer to Note 6(19) for 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 June 30th, 2020 were as follows:

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

Please refer to Note (8) for details on notes receivables and account receivables (including related parties) for the period ending June 30th, 2020, December 31st and June 30th of 2019.

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(4) Inventory

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Raw materials	\$ 13,495	14,788	15,773
Work in Process	129,238	180,215	167,570
Finished product	<u>46,944</u>	<u>34,076</u>	<u>46,501</u>
	<u>\$ 189,677</u>	<u>229,079</u>	<u>229,844</u>

Details of operating cost are :

	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>Apr~June</u>	<u>Apr~June</u>	<u>Jan~June</u>	<u>Jan~June</u>
Cost of goods sold	\$ 119,620	108,824	213,280	201,004
Allowance for inventory valuation loss	(3,159)	2,679	(2,740)	3,788
Other operating cost	<u>755</u>	<u>21</u>	<u>755</u>	<u>21</u>
	<u>\$ 117,216</u>	<u>111,524</u>	<u>211,295</u>	<u>204,813</u>

For the period ending 2020 June 30th, 2019 December 31st and 2019 June 30th, the inventories were not pledged for collateral.

(5) Property, plant and equipment

Information on cost and amortization of the property, plant and equipment of the Company is:

	<u>R&D</u>	<u>Improvement</u>	<u>Office and</u>	<u>Total</u>
	<u>equipment</u>	<u>on lease</u>	<u>other</u>	
			<u>equipment</u>	
Cost:				
Balance on January 1 st 2020				
(Balance on June 30 th 2020)	<u>\$ 20,768</u>	<u>2,526</u>	<u>46,434</u>	<u>69,728</u>
Balance on January 1 st 2019	\$ 20,768	2,066	43,766	66,600
Acquisition	<u>-</u>	<u>-</u>	<u>216</u>	<u>216</u>
Balance on June 30 th 2019	<u>\$ 20,768</u>	<u>2,066</u>	<u>43,982</u>	<u>66,816</u>

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Amortization:

Balance on January 1 st 2020	\$	20,734	529	39,611	60,874
Amortization		<u>34</u>	<u>148</u>	<u>1,802</u>	<u>1,984</u>
Balance on June 30th 2020	\$	<u>20,768</u>	<u>677</u>	<u>41,413</u>	<u>62,858</u>
Balance on January 1 st 2019	\$	19,243	276	35,101	54,620
Amortization		<u>966</u>	<u>103</u>	<u>2,348</u>	<u>3,417</u>
Balance on June 30th 2019	\$	<u>20,209</u>	<u>379</u>	<u>37,449</u>	<u>58,037</u>

Carrying amount:

January 1 st 2020	\$	<u>34</u>	<u>1,997</u>	<u>6,823</u>	<u>8,854</u>
June 30th 2020	\$	<u>-</u>	<u>1,849</u>	<u>5,021</u>	<u>6,870</u>
January 1 st 2019	\$	<u>1,525</u>	<u>1,790</u>	<u>8,665</u>	<u>11,980</u>
June 30th 2019	\$	<u>559</u>	<u>1,687</u>	<u>6,533</u>	<u>8,779</u>

1. Due to acquisition of property, plant and equipment for the period 2019.01.01 to 2019.06.30 changes to the related account payables for equipment (listed as other current liabilities) are NT\$1,300 thousands.
2. Property, plant and equipment of the Company dated on June 30th of 2020 and 2019 were not pledged for collateral.

