SENAO NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REVIEW REPORT OF INDEPENDENT

ACCOUNTANTS

MARCH 31, 2019 AND 2018

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

(19)PWCR19000054
To the Board of Directors and Stockholders of Senao Networks, Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of Senao Networks, Inc. and subsidiaries (the "Group") as at March 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 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

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. 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 obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 4(3), the financial statements of certain insignificant consolidated subsidiaries were not reviewed by independent accountants. Those statements reflect total assets of NT$311,752 thousand and NT$320,571 thousand, both constituting 5% of the consolidated total assets, and total liabilities of NT$168,543 thousand and NT$135,829 thousand, constituting 6% and 4% of the consolidated total liabilities as at March 31, 2019 and 2018, respectively, and total comprehensive loss of NT$9,063 thousand and NT$11,374 thousand, constituting (10%) and (9%) of the consolidated total comprehensive income for the three-month periods then ended, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Pan, Hui-Lin　　　　　　　　　　　　Chang, Shu-Chiung

For and behalf of Pricewaterhouse Coopers, Taiwan

April 29, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

SENAO NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2019, DECEMBER 31, 2018 AND MARCH 31, 2018
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2019 and 2018 are reviewed, not audited)

	Assets	Notes	March 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%	March 31, 2018 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 2,130,543	37	$ 2,142,424	40	$ 2,338,518	35
1170	Accounts receivable, net	6(2)	881,477	15	858,567	16	1,056,485	16
1200	Other receivables	6(3)	141,538	3	64,331	1	133,691	2
1210	Other receivables - related parties	7	905	-	1,245	-	1,030	-
1220	Current income tax assets		1,657	-	1,651	-	3,539	-
130X	Inventory	6(4)	807,533	14	679,007	13	1,617,560	24
1410	Prepayments		31,273	1	28,669	1	30,064	1
11XX	**Total current assets**		3,994,926	70	3,775,894	71	5,180,887	78
	Non-current assets							
1600	Property, plant and equipment	6(5)	1,396,976	24	1,408,396	27	1,213,502	18
1755	Right-of-use assets	6(6)	205,178	4	-	-	-	-
1780	Intangible assets	6(7)	33,158	-	28,093	-	16,530	-
1840	Deferred income tax assets		38,761	1	44,204	1	44,635	1
1900	Other non-current assets	6(8)	39,346	1	38,530	1	162,360	3
15XX	**Total non-current assets**		1,713,419	30	1,519,223	29	1,437,027	22
1XXX	**Total assets**		$ 5,708,345	100	$ 5,295,117	100	$ 6,617,914	100

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SENAO NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2019, DECEMBER 31, 2018 AND MARCH 31, 2018
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2019 and 2018 are reviewed, not audited)

	Liabilities and Equity	Notes	March 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%	March 31, 2018 AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(9)	$ 73,598	1	$ 73,102	1	$ 51,985	1
2130	Current contract liabilities	6(17)	56,638	1	89,660	2	107,324	2
2150	Notes payable		3,908	-	6,542	-	5,016	-
2170	Accounts payable		1,744,762	31	1,464,340	28	2,836,730	43
2200	Other payables	6(10)	422,814	8	536,043	10	489,611	7
2220	Other payables - related parties	7	5,817	-	5,410	-	12,366	-
2230	Current income tax liabilities		50,453	1	36,126	1	54,049	1
2250	Provisions	6(12)	61,072	1	66,074	1	71,190	1
2280	Current lease liabilities	7	89,838	2	-	-	-	-
2300	Other current liabilities	6(13)	137,607	2	152,470	3	197,983	3
21XX	**Total current liabilities**		2,646,507	47	2,429,767	46	3,826,254	58
	Non-current liabilities							
2527	Non-current contract liabilities	6(17)	1,210	-	1,696	-	3,866	-
2570	Deferred income tax liabilities		940	-	1,885	-	-	-
2580	Non-current lease liabilities	7	113,015	2	-	-	-	-
2600	Other non-current liabilities		12,488	-	15,128	-	15,616	-
2XXX	**Total liabilities**		2,774,160	49	2,448,476	46	3,845,736	58
	Equity							
	Equity attributable to owners of parent							
	Share capital	6(14)						
3110	Share capital - common stock		490,609	9	490,609	10	490,609	7
	Capital surplus	6(15)						
3200	Capital surplus		703,127	12	703,127	13	702,817	11
	Retained earnings	6(16)						
3310	Legal reserve		382,020	7	382,020	7	335,226	5
3320	Special reserve		14,054	-	14,054	-	5,451	-
3350	Unappropriated retained earnings		1,216,106	21	1,143,617	22	1,154,122	17
	Other equity interest							
3400	Other equity interest		(11,053)	-	(11,424)	-	(16,349)	-
31XX	**Equity attributable to owners of the parent**		2,794,863	49	2,722,003	52	2,671,876	40
36XX	**Non-controlling interest**		139,322	2	124,638	2	100,302	2
3XXX	**Total equity**		2,934,185	51	2,846,641	54	2,772,178	42
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	**Total liabilities and equity**		$ 5,708,345	100	$ 5,295,117	100	$ 6,617,914	100

The accompanying notes are an integral part of these consolidated financial statements.

SENAO NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COPREHENSIVE INCOME
THREE-MONTH PERIODS ENDED MARCH 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)
(UNAUDITED)

	Items	Notes	2019 AMOUNT	2019 %	2018 AMOUNT	2018 %
4000	**Operating revenues**	6(17) and 7	$ 1,821,222	100	$ 2,291,263	100
5000	**Operating costs**	6(4)(21) and 7	(1,457,396)	(80)	(1,857,222)	(81)
5900	**Net operating margin**		363,826	20	434,041	19
	Operating expenses	6(21) and 7				
6100	Selling expenses		(104,876)	(6)	(118,997)	(6)
6200	General and administrative expenses		(73,991)	(4)	(69,993)	(3)
6300	Research and development expenses		(124,108)	(7)	(118,062)	(5)
6000	**Total operating expenses**		(302,975)	(17)	(307,052)	(14)
6900	**Operating profit**		60,851	3	126,989	5
	Non-operating income and expenses					
7010	Other income	6(18)	42,717	3	54,668	3
7020	Other gains and losses	6(19)	4,882	-	(17,791)	(1)
7050	Finance costs	6(20)	(1,851)	-	(1,004)	-
7000	**Total non-operating income and expenses**		45,748	3	35,873	2
7900	**Profit before income tax**		106,599	6	162,862	7
7950	Income tax expense	6(22)	(19,426)	(1)	(28,004)	(1)
8200	**Profit for the period**		$ 87,173	5	$ 134,858	6
	Other comprehensive income					
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		$ 371	-	($ 2,295)	-
8500	**Total comprehensive income for the period**		$ 87,544	5	$ 132,563	6
	Profit attributable to:					
8610	Owners of the parent		$ 72,489	4	$ 126,354	6
8620	Non-controlling interest		$ 14,684	1	$ 8,504	-
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 72,860	4	$ 124,059	6
8720	Non-controlling interest		$ 14,684	1	$ 8,504	-
	Earnings per share (in dollars)	6(23)				
9750	**Basic earnings per share**		$	1.48	$	2.58
9850	**Diluted earnings per share**		$	1.46	$	2.55

The accompanying notes are an integral part of these consolidated financial statements.

