

**ENE TECHNOLOGY INC AND
SUBSIDIARIES**

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

September 30th , 2019 AND 2018

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

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 September 30th, 2019 and 2018, and the related consolidated statements of comprehensive income for the period of July 1st to September 30th, 2019 and 2018, January 1st to September 30th, 2019 and 2018 and the consolidated statements of changes in equity and of cash flow for the period January 1st to September 30th, 2019 and 2018, and notes to the consolidated financial statements including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of above said financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standards 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Qualified Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly the consolidated financial status of ENE TECHNOLOGY INC. and subsidiaries as of September 30th, 2019 and 2018, and of its consolidated financial performance for the period July 1st to September 30th, 2019 and 2018, and of its consolidated statements of cash flow for the period January 1st to September 30th, 2019 and 2018 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

November 12th, 2019

ENE TECHNOLOGY INC

2019.09.30, 2018.12.31 and 2018.09.30

Asset	2019.09.30		2019.12.31		2019.9.30	
	Amount	%	Amount	%	Amount	%
Current Asset:						
Cash & cash equivalents (Note 6(1))	\$ 131,812	14	333,262	35	316,990	33
Financial assets measured at fair value through profit/loss- current (Note6((2))	-	-	-	-	12,775	1
Notes and accounts receivables (note6((3))	180,075	19	165,491	17	179,936	19
Accounts receivables from related parties (Note6(3) & 7)	19,685	2	5,385	1	5,275	1
Inventories (Note6(4))	260,865	27	113,836	12	85,762	9
Prepaid expenses & other current assets	26,357	3	16,301	2	20,618	2
Other financial assets – current (Note6(8) & 8)	<u>309,249</u>	<u>32</u>	<u>294,939</u>	<u>31</u>	<u>300,968</u>	<u>32</u>
	<u>928,043</u>	<u>97</u>	<u>929,214</u>	<u>98</u>	<u>922,324</u>	<u>97</u>
Non-Current Asset:						
Financial assets measured at fair value through other comprehensive profit/loss – non-current (Note6(2))	-	-	-	-	226	-
Real estate, plant and equipment (note6(5))	10,164	1	11,980	1	13,068	1
Right-of-use asset(note6(6))	6,601	1	-	-	-	-
Intangible asset (note6(7))	14	-	112	-	205	-
Deferred tax asset	3,573	-	3,573	-	3,573	-
Net defined benefit asset – non-current	5,534	1	5,534	1	4,045	1
Other financial asset – non-current (note6(8) & 8)	<u>3,198</u>	<u>-</u>	<u>3,511</u>	<u>-</u>	<u>3,523</u>	<u>1</u>
	<u>29,704</u>	<u>3</u>	<u>24,710</u>	<u>2</u>	<u>24,640</u>	<u>3</u>
Total Asset	\$ 957,113	100	953,924	100	946,964	100

Liabilities and Equity	2019.9.30		2018.12.31		2018.9.30	
	Amount	%	Amount	%	Amount	%
Current Liabilities:						
Short term loan (Note6(9) & 8)	\$ 258,500	27	245,500	26	245,500	26
Account payable	123,238	13	105,837	11	86,332	9
Related parties account payable (note7)	8,955	1	10,217	1	8,046	1
Salary payable	11,616	1	12,473	1	9,117	1
Lease liabilities – current (note6(10))	4,546	1	-	-	-	-
Other current liabilities	<u>16,790</u>	<u>1</u>	<u>13,269</u>	<u>1</u>	<u>13,099</u>	<u>1</u>
	<u>423,645</u>	<u>44</u>	<u>387,296</u>	<u>40</u>	<u>362,094</u>	<u>38</u>
Non-current liabilities:						
Deferred income tax liabilities	30	-	33	-	-	-
Lease liabilities – non-current (note6(10))	2,138	-	-	-	-	-
Other non-current liabilities - others	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,431</u>	<u>-</u>
	<u>2,168</u>	<u>-</u>	<u>33</u>	<u>-</u>	<u>1,431</u>	<u>-</u>
Total Liabilities	<u>425,813</u>	<u>44</u>	<u>387,329</u>	<u>40</u>	<u>363,525</u>	<u>38</u>
Equity (Note6(14)):						
Ordinary share capital	749,767	78	749,767	79	749,767	81
Capital surplus	81,967	9	81,967	9	81,967	9
Accumulated loss	(295,555)	(30)	(260,272)	(27)	(243,295)	(25)
Other equity	<u>(4,879)</u>	<u>(1)</u>	<u>(4,867)</u>	<u>(1)</u>	<u>(5,000)</u>	<u>-</u>
Total Equity	<u>531,300</u>	<u>56</u>	<u>566,595</u>	<u>60</u>	<u>583,439</u>	<u>62</u>
Total Liabilities & Equity	\$ 957,113	100	953,924	100	946,964	100

(Please refer to accompanying notes to consolidated financial statements)