(6) Right-of-use asset

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

		<u>Buildings</u>	<u>Vehicles</u>	<u>Other equipment</u>	<u>Total</u>
Cost:					
Balance at 2020.01.01	\$	7,078	4,536	451	12,065
Acquire		15,978	-	-	15,978
Disposal		(948)	-	-	(948)
Effects of foreign exchange		<u>(25)</u>	<u>-</u>	<u>-</u>	<u>(25)</u>
Balance at 2020.06.30	\$	<u>22,083</u>	<u>4,536</u>	<u>451</u>	<u>27,070</u>
Balance at 2019.01.01	\$	-	-	-	-
Effects of retrospective application		8,742	4,014	451	13,207
Disposal		(1,627)	-	-	(1,627)
Effects of foreign exchange		<u>11</u>	<u>-</u>	<u>-</u>	<u>11</u>
Balance at 2019.06.30	\$	<u>7,126</u>	<u>4,014</u>	<u>451</u>	<u>11,591</u>

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	<u>Buildings</u>	<u>Vehicles</u>	<u>Other equipment</u>	<u>Total</u>
Accumulated depreciation and loss:				
Balance at 2020.01.01	\$ 5,071	1,127	416	6,614
Depreciation of the period	2,563	607	35	3,205
Disposal	(948)	-	-	(948)
Effects of foreign exchange	(22)	-	-	(22)
Balance of 2020.06.30	<u>\$ 6,664</u>	<u>1,734</u>	<u>451</u>	<u>8,849</u>
Balance at 2019.01.01	\$ -	-	-	-
Depreciation of the period	3,164	555	208	3,927
Disposal	(610)	-	-	(610)
Effects of foreign exchange	(3)	-	-	(3)
Balance of 2019.06.30	<u>\$ 2,551</u>	<u>555</u>	<u>208</u>	<u>3,314</u>
Carrying amount:				
Balance at 2020.01.01	<u>\$ 2,007</u>	<u>3,409</u>	<u>35</u>	<u>5,451</u>
Balance of 2020.06.30	<u>\$ 15,419</u>	<u>2,802</u>	<u>-</u>	<u>18,221</u>
Balance at 2019.01.01 (Effects of retrospective application of IFRS16)	<u>\$ 8,742</u>	<u>4,014</u>	<u>451</u>	<u>13,207</u>
Balance of 2019.06.30	<u>\$ 4,575</u>	<u>3,459</u>	<u>243</u>	<u>8,277</u>

(7) Intangible Assets

	<u>Patents</u>	<u>Computer Software Cost</u>	<u>Total</u>
Carry value:			
Balance at 2020.01.01 (Balance of 2020.06.30)	\$ -	-	-
Balance at 2019.01.01	<u>\$ 57</u>	<u>55</u>	<u>112</u>
Balance at 2019.06.30	<u>\$ 14</u>	<u>-</u>	<u>14</u>

There is no significant addition, disposal, allowance for loss or reversal of the intangible assets during the period ended June 30th, 2020 and 2019. Please refer to Note 12(1) for details. Please refer to Note 6(7) of the 2019 Consolidated Financial Report for other related information.

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

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Current:			
Restricted cash in bank	\$ 302,149	306,943	304,561
Term deposit (> 3 months)	5,000	5,000	5,000
Other receivables	-	-	157
Others	<u>52</u>	<u>212</u>	<u>281</u>
	<u>\$ 307,201</u>	<u>312,155</u>	<u>309,999</u>
Non-Current			
Refundable deposit	\$ 2,152	2,175	2,506
Restricted cash in bank	<u>1,029</u>	<u>1,025</u>	<u>1,021</u>
	<u>\$ 3,181</u>	<u>3,200</u>	<u>3,527</u>

There is no loss in other financial assets – current and non-current (excluding other receivables) for the period ended 2020.06.30, 2019.12.31 and 2019.06.30.