SENAO NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE-MONTH PERIODS ENDED MARCH 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Equity attributable to owners of the parent									
			Capital Reserves		Retained Earnings						
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Capital surplus, changes in ownership interests in subsidiaries	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total	Non-controlling interest	Total equity
2018											
Balance at January 1, 2018		$ 490,609	$ 702,817	$ -	$ 335,226	$ 5,451	$ 1,027,768	($ 14,054)	$2,547,817	$ 91,798	$2,639,615
Profit for the period		-	-	-	-	-	126,354	-	126,354	8,504	134,858
Other comprehensive loss for the period		-	-	-	-	-	-	(2,295)	(2,295)	-	(2,295)
Total comprehensive income		-	-	-	-	-	126,354	(2,295)	124,059	8,504	132,563
Balance at March 31, 2018		$ 490,609	$ 702,817	$ -	$ 335,226	$ 5,451	$ 1,154,122	($ 16,349)	$2,671,876	$ 100,302	$2,772,178
2019											
Balance at January 1, 2019		$ 490,609	$ 702,817	$ 310	$ 382,020	$ 14,054	$ 1,143,617	($ 11,424)	$2,722,003	$ 124,638	$2,846,641
Profit for the period		-	-	-	-	-	72,489	-	72,489	14,684	87,173
Other comprehensive income for the period		-	-	-	-	-	-	371	371	-	371
Total comprehensive income		-	-	-	-	-	72,489	371	72,860	14,684	87,544
Balance at March 31, 2019		$ 490,609	$ 702,817	$ 310	$ 382,020	$ 14,054	$ 1,216,106	($ 11,053)	$2,794,863	$ 139,322	$2,934,185

The accompanying notes are an integral part of these consolidated financial statements.

SENAO NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE-MONTH PERIODS ENDED MARCH 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 106,599	$ 162,862
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(21)	45,011	16,032
Amortisation	6(21)	2,912	2,588
Impairment of expected credit (gain) loss	12(2)	(30)	72
Interest income	6(18)	(2,922)	(1,617)
Interest expense	6(20)	1,505	124
(Gain) loss on disposal of property, plant and equipment	6(19)	(129)	247
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(22,881)	328,333
Other receivables		(77,666)	(50,773)
Other receivables - related parties		340	356
Inventory		(128,526)	(346,359)
Prepayments		(11,999)	(6,211)
Changes in operating liabilities			
Contract liabilities		(33,508)	(26,118)
Notes payable		(2,634)	1,992
Accounts payable		280,422	44,838
Other payables		(107,524)	(113,510)
Other payables - related parties		407	437
Provisions		(5,525)	(1,779)
Other current liabilities		(14,863)	6,567
Other non-current liabilities		(2,640)	905
Cash inflow generated from operations		26,349	18,986
Interest recieved		3,381	1,749
Interest paid		(654)	(124)
Income tax paid		(1)	(1,599)
Net cash flows from operating activities		29,075	19,012

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SENAO NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE-MONTH PERIODS ENDED MARCH 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(25)	($ 15,220)	($ 59,603)
Proceeds from disposal of property, plant and equipment		129	143
Increase in intangible assets	6(7)	(7,977)	(2,020)
Decrease (increase) in refundable deposits		16	(56)
Decrease in other non-current assets		548	4,883
Net cash flow from acquisition of subsidiaries		-	1,369
Net cash flows used in investing activities		(22,504)	(55,284)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(26)	496	32,059
Lease payments		(19,213)	-
Net cash flows (used in) from financing activities		(18,717)	32,059
Effect on foreign exchange difference		265	(2,911)
Net decrease in cash and cash equivalents		(11,881)	(7,124)
Cash and cash equivalents at beginning of period		2,142,424	2,345,642
Cash and cash equivalents at end of period		$ 2,130,543	$ 2,338,518

The accompanying notes are an integral part of these consolidated financial statements.

SENAO NETWORKS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTH PERIODS ENDED MARCH 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

1. HISTORY AND ORGANISATION

Senao Networks, Inc. (the "Company") was established as a result of the spin-off of the wireless communication department of Senao International Co., Ltd. The Company assumed all the department's business, assets and liabilities effective October 1, 2006. The Company's registration was approved by the Ministry of Economic Affairs, R.O.C. on October 12, 2006. The Company started selling shares publicly at the Taiwan Over-The-Counter Exchange on December 30, 2013. The Company is mainly engaged in the sales of wireless communication products.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

The consolidated financial statements were reported to the Board of Directors on April 29, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 16, 'Leases'

(a) IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

(b) The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by $228,897, increased 'lease liability' by $221,059 and decreased 'other payables' and 'prepayments' by $1,557 and $9,395, respectively.

(c) The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

i. Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

ii.The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(d) The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate ranging from 1.15% to 3.75%.

(e) The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$ 155,705
Less: Short-term leases	(8)
Add: Adjustments as a result of a different treatment of extension and termination options	79,041
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	234,738
Incremental borrowing interest rate at the date of initial application	1.15%~3.75%
	230,454
Less: Lease prepayments at January 1, 2019	(9,395)
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$ 221,059

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

None.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies of the Group applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers" and IAS 34, "Interim Financial Reporting" as endorsed by the FSC.