Consolidated Statements of Comprehensive Income
Reviewed, not Audited
ENE TECHNOLOGY INC and Subsidiaries
Consolidated Statements of Comprehensive Income

Unit: NTD\$ Thousands

		<u>20190701~20190930</u>		<u>20180701~20180930</u>		<u>20190101~20190930</u>		<u>20180101~20180930</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4110	Operating revenue (Note6(16) & 7)	\$ 153,595	100	152,369	100	415,881	100	380,509	100
5000	Operating cost (Note6(4) & 7)	118,116	77	112,534	74	322,929	78	289,481	76
	Gross profit	35,479	23	39,835	26	92,952	22	91,028	24
	Operating expenses (note6(3), (10), 7 & 12):								
6100	Selling expenses	14,702	10	15,905	10	41,698	10	47,411	12
6200	General and admin expenses	17,824	11	17,872	12	49,718	12	52,135	14
6300	Research and development expenses	15,703	10	16,357	11	46,227	11	51,667	14
6450	Allowances for credit loss	54	-	394	-	206	-	828	-
	Total operating expenses	48,283	31	50,528	33	137,849	33	152,041	40
	Operating loss	(12,804)	(8)	(10,693)	(7)	(44,897)	(11)	(61,013)	(16)
	Non-operating income & expenses:								
7020	Other gains and losses (note6(18))	(778)	-	4,992	3	4,311	1	15,649	4
7100	Interest income	2,046	1	2,126	1	7,644	2	5,499	1
7510	Interest expense (note6(10))	(789)	(1)	(689)	-	(2,341)	(1)	(1,790)	-
		479	-	6,429	4	9,614	2	19,358	5
	Loss before income tax	(12,325)	(8)	(4,264)	(3)	(35,283)	(9)	(41,655)	(11)
	Income tax expenses (note6(13))	-	-	-	-	-	-	-	-
	Net loss for the period	(12,325)	(8)	(4,264)	(3)	(35,283)	(9)	(41,655)	(11)
8300	Other comprehensive profit and loss:								
8360	Items may be reclassified to profit or loss								
8361	Cumulative translation differences of foreign operation	(76)	-	-	-	(15)	-	-	-
8399	Income tax relating to items may be reclassified (Note6(13))	15	-	-	-	3	-	-	-
	Total items that be reclassified to profit & loss	(61)	-	-	-	(12)	-	-	-
8300	Other comprehensive profit and loss	(61)	-	-	-	(12)	-	-	-
	Total comprehensive income	<u>\$ (12,386)</u>	<u>(8)</u>	<u>(4,264)</u>	<u>(3)</u>	<u>(35,295)</u>	<u>(9)</u>	<u>(41,655)</u>	<u>(11)</u>
	Earnings per share (in dollar) (note6(15))								
9750	Basic earnings per share	<u>\$ (0.16)</u>		<u>(0.06)</u>		<u>(0.47)</u>		<u>(0.56)</u>	

(Please refer to accompanying notes to consolidated financial statements)

Consolidated Statements of Changes in Equity are Reviewed, not Audited

ENE TECHNOLOGY INC and Subsidiaries

Consolidated Statements of Changes in Equity

January 1st to September 30th, 2019 and 2018

Unit: NTD\$ Thousands

	Ordinary Share Capital	Capital Surplus	Accumulated Loss	Other Equity Items			
				Cumulative translation differences of foreign operation	Unrealized P&L From financial assets measured at fair value through comprehensive P&L	Cumulative translation differences of foreign operation	Unrealized P&L From financial assets measured at fair value through comprehensive P&L
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	-	-	(41,655)	-	-	-	(41,655)
Other comprehensive income of the period	-	-	-	-	-	-	-
Total comprehensive income	-	-	(41,655)	-	-	-	(41,655)
Balance as of 20180930	\$ 749,767	81,967	(243,295)	-	(5,000)	(5,000)	583,439
Balance as of 20190101	\$ 749,767	81,967	(260,272)	133	(5,000)	(4,867)	566,595
Net loss of the period	-	-	(35,283)	-	-	-	(35,283)
Other comprehensive income of the period	-	-	-	(12)	-	(12)	(12)
Total comprehensive income	-	-	(35,283)	(12)	-	(12)	(35,295)
Balance as of 20190930	\$ 749,767	81,967	(295,555)	121	(5,000)	(4,879)	531,300

(Please refer to accompanying notes to consolidated financial statements)