Other receivables and allowances for loss of the Company for the period ended 2020.06.30, 2019.12.31 and 2019.06.30:

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Other receivables	\$ 22,269	22,269	22,426
Less: allowances for loss	<u>(22,269)</u>	<u>(22,269)</u>	<u>(22,269)</u>
	<u>\$ -</u>	<u>-</u>	<u>157</u>

Restricted cash in bank is deemed as a collateral 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>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Guarantee bank loan	\$ 269,500	271,000	258,500
Financing on AR	<u>-</u>	<u>20,149</u>	<u>-</u>
	<u>\$ 269,500</u>	<u>291,149</u>	<u>258,500</u>
Unused quota	<u>\$ 190,120</u>	<u>118,851</u>	<u>91,490</u>
Range of interests	<u>0.89%~</u> <u>0.9392%</u>	<u>1.105%~</u> <u>3.25%</u>	<u>1.099%~</u> <u>1.21%</u>

For the period ending June 30th 2020 and 2019, new loan amount is NT\$107,835 thousands

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and NT\$216,200 thousands. Interest rate ranges from 0.89%~0.9392% and 1.099%~1.21%. Due dates are 2020 August to September and 2019 July to September. Amounts due are NT\$129,564 thousands and NT\$203,200 thousands.

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

(10) Long Term Liabilities

	<u>109.6.30</u>	<u>108.12.31</u>	<u>108.6.30</u>
Guarantee bank loan	\$ 17,000	-	-
Non-guarantee bank loan	3,000	-	-
	20,000	-	-
less : maturity within one year	(5,455)	-	-
Total	<u>\$ 14,545</u>	<u>-</u>	<u>-</u>
Unused quota	<u>\$ -</u>	<u>-</u>	<u>-</u>
Range of interests	<u>1.2685%~</u> <u>2.1617%</u>	<u>-</u>	<u>-</u>

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

(11) Lease Liabilities

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Current	<u>\$ 6,300</u>	<u>3,258</u>	<u>5,930</u>
Non-current	<u>\$ 12,027</u>	<u>2,289</u>	<u>2,409</u>

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

Amount recognized in comprehensive income statement:

	<u>2020</u> <u>Apr~June</u>	<u>2019</u> <u>Apr~June</u>	<u>2020</u> <u>Jan~June</u>	<u>2019</u> <u>Jan~June</u>
Interest expenses from lease liabilities	<u>\$ 18</u>	<u>47</u>	<u>38</u>	<u>103</u>
Expenses of short term lease	<u>\$ 29</u>	<u>95</u>	<u>65</u>	<u>125</u>
Expenses of low-value lease liabilities (excluding short term low value lease)	<u>\$ 31</u>	<u>21</u>	<u>63</u>	<u>43</u>

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Amount recognized in cash flow statement:

	2020	2019
	Jan-June	Jan-June
Total cash outflow for lease	\$ 3,364	4,132

1. Housing and building 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.

(12) Employee benefits

There were 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, 2019 and 2018.

Please refer to Note 12(1) for information related to the Company pension costs for the period ending June 30th 2020 and 2019.

(13) Income tax

1. The amount of income tax expenses was:

	2020	2019	2020	2019
	Apr~June	Apr~June	Jan~June	Jan~June
Current income tax expense	\$ -	-	-	-

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

	2020	2019	2020	2019
	Apr~June	Apr~June	Jan~June	Jan~June
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of financial statements of foreign affiliates	\$ (22)	(9)	(23)	12

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3. Approval of income tax return

The company's tax returns for the years through 2018 were examined and approved by the Taiwan National Tax Administration.

(14) Capital and other equity interest

Other than items described in the following, there were no significant changes in the Company capital and other equity interest for the three months ended June 30th, 2020 and 2019. Please refer to Note 6(14) of the consolidated financial statements for the year ended December 31st, 2019 for related information about the shareholder's equity.

1. Capital reservation

	2020.6.30	2019.12.31	2019.6.30
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 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

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regarded as accounting estimation change and recognized as loss of the year.