(2) Basis of preparation

A. Except for the defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation, the consolidated financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Principles for preparation of consolidated financial reports:

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

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Name of investor	Name of subsidiary	Main business activities	March 31, 2019	December 31, 2018	March 31, 2018
Senao Networks, Inc.	EnGenius Technologies, Inc.	Sales of communication products	100	100	100
Senao Networks, Inc.	Senao International (Samoa) Ltd.	Investment holdings	100	100	100
Senao Networks, Inc.	EnGenius Networks, Inc.	Sales of communication products	100	100	100
Senao Networks, Inc.	Emplus Technologies, Inc.	Development, manufacturing and sales of communication products	50.99	50.99	51.86
Senao International (Samoa) Ltd.	EnGenius Technologies Canada Inc.	Sales of communication products	100	100	100
Senao International (Samoa) Ltd.	EnGenius International (Samoa) Ltd.	Investment holdings	100	100	100
EnGenius International (Samoa) Ltd.	EnGenius Networks Singapore Pte. Ltd.	Sales of communication products	100	100	100
EnGenius Networks Singapore Pte. Ltd.	EnGenius Networks Europe B.V.	Sales of communication products	100	100	100

Except for Emplus Technologies, Inc., the financial statements of certain consolidated subsidiaries were not reviewed by independent accountants as those entities did not meet the definition of significant subsidiaries. The total assets of these unreviewed subsidiaries as of March 31, 2019 and 2018 were $311,752 and $320,571, respectively, and the total liabilities were $168,543 and $135,829, respectively, and total comprehensive loss for the three-month periods then ended were $9,063 and $11,374, respectively.

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

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of March 31, 2019, December 31, 2018 and March 31, 2018, the non-controlling interest amounted to $139,322, $124,638 and $100,302, respectively. The information on non-controlling interest and respective subsidiary is as follows:

		Non-controlling interest March 31, 2019		Non-controlling interest December 31, 2018	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
Emplus Technologies, Inc.	Taiwan	$ 139,322	49.01%	$ 124,638	49.01%

		Non-controlling interest March 31, 2018	
Name of subsidiary	Principal place of business	Amount	Ownership (%)
Emplus Technologies, Inc.	Taiwan	$ 100,302	48.14%

Summarised financial information of Emplus Technologies, Inc.:

Balance sheet

	March 31, 2019	December 31, 2018	March 31, 2018
Current assets	$ 585,832	$ 567,015	$ 440,586
Non-current assets	148,757	87,508	86,493
Current liabilities	(407,477)	(400,668)	(319,181)
Non-current liabilities	(43,293)	-	-
Total net assets	$ 283,819	$ 253,855	$ 207,898

Statement of comprehensive income

	Three-month periods ended March 31,	
	2019	2018
Revenue	$ 253,113	$ 195,664
Profit before income tax	37,461	23,295
Income tax expense	(7,498)	(5,628)
Profit for the period from continuing operations	29,963	17,667
Other comprehensive income, net of tax	-	-
Total comprehensive income for the period	$ 29,963	$ 17,667
Comprehensive income attributable to non-controlling interest	$ 14,684	$ 8,504

Statement of cash flows

	Three-month periods ended March 31,	
	2019	2018
Net cash used in operating activities	($ 2,518)	($ 51,538)
Net cash used in investing activities	(4,464)	(9,747)
Net cash used in financing activities	(4,539)	-
Increase in cash and cash equivalents	(11,521)	(61,285)
Cash and cash equivalents, beginning of period	386,844	345,137
Cash and cash equivalents, end of period	$ 375,323	$ 283,852

(4) Foreign currency translation

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in New Taiwan Dollars.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised or consumed, or are intended to be sold within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are:

A. Readily convertible to known amounts of cash;

B. Subject to an insignificant risk of changes in value.

Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Accounts receivable

A. Accounts receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services. A receivable is recognised when the goods are delivered because only the passage of time is required before the payment is due.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For financial assets at amortised cost at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

B. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

C. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Machinery and equipment	5 ~ 10 years
Molding equipment	2 years
Transportation equipment	4 years
Office equipment	5 years
Other equipment	5 years
Leasehold improvements	2 years

(12) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease.

Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable;

(b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

(c) Any initial direct costs incurred by the lessee; and

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(13) Operating leases (lessee)

2018

Payments made under an operating lease are recognised in profit or loss on a straight-line basis over the lease term.

(14) Intangible assets

A. Computer software

They are stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 5 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method. Goodwill is recognised as the difference of acquisition price minus fair value of identifiable net assets.

(15) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amounts of goodwill are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(16) Borrowings

Borrowings comprise short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(17) Notes and accounts payable

A. Notes and accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(19) Provisions

Provisions (including warranties and sales discounts, etc.) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the

Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds at the balance sheet date.

ii. Remeasurements arising on defined benefit plan are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. The calculation of share quantity is based on the closing price on the day before the resolution of Board of Directors for the previous financial year.

(21) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

F. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(22) Revenue recognition

A. Sales of goods

(a) The Group manufactures and sells internet and wireless products. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group’s activities. Sales are recognised when control of the products has transferred, being when the products are delivered to the buyer, the buyer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) The Group’s obligation to provide a standard warranty terms, and is recognised as a provision when the products were sold.

(c) The Group estimates and provides sale discount based on historical experiences and sales conditions of the products. The provisions are provided when the sales transactions incurred.

(d) The Group recognises contract liabilities if the Group has received consideration from customers (or could receive consideration from customers) before the transfer of products.

B. Sales of services

The Group provides processing, repairs and maintenance on communication services. Revenue from providing services is recognised in the accounting period in which the services are rendered. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the Group has received consideration from customers (or could receive consideration from customers before the transfer of services, a contract liability is recognised.

(23) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies but no critical judgements were made. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. The information is addressed below:

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Additionally, due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of March 31, 2019, the carrying amount of inventories was $807,533.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand and revolving funds	$ 506	$ 432	$ 242
Checking accounts and demand deposits	258,991	314,608	310,784
Time deposits	1,871,046	1,827,384	2,027,492
	$ 2,130,543	$ 2,142,424	$ 2,338,518

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

(2) Accounts receivable

	March 31, 2019	December 31, 2018	March 31, 2018
Accounts receivable	$ 881,809	$ 858,928	$ 1,056,709
Less: Allowance for bad debts	(332)	(361)	(224)
	$ 881,477	$ 858,567	$ 1,056,485

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Not past due	$ 861,192	$ 838,179	$ 1,040,851
Up to 30 days	17,410	20,069	14,582
31 to 60 days	2,290	281	696
61 to 90 days	917	8	442
91 to 180 days	-	3	138
Over 180 days	-	388	-
	$ 881,809	$ 858,928	$ 1,056,709

The above ageing analysis was based on past due date.

B. The Group does not hold any collateral as security.

C. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(3) Transfer of financial assets

A. The Group entered into a factoring agreement with CTBC Bank to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable. As of March 31, 2019, December 31, 2018 and March 31, 2018, the transferred accounts receivable are as follows:

March 31, 2019

Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities (thousand)	Amount advanced	Interest rate of amount advanced
CTBC Bank	$ 68,792	$ 68,792	USD 3,100	$ -	-

December 31, 2018

Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities (thousand)	Amount advanced	Interest rate of amount advanced
CTBC Bank	$ 21,309	$ 21,309	USD 4,360	$ -	0.45%~0.70%

March 31, 2018					
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities (thousand)	Amount advanced	Interest rate of amount advanced
CTBC Bank	$ 50,601	$ 50,601	USD 4,360	$ -	0.45%~0.70%

Note: Recorded as 'other receivables'.