Consolidated Statements of Cash Flows are Reviewed, Not Audited

ENE TECHNOLOGY INC and Subsidiaries

Consolidated Statements of Cash Flows

January 1st to September 30th , 2019 and 2018

Unit: NTD\$ Thousands

	<u>20190101~0930</u>	<u>20180101~0930</u>
Cash Flow from operating activities:		
Income before income tax	\$ (35,283)	(41,655)
Adjustments:		
Income and expenses/loss items		
Depreciation	10,526	6,852
Amortization	112	583
Expected credit impairment loss	206	828
Allowance for inventory evaluation & obsolesce loss	4,177	3,156
Gain on financial assets at fair value through profit or loss	-	746
Interest expense	2,341	1,790
Interest income	(7,644)	(5,499)
Disposal of real estate, plant and equipment	-	13
Others not affecting cash flow	(4)	(173)
Total of income and expense/loss items	<u>9,714</u>	<u>8,296</u>
Changes in operating assets and liabilities:		
Increase in financial asset measured at fair value through profit and loss	-	(12,915)
Decrease in notes and account receivables	(14,793)	(16,670)
Decrease (Increase) account receivable from related parties	(14,297)	(2,460)
Inventory (increase) decrease	(151,206)	31,785
Decrease of other operating asset	(10,057)	(5,151)
Total changes in operating assets and liabilities	<u>(190,353)</u>	<u>(5,411)</u>
Increase (decrease) in account payable	17,401	28,820
Decrease in account payable from related parties	(1,262)	1,123
Decrease in other operating liabilities	1,334	(7,679)
Total changes in operating liabilities	<u>17,473</u>	<u>22,264</u>
Net changes in operating assets and liabilities	<u>(172,880)</u>	<u>16,853</u>
Cash flows from operating activities	(198,449)	(16,506)
Interest received	7,810	5,297
Interest paid	(2,341)	(1,701)
Net cash flow from operating activities	<u>(192,980)</u>	<u>(12,910)</u>

(continued)

(Please refer to accompanying notes to consolidated financial statements)

Consolidated Statements of Cash Flows are Reviewed, Not Audited

ENE TECHNOLOGY INC and Subsidiaries

Consolidated Statements of Cash Flows

January 1st to September 30th, 2019 and 2018

Unit: NTD\$ Thousands

	<u>20190101~0930</u>	<u>20180101~0930</u>
Cash flows from investment activities:		
Acquisition of real estate, plant and equipment	(1,785)	(4,182)
Disposal of real estate, plant and equipment	-	83
Decrease (increase) in Refundable deposits	314	341
Increase in other financial asset - current	(14,476)	(109,943)
Increase in other financial asset – non-current	(5)	(5)
Net Cash flow from investment activities	<u>(15,952)</u>	<u>(113,706)</u>
Cash flows from financing activities:		
Increase in short term loan	315,700	370,000
Decrease in short term loan	(302,700)	(282,500)
Lease liabilities principle repayment	(5,496)	-
Net cash flows from financing activities	<u>7,504</u>	<u>87,500</u>
Effect of exchange rate to cash and cash equivalent	(22)	-
Net decrease in cash and cash equivalent	(201,450)	(39,116)
Cash and cash equivalent at beginning of period	333,262	356,106
Cash and cash equivalent at end of period	<u>\$ 131,812</u>	<u>316,990</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
For Periods Ended September 30st, 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 November 12th, 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 and uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

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

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

ENE TECHNOLOGY INC and Subsidiaries

Notes to Consolidated Financial Statements

(2) The impact of IFRSs issued by IASB and endorsed by the FSC

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

<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 IAS 1 and IAS 8 “Definition of Material”	2020.Jan.01

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

(3) 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”	2021.Jan.01
Amendments to IFRS 9, IFRS 39 and IFRS 7 “Interest Rate Benchmark Reform”	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
			2019.9.30	2018.12.31	2018.9.30	
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

Note 1: ENE Touch Technology Co., Ltd was registered on August 10th, 2018. Funds were not committed on September 30th, 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

ENE TECHNOLOGY INC and Subsidiaries
Notes to Consolidated Financial Statements

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.

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.

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(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 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>2019.9.30</u>	<u>2018.12.31</u>	<u>2018.9.30</u>
Cash	\$ 122	25	20
Cash in Bank and Cheque	105,290	147,037	155,998
Term Deposit	26,400	186,200	160,972
	<u><u>\$ 131,812</u></u>	<u><u>333,262</u></u>	<u><u>316,990</u></u>

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(2) Financial Assets

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

	<u>2019.9.30</u>	<u>2018.12.31</u>	<u>2018.9.30</u>
Forced financial assets at fair value through profit & loss :			
Non derivative financial assets			
Beneficiary certificates — open end funds	\$ -	-	<u>12,775</u>

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 September 30th 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)

	<u>2019.9.30</u>	<u>2018.12.31</u>	<u>2018.9.30</u>
Notes receivable	\$ -	1,552	1,480
Account receivable	182,415	166,070	180,621
Receivables from related parties	<u>19,685</u>	<u>5,388</u>	<u>5,286</u>
	202,100	173,010	187,387
Less: allowance for doubtful accounts	<u>(2,340)</u>	<u>(2,134)</u>	<u>(2,176)</u>
	<u>\$ 199,760</u>	<u>170,876</u>	<u>185,211</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

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receivables. The ECL on notes and accounts receivable by reference to past default experience of the customers and credit risk characteristics, as well as forward looking information.