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 2020.06.10th and 2019.06.13th. Related details can be viewed in 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	(91)	-	(91)
Balance on 2020.06.30	<u>\$ 17</u>	<u>(5,000)</u>	<u>(4,983)</u>
Balance on 2019.01.01	\$ 133	(5,000)	(4,867)
Exchange differences on translation of financial statements of foreign affiliates	49	-	
Balance on 2019.06.30	<u>\$ 182</u>	<u>(5,000)</u>	<u>(4,818)</u>

(15) Earnings per share

The calculation of basic earnings per share was as following:

	2020 Apr~June	2019 Apr~June	2020 Jan~June	2019 Jan~June
Basic earnings per share:				
Net income for the period	<u>\$ (16,503)</u>	<u>(8,100)</u>	<u>(26,223)</u>	<u>(22,958)</u>
Weighted average number of ordinary shares outstanding during the year (in thousands)	<u>74,977</u>	<u>74,977</u>	<u>74,977</u>	<u>74,977</u>
Basic earnings per share (NT dollars)	<u>\$ (0.22)</u>	<u>(0.11)</u>	<u>(0.35)</u>	<u>(0.31)</u>

(16) Revenue from Contracts with Customers

1. Segmentation of revenue

	2020 Apr~June	2019 Apr~June	2020 Jan~June	2019 Jan~June
Major regional markets				
China	\$ 92,106	99,937	164,139	176,746
Taiwan	61,809	41,108	111,821	82,649
Others	741	1,499	1,885	2,891
	<u>\$ 154,656</u>	<u>142,544</u>	<u>277,845</u>	<u>262,286</u>

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	2020	2019	2020	2019
	Apr~June	Apr~June	Jan~June	Jan~June
Major products				
Computer & peripheral consumer products IC	\$ 143,209	132,588	253,730	240,745
Others	11,447	9,956	24,115	21,541
	\$ 154,656	142,544	277,845	262,286

2. Contract Balance

	2020.6.30	2019.12.31	2019.6.30
Notes and account receivables (including related parties)	\$ 178,318	182,870	169,771
Less: allowances for loss	(2,977)	(2,145)	(2,286)
Total	\$ 175,341	180,725	167,485

Please refer to Note 6(3) for details.

(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.

The Company has not allocated any remuneration to employees, directors and supervisors as the Company was at loss for the period January 1st ~ June 30th 2020 and 2019. 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 2019 and 2018, 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:

	2020	2019	2020	2019
	Apr~June	Apr~June	Jan~June	Jan~June
Foreign exchange gains (losses) \$	(10,942)	4,437	(6,161)	5,084
Miscellaneous income and expenses	(1)	4	24	5
	\$ (10,943)	4,441	(6,137)	5,089

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(19) 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 88%, 87% and 87% of the balance for account receivables (including related parties) on June 30th, 2020, December 31st, 2019 and June 30th, 2019 respectively. To decrease the credit risk, the Company continuously evaluate financial status of customers and conduct periodical review on the recovery possibility of A/R. Currently, the recovery of account receivables has been successful and has no concern for major loss.

(2) Credit risks on account receivables and debt securities

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

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

2020.6.30			
<u>Credit Rating</u>	<u>Evaluation after amortized cost</u>		
	<u>12 months expected loss</u>	<u>Impairment provision during the period – not impaired</u>	<u>Impairment provision during the period – impaired</u>
BBB ~ AAA	\$ 310,382	-	-
D	-	-	22,269
Total carrying amount	310,382	-	22,269
Allowance for loss	-	-	(22,269)
Cost after amortization	<u>\$ 310,382</u>	<u>-</u>	<u>-</u>
Carrying amount	<u>\$ 310,382</u>	<u>-</u>	<u>-</u>

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

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2019.6.30			
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	\$ 313,526	-	-
D	-	-	22,269
Total carrying amount	313,526	-	22,269
Allowance for loss	-	-	(22,269)
Cost after amortization	\$ 313,526	-	-
Carrying amount	\$ 313,526	-	-

There is no impairment provision or reversal after amortized cost of financial assets for the period January 1st to June 30th, 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:

	Contractual cash flow	Within 6 months	6 to 12 months	Over 1 year
2020.06.30				
Non-derivative financial liabilities				
Bank Loan	\$ (269,922)	(269,922)	-	-
Lease liabilities (current and non-current)	(18,784)	(3,287)	(3,287)	(12,210)
Long term loan (matured within 1 yr)	(20,558)	(1,943)	(3,742)	(14,873)
	\$ (309,264)	(275,152)	(7,029)	(27,083)
2019.12.31				
Non-derivative financial liabilities				
Bank Loan	\$ (292,098)	(292,098)	-	-
Lease liabilities (current and non-current)	(5,644)	(1,657)	(1,657)	(2,330)
	\$ (297,742)	(293,755)	(1,657)	(2,330)

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	<u>Contractual cash flow</u>	<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>Over 1 year</u>
2019.06.30				
Non-derivative financial liabilities				
Bank Loan	\$ (259,017)	(259,017)	-	-
Lease liabilities (current and non-current)	(8,445)	(3,343)	(2,647)	(2,455)
	<u>\$ (267,462)</u>	<u>(262,360)</u>	<u>(2,647)</u>	<u>(2,455)</u>

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

(1) Exposure to currency risk

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

		2020.6.30			2019.12.31			Unit: FX in thousands 2019.6.30		
		<u>FX</u>	<u>Ex. rate</u>	<u>NTD</u>	<u>FX</u>	<u>Ex. rate</u>	<u>NTD</u>	<u>FX</u>	<u>Ex. rate</u>	<u>NTD</u>
<u>Financial assets</u>										
Monetary items										
USD	\$	19,075	29.62	565,003	17,954	30.09	540,230	19,869	31.075	617,426
RMD		433	4.191	2,172	398	4.302	1,711	373	4.516	1,686
<u>Financial liabilities</u>										
Monetary items										
USD		953	29.62	28,223	1,717	30.09	51,668	3,073	31.075	95,486

(2) Sensitivity analysis

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

A strengthening (weakening) 5 % of the TWD against the USD and the RMB as of June 30th, 2020 and 2019, would change the net profit after tax by NTD\$21,558 thousands and NTD\$20,945 thousands respectively. The analysis assumes that all other variables remain constant.

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

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

	2020.01.01~2020.06.30		2019.01.01~2019.06.30	
	FX gain/loss	Ave FX rate	FX gain/loss	Ave FX rate
USD	\$ (6,114)	29.994	4,983	30.97
RMB	(47)	4.260	101	4.560

(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 changes by 0.25%, with other factors remain constant, the net profit/loss after tax would change by NTD\$308 thousands or NTD\$127 thousands respectively for the period January 1st to June 30th 2020 and 2019. This is due to the cash and cash equivalent, short term loan, other current financial assets-current and long term loan (including long term loan matured 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:

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	2020.6.30				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalent	\$ 142,508	-	-	-	-
Net account receivables (including related parties)	175,341	-	-	-	-
Other financial assets (current and non-current)	310,382	-	-	-	-
Sub-total	\$ 628,231	-	-	-	-

Financial liabilities measured at amortized cost					
Short term loan	\$ 269,500	-	-	-	-
Account payable (including related parties)	57,504	-	-	-	-
Lease liabilities (current and non-current)	18,327	-	-	-	-
Long term loan (matured in 1 yr)	20,000	-	-	-	-
Sub-total	\$ 365,331	-	-	-	-

	2019.12.31				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
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	-	-	-	-

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	2019.6.30				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalent	\$ 207,832	-	-	-	-
Net account receivables (including related parties)	167,485	-	-	-	-
Other financial assets (current and non-current)	<u>313,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total	<u>\$ 688,843</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Short term loan	\$ 258,500	-	-	-	-
Account payable (including related parties)	123,268	-	-	-	-
Lease liabilities (current and non-current)	<u>8,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total	<u>\$ 390,107</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

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

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

If public quoted prices can be timely obtained from the exchanges, brokers, underwriters or the competent authority, and the prices can represent actual and frequent transactions

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in the market, the financial instruments are considered to have public quoted prices in the active market. If the above condition is not met, the market is considered inactive. Generally speaking, if there is great differences between the sales price and purchase price, or there is significant increase in such difference or the transactions are not frequent, there is indication that the market is not active.