B. The Group has recognised loss of $346 and $880 upon transfer of the derecognised accounts receivable for the three-month periods ended March 31, 2019 and 2018, respectively, which was recorded as 'finance costs'.

(4) Inventories

	March 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 436,742	($ 23,747)	$ 412,995
Work in progress	182,131	(29)	182,102
Finished goods	218,984	(6,548)	212,436
	$ 837,857	($ 30,324)	$ 807,533

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 288,289	($ 29,741)	$ 258,548
Work in progress	209,549	(320)	209,229
Finished goods	223,000	(11,770)	211,230
	$ 720,838	($ 41,831)	$ 679,007

	March 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 961,755	($ 28,717)	$ 933,038
Work in progress	364,616	(4)	364,612
Finished goods	326,942	(7,032)	319,910
	$ 1,653,313	($ 35,753)	$ 1,617,560

The cost of inventories recognised as expense for the three-month periods ended March 31, 2019 and 2018 were $1,450,904 and $1,850,561, including ($655) and $10,795, respectively, that the Group wrote down from cost to net realisable value which was accounted for as cost of goods sold.

(5) Property, plant and equipment

At January 1, 2019	Land	Machinery and equipment	Molding equipment	Transportation equipment	Office equipment	Other equipment	Leasehold improvements	Unfinished construction and equipment acceptance	Total
Cost	$ 808,690	$ 766,606	$ 107,985	$ 8,322	$ 60,584	$ 15,325	$ 71,748	$ 139,570	$ 1,978,830
Accumulated depreciation and impairment	-	(377,359)	(93,558)	(5,590)	(41,886)	(9,644)	(42,397)	-	(570,434)
	$ 808,690	$ 389,247	$ 14,427	$ 2,732	$ 18,698	$ 5,681	$ 29,351	$ 139,570	$ 1,408,396
2019									
Opening net book amount	$ 808,690	$ 389,247	$ 14,427	$ 2,732	$ 18,698	$ 5,681	$ 29,351	$ 139,570	$ 1,408,396
Additions	-	3,002	2,413	-	1,099	40	1,904	1,234	9,692
Reclassifications (note)	(4,315)	-	-	-	-	-	-	4,315	-
Depreciation charge	-	(12,796)	(3,691)	(388)	(1,214)	(371)	(2,672)	-	(21,132)
Net exchange differences	-	-	-	4	10	-	6	-	20
Closing net book amount	$ 804,375	$ 379,453	$ 13,149	$ 2,348	$ 18,593	$ 5,350	$ 28,589	$ 145,119	$ 1,396,976
At March 31, 2019									
Cost	$ 804,375	$ 769,623	$ 110,397	$ 7,333	$ 61,748	$ 15,368	$ 73,671	$ 145,119	$ 1,987,634
Accumulated depreciation and impairment	-	(390,170)	(97,248)	(4,985)	(43,155)	(10,018)	(45,082)	-	(590,658)
	$ 804,375	$ 379,453	$ 13,149	$ 2,348	$ 18,593	$ 5,350	$ 28,589	$ 145,119	$ 1,396,976

Note: Pertains to donated land to the government in exchange for a floor area ratio bonus.

At January 1, 2018	Land	Machinery and equipment	Molding equipment	Transportation equipment	Office equipment	Other equipment	Leasehold improvements	Total
Cost	$ 881,417	$ 583,308	$ 95,532	$ 10,056	$ 53,967	$ 12,182	$ 58,838	$ 1,695,300
Accumulated depreciation and impairment	-	(334,788)	(77,899)	(5,491)	(39,525)	(7,150)	(35,133)	(499,986)
	$ 881,417	$ 248,520	$ 17,633	$ 4,565	$ 14,442	$ 5,032	$ 23,705	$ 1,195,314
2018								
Opening net book amount	$ 881,417	$ 248,520	$ 17,633	$ 4,565	$ 14,442	$ 5,032	$ 23,705	$ 1,195,314
Additions	-	-	-	-	800	30	728	1,558
Acquired from business combinations	-	-	-	-	35	-	-	35
Disposals	-	-	-	-	(266)	(124)	-	(390)
Other non-current assets-transferred in	-	19,872	3,258	-	2,699	-	7,305	33,134
Reclassifications	-	(536)	-	-	-	536	-	-
Depreciation charge	-	(8,806)	(3,543)	(473)	(1,000)	(309)	(1,901)	(16,032)
Net exchange differences	-	-	-	(37)	(69)	(5)	(6)	(117)
Closing net book amount	$ 881,417	$ 259,050	$ 17,348	$ 4,055	$ 16,641	$ 5,160	$ 29,831	$ 1,213,502
At March 31, 2018								
Cost	$ 881,417	$ 602,999	$ 98,790	$ 9,960	$ 57,600	$ 12,530	$ 67,099	$ 1,730,395
Accumulated depreciation and impairment	-	(343,949)	(81,442)	(5,905)	(40,959)	(7,370)	(37,268)	(516,893)
	$ 881,417	$ 259,050	$ 17,348	$ 4,055	$ 16,641	$ 5,160	$ 29,831	$ 1,213,502

(6) Leasing arrangements－lessee

Effective 2019

A. The Group leases various assets including plant, office, machinery and equipment, business vehicles, parking lot and multifunction printers. Rental contracts are typically made for periods of one to seven years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	March 31, 2019	Three-month period ended March 31, 2019
	Carrying amount	Depreciation charge
Buildings	$ 199,260	$ 23,052
Transportation equipment	2,651	362
Office equipment	907	212
Other equipment	2,360	253
	$ 205,178	$ 23,879

C. For the three-month period ended March 31, 2019, there were no additions to right-of-use assets.

D. The information on income and expense accounts relating to lease contracts is as follows:

	Three-month period ended March 31, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 851
Expense on short-term lease contracts	7,223
Expense on variable lease payments	531
Gain on sublease of right-of-use assets (Note)	2,811

Note: Recorded as ‘other revenues’.

E. For the three-month period ended March 31, 2019, the Group’s total cash outflow for leases was $19,213.

F. Variable lease payments

Leased objects with variable lease payment terms under the Group’s lease contracts are evaluated based on the actual usage as well as are calculated and recognised as expenses for the actual usage during the period.