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

	2019.9.30		
	Notes & account receivables carrying amount	Weighted average loss rate	Loss Allowance
Not past due	\$ 190,776	0.00%	-
Past due 0~30 days	60	0.00%	-
Past due 31-60 days	75	0.00%	-
Past due over 121 days	-	100.00%	-
Total	\$ 190,911		-

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

	2018.9.30		
	Notes & account receivables carrying amount	Weighted average loss rate	Loss Allowance
Not past due	\$ 160,815	0.02%	31
Past due 0~30 days	490	2.92%	14
Past due 31-60 days	112	14.16%	16
Past due over 121 days	-	100.00%	-
Total	\$ 161,417		61

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

	2019.9.30		
	Notes & account receivables carrying amount	Weighted average loss rate	Loss Allowance
Not past due	\$ 8,274	2.70%	223
Past due 0~30 days	923	17.32%	160
Past due 31~60 days	5	54.71%	3
Past due 61~90 days	112	70.26%	79
Past due over 121 days	1,875	100.00%	1,875
Total	\$ 11,189		2,340

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

	2018.9.30		
	Notes & account receivables carrying amount	Weighted average loss rate	Loss Allowance
Not past due	\$ 21,550	0.81%	175
Past due 0~30 days	2,839	12.64%	359
Past due over 121 days	1,581	100.00%	1,581
Total	\$ 25,970		2,115

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Changes for loss allowance (including related parties) are:

	2019	2018
	Jan to Sept	Jan to Sept
Balance of January 1 st	\$ 2,134	1,348
Recognized loss	<u>206</u>	<u>828</u>
Balance of September 30 th	<u>\$ 2,340</u>	<u>2,176</u>

Notes and account receivables (including related parties) dated on 20190930, 20181231 and 20180930 have not been provided for pledge guarantee.

(4) Inventory

	2019.9.30	2018.12.31	2018.9.30
Raw materials	\$ 11,998	6,557	9,779
Work in Process	197,855	86,759	66,995
Finished product	<u>51,012</u>	<u>20,520</u>	<u>8,988</u>
	<u>\$ 260,865</u>	<u>113,836</u>	<u>85,762</u>

Details of operating cost are :

	2019	2018	2019	2018
	Jul to Sept	Jul to Sept	Jan to Sept	Jan to Sept
Cost of goods sold	\$ 117,505	113,649	318,509	286,057
Allowance for inventory valuation loss	389	(1,183)	4,177	3,156
Other operating costs	<u>222</u>	<u>68</u>	<u>243</u>	<u>268</u>
	<u>\$ 118,116</u>	<u>112,534</u>	<u>322,929</u>	<u>289,481</u>

(5) Real estate, plant and equipment

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

	R&D equipment	Improvement on lease	Office and other equipment	Total
Cost:				
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 Sept 30 th 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		-	-	3,878	3,878
Disposal		(955)	-	(688)	(1,643)
Balance on Sept 30 th 2018	\$	20,837	2,066	42,959	65,862

Amortization:

Balance on January 1 st 2019	\$	19,243	276	35,101	54,620
Amortization		1,319	177	3,448	4,944
Balance on Sept 30 th 2019	\$	20,562	453	38,549	59,564
Balance on January 1 st 2018	\$	16,446	69	30,974	47,489
Amortization		2,866	155	3,831	6,852
Disposal		(893)	-	(654)	(1,547)
Balance on Sept 30 th 2018	\$	18,419	224	34,151	52,794

Carrying amount:

January 1 st 2019	\$	1,525	1,790	8,665	11,980
Sept 30 th 2019	\$	206	2,073	7,885	10,164
January 1 st 2018	\$	5,346	1,997	8,795	16,138
Sept 30 th 2018	\$	2,418	1,842	8,808	13,068

2. Changes to the account payable related to real estate, plant and equipment for the period 01.01 to 09.30 2019 and 2018 are an addition of NT\$1,343 thousands and a decrease of NT\$304 thousands.
3. Real estate, plant and equipment of the Company dated on Sept 30th 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
Disposal	(1,627)	-	-	(1,627)
Effects of foreign exchange	(26)	-	-	(26)
Balance at 2019.09.30	\$ 7,089	4,014	451	11,554

Accumulated depreciation and loss:

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Balance at 2019.01.01	\$	-	-	-	-
Depreciation of the year		4,438	832	312	5,582
Disposal		(610)	-	-	(610)
Effects of foreign exchange		(19)	-	-	(19)
Balance of 2019.09.30	\$	3,809	832	312	4,953
Carrying amount:					
Balance at 2019.01.01 (Effects of retrospective application of IFRS16)	\$	8,742	4,014	451	13,207
Balance at 2019.09.30	\$	3,280	3,182	139	6,601

Please refer to Note 6(11) for information on the office rental and company car rental 2018.01.01~2018.09.30.