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

- (3) There was no transfer of levels during January 1st to June 30th 2020 and 2019.
- (4) Quantitative information on the fair value measurement of significant unobservable inputs (Level 3)

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

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

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

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

(20) Financial risk management

There were no significant changes in the objectives and policies in the financial risk management from Note 6(20) outlined in the consolidated financial statement for the year ended December 31st 2019.

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(21) Capital management

The objective, policies and processes for capital management were consistent with the consolidated financial statements for the year ended December 31st 2019. 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 2019. Please refer to Note 6(21) of the consolidated financial statement dated December 31st 2019 for details.

(22) Financing activities not affecting current cash flow

The financing activities not affecting current cash flow in the 3 months ended June 30th 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:

	<u>Short term loan</u>	<u>Lease liabilities</u>	<u>Long term loan</u>
Balancing at January 1 st 2020	\$ 291,149	5,547	-
Changes in cash flow from financing activities			
New loan	107,835	-	20,000
Loan repayments	(129,564)	-	-
Payment on lease liabilities	-	(3,198)	-
Sub-total cash flow from financing activities	<u>(21,729)</u>	<u>(3,198)</u>	<u>20,000</u>
Other changes in liabilities related items			
Interest expense	-	38	-
Interest paid	-	(38)	-
Acquire right-of-use assets	-	15,978	-
Effects on foreign exchanges	80	-	-
Sub-total other changes in liabilities related items	<u>80</u>	<u>15,978</u>	<u>-</u>
Balance at June 30th 2020	<u>\$ 269,500</u>	<u>18,327</u>	<u>20,000</u>

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	<u>Short term loan</u>	<u>Lease liabilities</u>	<u>Long term loan</u>
Balance at January 1 st 2019	\$ 245,500	13,207	-
Changes in cash flow from financing activities			
New loan	216,200	-	-
Loan repayments	(203,200)	-	-
Payment on lease liabilities	-	(3,861)	-
Sub-total cash flow from financing activities	<u>13,000</u>	<u>(3,861)</u>	<u>-</u>
Other changes in liabilities related items			
Interest expense	-	103	-
Interest paid	-	(103)	-
Disposal right-of-use assets	-	(1,021)	-
Effects on foreign exchanges	-	14	-
Sub-total other changes in liabilities related items	<u>-</u>	<u>(1,007)</u>	<u>-</u>
Balance at June 30th 2019	<u><u>\$ 258,500</u></u>	<u><u>8,339</u></u>	<u><u>-</u></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)

(2) Significant transactions with related parties

1. Sales

The amounts of significant sales were:

	<u>Sales</u>			
	<u>2020 Apr~June</u>	<u>2019 Apr~June</u>	<u>2020 Jan~June</u>	<u>2019 Jan~June</u>
Key personnel of the Company-ASUSTek	<u>\$ 20,865</u>	<u>14,016</u>	<u>34,594</u>	<u>22,499</u>

	<u>Related parties account receivables</u>		
	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Key personnel of the Company-ASUSTek	\$ 23,860	14,584	6,991
Less: allowances for bad debts	-	-	(1)
	<u>\$ 23,860</u>	<u>14,584</u>	<u>6,990</u>

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

2. Purchasing and OEM

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

		Purchase and OEM			
		2020 Apr~June	2019 Apr~June	2020 Jan~June	2019 Jan~June
Key personnel of the Company—Siguard		\$ 10,369	7,530	19,482	14,203
		Related parties account payables			
		2020.6.30	2019.12.31	2019.6.30	
Key personnel of the Company—Siguard		\$ 7,849	5,624	7,925	

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:

		Amount			
		2020 Apr~June	2019 Apr~June	2020 Jan~June	2019 Jan~June
Key personnel of the Company	Machines rentals	\$ 53	-	156	8
Key personnel of the Company	Miscellaneous	-	148	68	148
Key personnel of the Company	Program development	-	-	538	-
Key personnel of the Company	Royalty	-	16	-	16
		\$ 53	164	762	172

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	Related parties account payables		
	2020.6.30	2019.12.31	2019.6.30
Key personnel of the Company	\$ 36	-	275

(3) Transactions with key personnel

Compensation of the key personnel were:

	2020 Apr~June	2019 Apr~June	2020 Jan~June	2019 Jan~June
Short term employee benefits \$	5,100	5,266	9,523	10,290
Post-employment benefits	158	161	315	1,072
	\$ 5,258	5,427	9,838	11,362

8. Pledged Assets

Assets	Purpose	20200630	20191231	20190630
Term deposit (other financial assets-non-current)	Purchase and Guarantee deposits of customs duty – non-current)	\$ 1,029	1,025	1,021
Term deposit (other financial assets-current)	Guarantee for short term loan	302,149	306,943	304,561
Account Receivables	Guarantee for short term loan	-	25,186	-
		\$ 303,178	333,154	305,582

9. Significant Commitments and Contingencies

Other than items described in Note (7), the significant commitments of the Company for the period ending June 30th, 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:

	2020.6.30	2019.12.31	2019.6.30
Unused L/C	\$ -	3,159	3,236

(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:

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	2020.6.30	2019.12.31	2019.6.30
Guarantee Notes	\$ 529,620	460,080	391,065

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	20200401~20200630			20190401~20190630		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries	-	21,907	21,907	-	21,058	21,058
Labor and health insurance	-	1,542	1,542	-	1,523	1,523
Pension	-	1,048	1,048	-	1,056	1,056
Others	-	498	498	-	467	467
Depreciations	-	2,521	2,521	-	3,503	3,503
Amortizations	-	-	-	-	49	49

By Function Classification	20200101~20200630			20190101~20190630		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries	-	42,543	42,543	-	42,950	42,950
Labor and health insurance	-	3,117	3,117	-	3,121	3,121
Pension	-	2,080	2,080	-	2,072	2,072
Others	-	981	981	-	937	937
Depreciations	-	5,189	5,189	-	7,344	7,344
Amortizations	-	-	-	-	98	98

(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 period ending June 30th, 2020:

1. Loans to other parties: none
2. Guarantees and endorsements for other parties: none
3. Securities held as of June 30th 2019 (other than investments in subsidiaries, associates and JVs):

Unit: NT\$ thousands/ thousand shares

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

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 property with amount exceeding the lower of NT\$300 million or 20% of the capital stock: none
6. Disposal of individual property 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

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(2) Investment

Investment information for the period 20200101~20200630 (excluding investees in China)

Investor Company	Investee Company	Location	Business scope and products	Original Investment amount		Balance as of 20200630			Net income (loss) of investee	Share of P/L of investee	Note
				20200630	20191231	Shares	Ownership %	Book value			
The Company	Janus Power	New Taipei City	Electronic components	105,542	105,542	700	100.00%	2,655	-	-	Subsidiary of the Company

(3) Investment in China

1. Information on investment in Mainland China :

Unit: NTDS\$ thousands

Investee	Business Scope	Capital Surplus	Method	Accumulated outflow from TW as of 20200101	Investment Flow		Accumulated outflow from TW As of 2020331	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)	4,484 (USD150)	4,563 (USD150)	9,047 (USD300)	(1,123)	100.00%	(1,123)	4,287	-

2. Limitation on investment in Mainland China :

Accumulated Investment in Mainland China as of 20190630 (Note2)	Investment amount Authorized by MOEA (Note2)	Maximum limit on Investment (Note3)
9,047 (USD300 Thousands)	8,886 (USD300 Thousands)	285,166

Note1 : Direct investment in China

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

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

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

3. Significant transactions between investees in China:

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

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

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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.