G. Extension and termination options

In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(7) Intangible assets

A. Changes to intangible assets are as follows:

	Computer software		Goodwill		Total
At January 1, 2019					
Cost	$ 68,262	$	480	$	68,742
Accumulated amortisation and impairment	(40,649)		-	(	40,649)
	$ 27,613	$	480	$	28,093
2019					
Opening net book amount	$ 27,613	$	480	$	28,093
Additions	7,977		-		7,977
Amortisation charge	(2,912)		-	(	2,912)
Closing net book amount	$ 32,678	$	480	$	33,158
At March 31, 2019					
Cost	$ 76,245	$	480	$	76,725
Accumulated amortisation and impairment	(43,567)		-	(	43,567)
	$ 32,678	$	480	$	33,158

	Computer software		Goodwill		Total
At January 1, 2018					
Cost	$ 45,678	$	480	$	46,158
Accumulated amortisation and impairment	(29,059)		-	(	29,059)
	$ 16,619	$	480	$	17,099
2018					
Opening net book amount	$ 16,619	$	480	$	17,099
Additions	2,020		-		2,020
Amortisation charge	(2,588)		-	(	2,588)
Net exchange differences	(1)		-	(	1)
Closing net book amount	$ 16,050	$	480	$	16,530
At March 31, 2018					
Cost	$ 47,656	$	480	$	48,136
Accumulated amortisation and impairment	(31,606)		-	(	31,606)
	$ 16,050	$	480	$	16,530

B. Details of amortisation on intangible assets are as follows:

	Three-month periods ended March 31, 2019	Three-month periods ended March 31, 2018
Manufacturing expenses	$ 533	$ 778
Selling expenses	311	755
General and administrative expenses	718	451
Research and development expenses	1,350	604
	$ 2,912	$ 2,588

C. The Group's goodwill was recognised from the acquisition of the subsidiary, Emplus Technologies, Inc.

When comparing the value in use and book value to determine the recoverable amount, there were no indicators that the Group's goodwill may be impaired. Value in use was evaluated based on gross profit ratio and growth ratio of Emplus Technologies, Inc.

(8) Other non-current assets

	March 31, 2019	December 31, 2018	March 31, 2018
Prepayments for equipment	$ 21,250	$ 19,870	$ 141,823
Refundable deposits	15,867	15,883	16,328
Others	2,229	2,777	4,209
	$ 39,346	$ 38,530	$ 162,360

(9) Short-term borrowings

	March 31, 2019	December 31, 2018	March 31, 2018
Secured bank borrowings	$ 73,598	$ 73,102	$ 51,985
Interest rate range	3.50%	3.75%	1.20%~3.10%

(10) Other payables

	March 31, 2019	December 31, 2018	March 31, 2018
Accrued salary expenses and bonus	$ 148,400	$ 265,124	$ 156,059
Accrued employees' compensation and directors' and supervisors'	81,069	68,981	81,292
Accrued commission	47,654	44,236	54,927
Accrued equipment	8,414	12,562	29,232
Others	137,277	145,140	168,101
	$ 422,814	$ 536,043	$ 489,611

(11) Pensions

A. Defined benefit plan

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by March 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

(b) For the aforementioned pension plan, the Group recognised pension costs of $147 and $117 for the three-month periods ended March 31, 2019 and 2018, respectively.

(c) Expected contributions to the defined benefit pension plan of the Company for the year ending 2019 amount to $1,126.

B. Defined contribution plan

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company and its domestic subsidiaries for the three-month periods ended March 31, 2019 and 2018 amounted to $9,598 and $9,257, respectively.

(b) Senao International (Samoa) Ltd., EnGenius International (Samoa) Ltd., EnGenius Networks Europe B.V. and EnGenius Technologies Canada Inc. have not yet established an employee pension plan. EnGenius Technologies, Inc. and EnGenius Networks Singapore Pte. Ltd. follow the established pension regulations of their respective local governments. These subsidiaries pay monthly pension contributions and have no further obligations. The pension costs under the defined contribution pension plans of the above companies for the three-month periods ended March 31, 2019 and 2018 were $732 and $745, respectively.

(12) Provisions

	2019	2018
At January 1	$ 66,074	$ 71,989
Acquired from business combinations	-	980
Additional provisions	(459)	6,517
Used during the period	(5,066)	(7,667)
Exchange difference	523	(629)
At March 31	$ 61,072	$ 71,190

The Group's liability provisions are related to the products sold. Provision for warranty is estimated based on past experience of the use of warranties on the product; allowance provision is estimated based on past experience and the sale of the product. It is expected that the provision will start to be used within the next year.

(13) Other current liabilities

	March 31, 2019	December 31, 2018	March 31, 2018
Collection of project development on behalf of others	$ 132,242	$ 143,822	$ 183,972
Sales revenue received in advance	2,807	3,306	7,481
Others	2,558	5,342	6,530
	$ 137,607	$ 152,470	$ 197,983

(14) Share capital

As of March 31, 2019, the Company's authorised capital was $1.2 million, and the paid-in capital was $490,609, consisting of 49,061 thousand shares of common stock outstanding, with a par value of $10 in dollars per share. There was no change in the number of the Company's ordinary shares outstanding for the three-month periods ended March 31, 2019 and 2018.

(15) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(16) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the balance of legal reserve is equal to that of issued share capital. The balance after setting aside legal reserve and special reserve shall be combined with the remaining surplus at the beginning of the year and counted as unappropriated retained earnings. The method of distribution shall be proposed by the Board of Directors and presented to the shareholders for approval.

B. The Company is currently in the growth stage. Based on capital expenditures and needs for branching out and completing financial plans to pursue sustainable development, the Company's dividend policy is in accordance with the future budget of capital expenditure and capital needs. Cash dividends and stock dividends are to be distributed to the shareholders. Cash dividends shall account for at least 5% of the total dividends distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. The appropriations of 2018 earnings as approved by the Board of Directors on April 29, 2019 and the appropriations of 2017 earnings as resolved by the shareholders on June 13, 2018 are as follows:

	Years ended December 31,			
	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 46,541	$ -	$ 46,794	$ -
Special reserve	(2,631)	-	8,603	-
Cash dividends	318,896	6.5	294,365	6.0
	$ 362,806	$ 6.5	$ 349,762	$ 6.0

F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(21).

(17) Operating revenue

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
Revenue from contracts with customers	$ 1,821,222	$ 2,291,263

A. Information on disaggregation of revenue from contracts with customers based on geographical regions is provided in Note 14 (2).