(7) Intangible Assets

	Patents	Computer Software Cost	Total
Carrying value:			
2019.01.01	\$ 57	55	112
2019.09.30	\$ -	-	-
2018.01.01	\$ 207	581	788
2018.09.30	\$ 79	126	205

There is no significant addition, disposal, allowance for loss or reversal of the intangible assets during the period of 2019.01.01~2019.09.31 and 2018.01.01~2018.09.31. 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

	2019.9.30	2018.12.31	2018.9.30
Current:			
Restricted cash in bank	\$ 304,022	289,546	288,230
Term deposit (> 3 months)	5,000	5,000	5,000
Other receivables	-	-	7,368
Others	227	393	370
	\$ 309,249	294,939	300,968

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Non-Current

Refundable deposit	\$	2,177	2,495	2,510
Restricted cash in bank		<u>1,021</u>	<u>1,016</u>	<u>1,013</u>
	\$	<u>3,198</u>	<u>3,511</u>	<u>3,523</u>

There is no loss in other financial assets – current and non-current (excluding other receivables) for the period ended 2019.09.30, 2018.12.31 and 2018.09.30.

Other receivables and allowances for loss of the Company for the period ended 2019.09.30, 2018.12.31 and 2018.09.30.:

	<u>2019.9.30</u>	<u>2018.12.31</u>	<u>2018.9.30</u>
Other receivables	\$ 22,269	22,269	29,637
Less: allowances for loss	<u>(22,269)</u>	<u>(22,269)</u>	<u>(22,269)</u>
	<u>\$ -</u>	<u>-</u>	<u>7,368</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>2019.9.30</u>	<u>2018.12.31</u>	<u>2018.9.30</u>
Guarantee bank loan	<u>\$ 258,500</u>	<u>245,500</u>	<u>245,500</u>
Unused quota	<u>91,490</u>	<u>104,490</u>	<u>54,490</u>
Range of interests	<u>1.099%~ 1.21%</u>	<u>1.098%~ 1.23%</u>	<u>1.095%~ 1.27%</u>

For the period 20190101~20190930, new loan amount is NT\$315,700 thousands and NT\$370,000 thousands. Interest rate ranges from 1.099%~1.21% and 1.095%~1.27%. Due dates are 2019 June to December and 2018 March to December. Amounts due are NT\$302,700 thousands and NT\$282,500 thousands.

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

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(10) Lease Liabilities

Carry amount of the lease liabilities are:

	2019.9.30
Current	<u><u>\$ 4,546</u></u>
Non-current	<u><u>\$ 2,138</u></u>

The Company did not issue, repurchase or repay lease liabilities for the period of 2019.01.01 ~2019.09.30.

The Company terminated partial lease in June 2019, lease liabilities was decreased by NTD\$1,021 thousands. Other than that, there was no issue, repurchase or repay lease liabilities for the period of 2019.01.01~2019.09.30.

Loss recognized as:

	2019 Jan to Sept
Interest expense from lease liabilities	<u><u>\$ 137</u></u>
Expense of short term lease	<u><u>\$ 177</u></u>
Expense of low-value assets (excluding short-term lease of low-value assets)	<u><u>\$ 47</u></u>

Amount recognized in cash flow statement :

	2019 Jan to Sept
Total cash outflow of lease	<u><u>\$ 5,857</u></u>

1. Real estate leases

The Company has rented house and architecture for operation purposes. The Office lease contract is normally 2 to 3 years.

2. Other lease

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

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

(11) Operating lease

There were no significant additions to operating lease contract for the three months ended

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September 30th, 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 and 2017.

Please refer to Note 12(1) for information related to the Company pension costs for the period January 1st to September 30th, 2019 and 2018.

(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:

	2019	2018	2019	2018
	<u>Jul to Sept</u>	<u>Jul to Sept</u>	<u>Jan to Sept</u>	<u>Jan to Sept</u>
Current income tax expense	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

3. Other income tax expense (benefit) recognized under other comprehensive income are:

	2019	2018	2019	2018
	<u>Jul to Sept</u>	<u>Jul to Sept</u>	<u>Jan to Sept</u>	<u>Jan to Sept</u>
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of financial statements of foreign affiliates	<u>\$ 15</u>	<u>-</u>	<u>(3)</u>	<u>-</u>

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

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Company capital and other equity interest for the three months ended September 30th, 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

	<u>2019.9.30</u>	<u>2018.12.31</u>	<u>2018.9.30</u>
Issue stock premium	\$ 68,283	68,283	68,283
Treasury stock trading	11,534	11,534	11,534
Long term investment	<u>2,150</u>	<u>2,150</u>	<u>2,150</u>
	<u>\$ 81,967</u>	<u>81,967</u>	<u>81,967</u>

2. Retained earnings

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

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

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

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

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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	(12)	-	(12)
Balance on 2019.09.30	<u><u>\$ 121</u></u>	<u><u>(5,000)</u></u>	<u><u>(4,879)</u></u>

	Exchange differences on translation of financial statements of foreign affiliates	Unrealized profit and loss through other complicated profit and loss through fair value of financial assets	Total
Balance on 2018.01.01	\$ -	-	-
Retrospective number to IFRS	-	(5,000)	(5,000)
Adjusted balance on 2018.01.01 (Balance on 2018.09.30)	<u><u>\$ -</u></u>	<u><u>(5,000)</u></u>	<u><u>(5,000)</u></u>

(15) Earnings per share

The calculation of basic earnings per share was as following:

	2019 Jul to Sept	2018 Jul to Sept	2019 Jan to Sept	2018 Jan to Sept
Basic earnings per share:				
Net income for the period	<u><u>\$ (12,325)</u></u>	<u><u>(4,264)</u></u>	<u><u>(35,283)</u></u>	<u><u>(41,655)</u></u>
Weighted average number of ordinary shares outstanding during the year (in thousands)	<u><u>74,977</u></u>	<u><u>74,977</u></u>	<u><u>74,977</u></u>	<u><u>74,977</u></u>
Basic earnings per share (NT dollars)	<u><u>\$ (0.16)</u></u>	<u><u>(0.06)</u></u>	<u><u>(0.47)</u></u>	<u><u>(0.56)</u></u>

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(16) Revenue from Contracts with Customers

1. Segmentation of revenue

	2019	2018	2019	2018
	Jul to Sept	Jul to Sept	Jan to Sept	Jan to Sept
Major regional markets				
China	\$ 102,455	96,555	279,201	241,635
Taiwan	50,428	55,181	133,077	136,347
Others	712	633	3,603	2,527
	<u>\$ 153,595</u>	<u>152,369</u>	<u>415,881</u>	<u>380,509</u>
Major products				
NB computer related ICs	\$ 117,403	125,714	320,698	306,406
Capacitive touch controller related ICs	34,885	24,788	92,484	71,660
Others	1,307	1,867	2,699	2,443
	<u>\$ 153,595</u>	<u>152,369</u>	<u>415,881</u>	<u>380,509</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 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 – September 30th 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.

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(18) Non-operating income and expenses

The details of other gains and losses were as follows:

	2019	2018	2019	2018
	Jul to Sept	Jul to Sept	Jan to Sept	Jan to Sept
Foreign exchange gains (losses)	\$ (675)	5,765	4,409	16,567
Gain/Loss on financial assets at fair value through profit and loss	-	(770)	-	(746)
Disposal of real estate, plant and equipment (net)	-	(34)	-	(13)
Miscellaneous income and expenses	(103)	31	(98)	(159)
	<u>\$ (778)</u>	<u>4,992</u>	<u>4,311</u>	<u>15,649</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 89%, 84% and 86% of the balance for account receivables (including related parties) on September 30th, 2019, December 31st, 2018 and September 30th, 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.

(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.

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2019.9.30			
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	\$ 312,447	-	-
D	-	-	22,269
Total carrying amount	\$ 312,447	-	22,269
Allowance for loss	-	-	(22,269)
Cost after amortization	\$ 312,447	-	-
Carrying amount	\$ 312,447	-	-

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	-	-

2018.9.30			
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	\$ 304,491	-	-
D	-	-	22,269
Total carrying amount	\$ 304,491	-	22,269
Allowance for loss	-	-	(22,269)
Cost after amortization	\$ 304,491	-	-
Carrying amount	\$ 304,491	-	-

There is no impairment provision or reversal after amortized cost of financial assets for the period January 1st to September 30th, 2019 and 2018.

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2. Liquidity risk

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

	<u>Contractual cash flow</u>	<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>Over 1 year</u>
2019.09.30				
Non-derivative financial liabilities				
Bank Loan	\$ (259,014)	(259,014)	-	-
Lease liabilities (current and non-current)	(6,788)	(3,297)	(1,316)	(2,175)
	<u><u>\$ (265,802)</u></u>	<u><u>(262,311)</u></u>	<u><u>(1,316)</u></u>	<u><u>(2,175)</u></u>
2018.12.31				
Non-derivative financial liabilities				
Bank Loan	<u><u>\$ (245,891)</u></u>	<u><u>(245,891)</u></u>	-	-
2018.09.30				
Non-derivative financial liabilities				
Bank Loan	<u><u>\$ (245,891)</u></u>	<u><u>(245,891)</u></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

Currency risk

(1) Exposure to currency risk

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

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		2019.9.30			2018.12.31			Unit: FX in thousands 2018.9.30		
		FX	Ex Rate	NTD	FX	Ex Rate	NTD	FX	Ex Rate	NTD
<u>Financial assets</u>										
Monetary items										
USD	\$	18,663	31.020	578,919	22,744	30.8	700,502	23,743	30.66	727,966
RMD		413	4.353	1,797	685	4.466	3,057	763	4.466	3,409
<u>Financial liabilities</u>										
<u>Monetary items</u>										
USD		3,029	31.020	93,944	2,246	30.8	69,172	1,928	30.66	59,098

(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 NTD19,471 thousands and NTD26,891 thousands respectively for the three months ended September 30th, 2019 and 2018.