B. Contract assets and liabilities

(a) The Group has recognised the following revenue-related contract liabilities:

	March 31, 2019	December 31, 2018	March 31, 2018
Current contract liabilities:			
Contract liabilities – sales of goods	$ 51,780	$ 84,855	$ 99,096
Contract liabilities – providing service	4,858	4,805	8,228
	56,638	89,660	107,324
Non-current contract liabilities:			
Contract liabilities – providing service	1,210	1,696	3,866
	$ 57,848	$ 91,356	$ 111,190

(b) Revenue recognised that was included in the contract liability balance at the beginning of the period:

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
Revenue from contracts with customers	$ 51,370	$ 76,676

C. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(18) Other income

	Three-month periods ended March 31, 2019	2018
Interest income - bank deposit interest	$ 2,922	$ 1,617
Project development income	34,308	46,707
Other income	5,487	6,344
	$ 42,717	$ 54,668

(19) Other gains and losses

	Three-month periods ended March 31, 2019	2018
Currency exchange gains (losses)	$ 5,678	($ 17,543)
Gains (losses) on disposal of property, plant and equipment	129	(247)
Other losses	(925)	(1)
	$ 4,882	($ 17,791)

(20) Finance costs

	Three-month periods ended March 31, 2019	2018
Interest expense	$ 1,505	$ 124
Financial expense, others	346	880
	$ 1,851	$ 1,004

(21) Expenses by nature

	Three-month periods ended March 31, 2019	2018
Employee benefit expense		
Wages and salaries	$ 272,206	$ 285,204
Labor and health insurance fees	21,186	20,843
Pension costs	10,477	10,119
Other personnel expenses	16,527	15,937
	$ 320,396	$ 332,103
Depreciation charges on property, plant and equipment	$ 45,011	$ 16,032
Amortisation charges on intangible assets	$ 2,912	$ 2,588

A. According to the Articles of Incorporation of the Company and its domestic subsidiaries, a ratio of profit of the current year distributable, shall be distributed as employees’ compensation and directors’ and supervisors’ remuneration. The ratio for the Company and domestic subsidiaries shall not be lower than 3% and not lower than 1% for employees’ compensation, respectively, and shall not be higher than 3% and not higher than 1% for directors’ and supervisors’ remuneration, respectively. However, if the Company has accumulated deficit, the Company should cover accumulated losses first. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned employees' compensation may be specified in the Articles of Incorporation. Qualification requirements are set by the Board of Directors. Distribution of employees' compensation and directors' and supervisors' remuneration shall be reported to the stockholders during their meeting and distributed in the form of shares or in cash as resolved by the Board of Directors.

B. For the three-month periods ended March 31, 2019 and 2018, employees' compensation was accrued at $10,086 and $14,122, respectively; while directors' and supervisors' remuneration was accrued at $2,002 and $2,745, respectively. The aforementioned amounts were recognised in salary expenses. The expenses recognised were accrued based on the earnings of current year. On April 29, 2019, employees' compensation and directors' and supervisors' remuneration for 2018 amounting to $46,237 and $8,835, respectively, as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2018 financial statements.
Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
On February 19, 2019, employees' compensation and directors' and supervisors' remuneration of the subsidiary, Emplus Technologies, Inc. for 2018 amounting to $7,124 and $1,549, respectively, as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2018 financial statements.

(22) Income tax

A. Components of income tax expense:

	Three-month periods ended March 31,	
	2019	2018
Current tax:		
Current tax on profits for the period	$ 15,054	$ 23,094
Prior year income tax (overestimation) underestimation	(126)	1,535
Total current tax	14,928	24,629
Deferred tax:		
Origination and reversal of temporary differences	4,498	8,607
Impact of change in tax rate	-	(5,232)
Income tax expense	$ 19,426	$ 28,004

B. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority. The subsidiary-EnGenius Networks, Inc. and Emplus Technologies Inc.'s income tax returns through 2016 have been assessed and approved by the Tax Authority.

(23) Earnings per share (EPS)

	Three-month period ended March 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 72,489	49,061	$ 1.48
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	508	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 72,489	49,569	$ 1.46

	Three-month period ended March 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 126,354	49,061	$ 2.58
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	457	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 126,354	49,518	$ 2.55

(24) Operating leases

Prior to 2019

The Group leases offices and plants with terms between 2016 and 2022. The Group recognised rental expenses of $30,347 for the three-month period ended March 31, 2018. The future aggregate minimum lease payments under operating leases are as follows:

	December 31, 2018	March 31, 2018
Not later than one year	$ 49,172	$ 72,069
Later than one year but not later than five years	106,533	137,681
	$ 155,705	$ 209,750

(25) Supplemental cash flow information

Investing activities with partial cash payments:

	Three-month periods ended March 31,	
	2019	2018
Purchase of property, plant and equipment and other non-current assets-tranferred in property, plant and equipment	$ 9,692	$ 34,692
Less: Ending balance of payable on equipment	(8,414)	(29,232)
Opening balance of prepayments for land and equipment	(19,870)	(143,130)
Add: Opening balance of payable on equipment	12,562	55,450
Ending balance of prepayments for equipment	21,250	141,823
Cash paid during the period	$ 15,220	$ 59,603

(26) Changes in liabilities from financing activities

Under amendments to IAS 7, ‘Disclosure initiative’, changes in the first quarter of 2019 and 2018 are disclosed as follows:

	2019	2018
At January 1	$ 73,102	$ 19,926
Changes in cash flow from financing activities	496	32,059
At March 31	$ 73,598	$ 51,985

(27) Business combinations

A. On January 1, 2018, the Group acquired 100% of the share capital of Super Telecommunications Co. Ltd. for $4,103 in cash, and has control over Super Telecommunications Co. Ltd. In March 2018, Super Telecommunications Co. Ltd. was renamed as EnGenius Technologies Canada, Inc. (ETCI). ETCI is the Group’s dealer with a long-term partnership in Canada. The Group expects to intensify the cooperation between both sides in order to create more profit for the Group.

B. The following table summarises the consideration paid for ETCI and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the non-controlling interest’s proportionate share of the recognised amounts of acquiree’s fair value at the acquisition date:

	January 1, 2018
Purchase consideration	
Cash paid	$ 4,103
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	$ 5,472
Accounts receivable	5,548
Inventories	5,098
Other current assets	1,081
Property, plant and equipment	35
Accounts payable	(6,632)
Other payables	(4,947)
Other current liabilities	(572)
Other non-current liabilities	(980)
Total identifiable net assets	$ 4,103

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

As of March 31, 2019 and 2018, the Group does not have a parent company. Senao International Co., Ltd. (SIC) held 33.79% of the Company's shares, and was the most influential entity to the Company.