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

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

:

	2019 Jan to September		2018 Jan to September	
	FX gain/loss	Ave FX rate	FX gain/loss	Ave FX rate
USD	\$ 4,374	31.05	16,599	29.91
RMB	35	4.522	(32)	4.591

(1) 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 NTD302 thousands or NTD236 thousands

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respectively for the period January 1st to September 30th 2019 and 2018. This is due to the cash and cash equivalent, short term loan and other current financial assets.

(4)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	20190101~20190930		20180101~20180930	
	Other comprehensive gain/loss after tax	Gain/loss after tax	Other comprehensive gain/loss after tax	Gain/loss after tax
Increase by 1%	\$ -	-	-	128
Decrease by 1%	-	-	-	(128)

4. Fair value of financial instruments

(1)Categories of financial instruments and fair value

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

		2019.09.30				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
Cash and cash equivalent	\$	131,812	-	-	-	-
Net account receivables (including related parties)		199,760	-	-	-	-
Other financial assets (current and non-current)		312,447	-	-	-	-
Sub-total	\$	644,019	-	-	-	-
Financial liabilities measured at amortized cost						
Short term loan	\$	258,500	-	-	-	-

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Account payable (including related parties)	132,193	-	-	-	-
Lease liabilities (current and non-current)	6,684	-	-	-	-
Sub-total	<u><u>\$ 397,377</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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

	2018.09.30				
	Carrying 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	\$ 12,775	12,775	-	-	12,775
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	\$ 316,990	-	-	-	-
Net account receivables (including related parties)	185,211	-	-	-	-
Other financial assets (current and non-current)	304,491	-	-	-	-

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Sub-Total	\$ 806,692	-	-	-	-
Financial liabilities measured at amortized costs					
Short term loan	\$ 245,500	-	-	-	-
Account payable (including related parties)	94,378	-	-	-	-
Sub-Total	\$ 339,878	-	-	-	-

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

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

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

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

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

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

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

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

(3) There was no transfer of fair value level as of September 30th 2019 and 2018.

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

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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

(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 6 months ended September 30th 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:

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	<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	315,700	-
Loan repayment	(302,700)	-
Payment on lease liabilities	-	(5,496)
Sub-total cash flow from financing activities	<u>\$ 13,000</u>	<u>(5,496)</u>
Other changes in liabilities related items		
Interest expense	\$ -	137
Interest paid	-	(137)
Disposal of Right-of-use asset	-	(1,021)
Effects on foreign exchanges	-	(6)
Sub-total other changes in liabilities related items	<u>\$ -</u>	<u>(1,027)</u>
Balance at September 30 th , 2019	<u>\$ 258,500</u>	<u>6,684</u>
Balance at January 1 st 2018	\$ 158,000	-
Changes in cash flow from financing activities		
New loan	370,000	-
Loan repayment	(282,500)	-
Sub-total cash flow from financing activities	<u>\$ 87,500</u>	<u>-</u>
Balance at September 30 th 2018	<u>\$ 245,500</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)

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(2) Significant transactions with related parties

1. Sales

The amounts of significant sales were:

	Sales			
	2019 Jul to Sept	2018 Jul to Sept	2019 Jan to Sept	2018 Jan to Sept
Key personnel of the Company	<u>\$ 17,699</u>	<u>11,701</u>	<u>40,198</u>	<u>29,141</u>

	Related parties account receivables		
	20190930	20181231	20180930
Key personnel of the Company	\$ 19,685	5,388	5,286
Less: Allowances for loss	-	(3)	(11)
	<u>\$ 19,685</u>	<u>5,385</u>	<u>5,275</u>

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

2. Purchasing and OEM

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

	Purchase and OEM			
	2019 Jul to Sept	2018 Jul to Sept	2019 Jan to Sept	2018 Jan to Sept
Key personnel of the Company-Siguard	<u>\$ 8,458</u>	<u>6,954</u>	<u>22,661</u>	<u>18,923</u>

	Related parties account payables		
	20190930	20181231	20180930
Key personnel of the Company -Siguard	<u>\$ 8,955</u>	<u>9,958</u>	<u>7,481</u>

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

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3. Lease transactions

Machine lease from the related parties:

	Trading amount			
	2019 Jul to Sept	2018 Jul to Sept	2019 Jan to Sept	2018 Jan to Sept
Key personnel of the Company	<u>\$ -</u>	<u>171</u>	<u>-</u>	<u>286</u>
	Related parties account payables			
	20190930	20181231	20180930	
Key personnel of the Company	<u>\$ -</u>	<u>-</u>	<u>-</u>	

4. Other transactions

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

	Trading amount			
	2019 Jul to Sept	2018 Jul to Sept	2019 Jan to Sept	2018 Jan to Sept
Key personnel of the Company	<u>\$ -</u>	<u>162</u>	<u>16</u>	<u>670</u>
	Related parties account payables			
	20190930	20181231	20180930	
Key personnel of the Company	<u>\$ -</u>	<u>259</u>	<u>565</u>	

(3) Transactions with key personnel

Compensation of the key personnel were:

	2019 Jul to Sept	2018 Jul to Sept	2019 Jan to Sept	2018 Jan to Sept
Short term employee benefits	\$ 5,384	4,532	15,674	16,837
Post-employment benefits	162	162	1,234	468
	<u>\$ 5,546</u>	<u>4,694</u>	<u>16,908</u>	<u>17,305</u>

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8. Pledged Assets

Assets	Purpose	20190930	20181231	20180930
Term deposit (other financial assets-non-current)	Purchase and Guarantee deposits of customs duty – non-current)	\$ 1,021	1,016	1,013
Term deposit (other financial assets-current)	Guarantee for short term loan	304,022	289,546	288,230
		<u>\$ 305,043</u>	<u>290,562</u>	<u>289,243</u>

9. Significant Commitments and Contingencies

Other than items described in Note 6(11) and Note 7, the significant commitments of the Company for the 6 months period ending September 30th 2019 and 2018 were as following:

(1) According to the technical authorization contracts signed with other companies, the Company pays technical royalties and royalties by designated production quantity.

(2) Unused L/C:

	20190930	20181231	20180930
Unused L/C	<u>\$ 3,257</u>	<u>3,234</u>	<u>3,219</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:

	20190930	20181231	20180930
Guarantee Notes	<u>\$ 391,010</u>	<u>390,790</u>	<u>400,650</u>

There were no financing activities on account receivables up till 20190930.

10. Losses due to major disasters: None

11. Significant subsequent events: None

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12. Other

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

By Function Classification	20190701~20190930			20180701~20180930		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries	-	22,585	22,585	-	21,408	21,408
Labor and health insurance	-	1,642	1,642	-	1,535	1,535
Pension	-	1,115	1,115	-	1,040	1,040
Others	-	479	479	-	716	716
Depreciations	-	3,182	3,182	-	2,391	2,391
Amortizations	-	14	14	-	115	115

By Function Classification	20190101~20190930			20180101~20180930		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries	-	65,535	65,535	-	72,016	72,016
Labor and health insurance	-	4,763	4,763	-	4,994	4,994
Pension	-	3,187	3,187	-	3,315	3,315
Others	-	1,416	1,416	-	1,794	1,794
Depreciations	-	10,526	10,526	-	6,852	6,852
Amortizations	-	112	112	-	583	583

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

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:

- Loans to other parties: none
- Guarantees and endorsements for other parties: none

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3. Securities held as of September 30th 2019 (other than investments in subsidiaries, associates and JVs):

Unit: NTD\$ thousands/ thousand shares

Name of Holder	Category & Name of Security	Relationship with The Company	Account title	Ending balance				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.

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

(2) Investment

Investment information for the period 20190101~20190930 (excluding investees in China)

Investor Company	Investee Company	Location	Business scope and products	Original Investment amount		Balance at the end of the period			Net income (loss) of investee	Share of P/L of investee	Note
				Beginning of the period	End of Last year	Shares	Ownership %	Book value			
The Company	Janus Power	New Taipei City	Electronic components	105,542	105,542	700	100.00%	2,657	(1)	(1)	Subsidiary of the Company

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(3) Investment in China

1. Information on investment in Mainland China :

Unit: NTD\$ thousands

Investee	Business Scope	Capital Surplus	Method	Accumulated outflow from TW at beginning of the period	Investment Flow		Accumulated outflow from TW at end of the period	Net Income/loss	Ownership %	Gain/loss (Note4)	Book Value	Accumulated remittance of Earnings
					Outflow	Inflow						
ENE Touch Technology Inc	Distribution of electronic parts	4,484 (USD150)	(Note1)	4,484 (USD150)	-	-	4,484 (USD150)	(2,340)	100.00%	(2,340)	1,689	-

2. Limitation on investment in Mainland China :

Accumulated Investment in Mainland China at end of the period (Note2)	Investment amount Authorized by MOEA (Note2)	Maximum limit on Investment (Note3)
4,484 (USD150 Thousands)	4,653 (USD150 Thousands)	318,780

Note1 : Direct investment in China

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

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

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

3. Significant transactions between investees in China:

Please refer to the section of Related Information on Significant Transactions for significant transactions between the Company and the investees in China for the period 20190101 to 20190930.

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.