(2) Name of related party and relationship

Name of related party	Relationship with the Group
Senao International Co., Ltd. (SIC)	Entity with joint control or significant influence over the Group

(3) Significant related party transactions

A. Operating revenues

	Three-month periods ended March 31,	
	2019	2018
Sales of goods		
Entities with joint control or significant influence over the Group	$ -	$ 142

The above sales prices are based on sales volume. The credit terms were approximately the same with third parties, which is 60 days from the first day of the month following the month of sales.

B. Processing fees

	Three-month periods ended March 31,	
	2019	2018
Purchases of services		
Entities with joint control or significant influence over the Group		
-SIC	$ 16,501	$ 34,223

The Group's purchase prices and payment term for processing fees by the related parties are based on mutual agreement, which is due 10 days after the transaction.

C. Receivables from related parties

	March 31, 2019	December 31, 2018	March 31, 2018
Other receivables-payment on behalf of others			
Entities with joint control or significant influence over the Group	$ 905	$ 1,245	$ 1,030

D. Other payables

	March 31, 2019	December 31, 2018	March 31, 2018
Payables to related parties:			
Entities with joint control or significant influence over the Group -SIC	$ 5,817	$ 5,410	$ 12,366

E. Leasing arrangements

The balance of 'right-of-use asset' and lease liability recognised on March 31, 2019 for the Group's lease of office buildings from SIC in line with IFRS 16 was $36,362 and $35,039, respectively.The important agreements in relation to lease contracts are as follows:

(a) The Company signed a one-year plant and building rental contract with Senao International in March 2010. The rental agreement had an automatic extention after expiration date. The contract terms are reviewed every 5 years to check whether the terms should be adjusted based on mutual agreement.

(b) The lease terms and prices were determined in accordance with mutual agreement, and rent is paid monthly.

F. Rent expense

Details of office buildings leased from SIC for the three-month period ended March 31, 2018 are as follows:

Item	Lease period	Guarantee	Three-month period ended March 31, 2018
Office in Hua-Ya Science Park	2010.4.1~ 2019.3.31 (Note 1)	$ -	$ 7,803

Note 1: The Company signed a one-year plant and building rental contract with Senao International in March 2010. The rental agreement had an automatic extention after

expiration date. The contract terms are reviewed every 5 years to check whether the terms should be adjusted based on mutual agreement.

Note 2: The lease terms and prices were determined in accordance with mutual agreement, and rent is paid monthly.

(4) Key management compensation

	Three-month periods ended March 31,	
	2019	2018
Salaries and other short-term employee benefits	$ 13,172	$ 13,559
Post-employment benefits	258	256
	$ 13,430	$ 13,815

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

For the information of operating lease commitment, please refer to Notes 6(24) and 7(3).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On April 29, 2019, the Board of Directors resolved the following matters during its meeting:

(1) Information on the appropriations and distributions of earnings as well as employees' compensation and directors' and supervisors' remuneration for the year ended December 31, 2018 is provided in Notes 6(16)E and 6 (21)B, respectively.

(2) The Company plans to build office buildings in its land with total building area of 44,694 square meters and the estimated construction, mechanical and electrical engineering funds are approximately $1,130 million.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to maintain an optimal capital ratio to support the Group's operations and to maximise the shareholders' equity. The Group builds a suitable capital structure based on the future growth and gearing ratios of the industry and the consideration of costs and risks that may result from different capital structures. The Group normally utilises a meticulous risk management policy.

(2) Financial instruments

A. Financial instruments by category

The financial assets at amortised cost include cash and cash equivalents, accounts receivable, other receivables (including related parties), short-term borrowings, accounts payable and other payables (including related parties).

B. Financial risk management policies

The Group adopts overall risk management and control systems to identify, measure and control all kinds of risk (including market risk, credit risk and liquidity risk and cash flow risk), so that the management of the Group can effectively control and evaluate market risk, credit risk, liquidity risk and cash flow risk.

The Group maintains an optimal level of liquidity and centralises risk management operations in order to effectively monitor and control the various kinds of market risks and to achieve management objectives. This decision is made with consideration of the economic environment, competitive status and market value risk.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions.

ii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	March 31, 2019			
(Foreign currency: functional currency)	Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)
Financial assets				
Monetary items				
USD:NTD	USD	42,958	30.820	1,323,958
Non-monetary items				
USD:NTD	USD	2,510	30.820	77,366
Financial liabilities				
Monetary items				
USD:NTD	USD	32,081	30.820	988,733
Non-monetary items				
USD:NTD	USD	1,093	30.820	33,695

(Foreign currency: functional currency)	December 31, 2018 Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD:NTD	USD 46,838	30.715	1,438,617
Non-monetary items			
USD:NTD	USD 2,447	30.715	75,168
Financial liabilities			
Monetary items			
USD:NTD	USD 26,916	30.715	826,729
Non-monetary items			
USD:NTD	USD 818	30.715	25,126

(Foreign currency: functional currency)	March 31, 2018 Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD:NTD	USD 52,783	29.105	1,536,259
Non-monetary items			
USD:NTD	USD 1,833	29.105	53,356
Financial liabilities			
Monetary items			
USD:NTD	USD 45,399	29.105	1,321,350
Non-monetary items			
USD:NTD	USD 290	29.105	8,426

iii. Please refer to the following table for the details of unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group.

(Foreign currency: functional currency)	Three-month period ended March 31, 2019 Exchange gain (loss) Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD:NTD	-	30.820	$ 4,849
Financial liabilities			
Monetary items			
USD:NTD	-	30.820	$ 277

(Foreign currency: functional currency)	Three-month period ended March 31, 2018		
	Exchange gain (loss)		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD:NTD	-	29.105	($ 6,261)
Financial liabilities			
Monetary items			
USD:NTD	-	29.105	$ 17,535

iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

(Foreign currency: functional currency)	Three-month period ended March 31, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	13,240	-
Financial liabilities			
Monetary items			
USD:NTD	1%	9,887	-

(Foreign currency: functional currency)	Three-month period ended March 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	15,363	-
Financial liabilities			
Monetary items			
USD:NTD	1%	13,214	-

Price risk

The Group's investments in equity securities comprise shares by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. However, the Group has set a stop-loss point and it was assessed that the Group was not exposed to significant price risk.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term borrowings and accounts receivable factoring. Borrowings are issued at fixed rates and factoring expenses are charged at fixed rate, thus, the Group is exposed to fair value interest rate risk.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. According to the Group's credit policy, the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Credit risk arises from cash and cash equivalents, derivative financial instruments, notes receivable and other receivables as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only the parties with excellent credit ratings are accepted.

iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments are past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

vi. The default occurs when the contract payments are past due over 180 days.

v. The Group classifies customer's accounts receivable in accordance with credit rating of customer and historical information of default. The Group applies loss rate methodology to estimate expected credit loss.

vi. The Group uses the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable as of March 31, 2019, December 31, 2018 and March 31, 2018.

	Not past due	30 days	31-60 days	61-90 days	91-180 days	Over 180 days	Total
March 31, 2019							
Expected loss rate	0.03%	0.03%	10.00%	30.00%	50.00%	100.00%	
Total book value	$ 861,192	$ 17,410	$ 2,290	$ 917	$ -	$ -	$ 881,809
Loss allowance	$ 2	$ 1	$ 137	$ 192	$ -	$ -	$ 332

	Not past due	30 days	31-60 days	61-90 days	91-180 days	Over 180 days	Total
March 31, 2018							
Expected loss rate	0.03%	0.03%	10.00%	30.00%	50.00%	100.00%	
Total book value	$ 1,040,851	$ 14,582	$ 696	$ 442	$ 138	$ -	$ 1,056,709
Loss allowance	$ -	$ -	$ 7	$ -	$ 217	$ -	$ 224

vii. Movements in relation to provide loss allowance for accounts receivable are as follows:

	2019	2018
At January 1_IAS 39	$ 361	$ 149
Adjustments under new standards	-	-
At January 1_IFRS 9	361	149
Provision for impairment	(30)	72
Acquired from business combinations	-	6
Effect of exchange rate changes	1	(3)
At March 31	$ 332	$ 224

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

ii. Surplus cash held by the operating entities over and above the balance required for working capital management are invested in interest bearing current accounts, time deposits, and marketable securities. The Group chooses instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.

iii. The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. As of March 31, 2019, December 31, 2018 and March 31, 2018, the Group has no derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

March 31, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 73,776	$ -	$ -	$ -
Notes payable	3,908	-	-	-
Accounts payable	1,744,762	-	-	-
Other payables (including related parties)	428,631	-	-	-
Lease liabilities	89,838	56,338	56,677	-

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 73,147	$ -	$ -	$ -
Notes payable	6,542	-	-	-
Accounts payable	1,464,340	-	-	-
Other payables (including related parties)	541,453	-	-	-

March 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 52,003	$ -	$ -	$ -
Notes payable	5,016	-	-	-
Accounts payable	2,836,730	-	-	-
Other payables (including related parties)	501,977	-	-	-

(3) Fair value information

The Group has no financial and non-financial instruments measured at fair value.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information:

A. Loan to others: None.

B. Provisions of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 1.

(2) Information on investments

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 2

(3) Information on investments in Mainland China

None.

14. SEGMENT INFORMATION

(1) General information

The information about geographical areas is provided to the chief operating decision-maker to make decisions. The sales orders will be divided into three main areas, namely Taiwan, America and Others (including Europe, Asia and Africa). Because the nature of the product and the model of sales of the three areas are different, and the chief operating decision-maker also uses the information on the three areas in financial management and operational performance evaluation, therefore, the reportable segments are Taiwan, America and Others.

(2) Assessment of segment information

The operational performance evaluation of each segment is based on operating revenue and income (not including administrative expense). All the operating segments consistently apply uniform accounting policies as described in Note 4, "Summary of significant accounting policies". The interdepartmental sales are in accordance with the fair value principle. Revenues from external customers provided to the chief operating decision-maker are measured in a manner consistent with that used for the income statement. The segment information for the three-month periods ended March 31, 2019 and 2018 is provided as follows:

	Three-month period ended March 31, 2019				
	Taiwan	America	Others	Eliminated transactions during the consolidation	Total
Revenue from external customers	$ 1,606,861	$ 147,266	$ 67,095	$ -	$ 1,821,222
Inter-segment revenue	130,753	7,365	624	(138,742)	-
Total segment revenue	$ 1,737,614	$ 154,631	$ 67,719	($ 138,742)	$ 1,821,222
Segment income	$ 120,625	$ 9,031	$ 5,186	$ -	$ 134,842
Segment income, including depreciation and amortisation	$ 39,895	$ 1,332	$ 376	($ 2,106)	$ 39,497

	Three-month period ended March 31, 2018				
	Taiwan	America	Others	Eliminated transactions during the consolidation	Total
Revenue from external customers	$ 2,048,955	$ 158,232	$ 84,076	$ -	$ 2,291,263
Inter-segment revenue	207,902	1,402	558	(209,862)	-
Total segment revenue	$ 2,256,857	$ 159,634	$ 84,634	($ 209,862)	$ 2,291,263
Segment income	$ 183,268	$ 9,717	$ 3,997	$ -	$ 196,982
Segment income, including depreciation and amortisation	$ 16,763	$ 11	$ -	$ -	$ 16,774

(3) Reconciliation for segment income

The Group's segments' operating income reported to the chief operating decision-maker is measured in a manner consistent with the revenue and expenses in the statement of comprehensive income. The Group did not provide the chief operating decision-maker with the amount of total assets and liabilities for decision-making purposes. A reconciliation of reportable segment income or loss and income from continuing operations before income tax for the three-month periods ended March 31, 2019 and 2018 is provided as follows:

	Three-month periods ended March 31,	
	2019	2018
Reportable segments profit	$ 134,842	$ 196,982
Undistributed amount		
General administrative expenses	(73,991)	(69,993)
Non-operating income	45,748	35,873
Income from continuing operations before income tax	$ 106,599	$ 162,862

SENAO NETWORKS, INC. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

Three-month period ended March 31, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	Senao Networks, Inc.	EnGenius Technologies, Inc.	1	Sales	$ 81,988	Note 4	5
0	Senao Networks, Inc.	EnGenius Technologies, Inc.	1	Accounts receivable	51,957	〃	1
0	Senao Networks, Inc.	EnGenius Networks Singapore Pte. Ltd.	1	Sales	28,293	〃	2
0	Senao Networks, Inc.	EnGenius Networks Singapore Pte. Ltd.	1	Accounts receivable	20,886	〃	-
0	Senao Networks, Inc.	EnGenius Networks Europe B.V.	1	Sales	12,223	〃	1
0	Emplus Technologies, Inc.	Senao Networks, Inc.	2	Right-of-use asset	22,819	Note 6	-
0	Emplus Technologies, Inc.	Senao Networks, Inc.	2	Lease liability	22,274	〃	-

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Sales prices are based on sales volume. The service fees is based on mutual agreement. The credit terms were approximately the same with third parties, which is 60 days from the first day of the month following the month of sales.

Note 5: The sales price and terms and conditions were based on mutual agreement.

Note 6: The rental payments were determined by mutual agreements and were paid monthly. The ‘right-of-use asset’ and lease liability was the balance recognised on March 31, 2019 in line with IFRS 16.

Note 7: Only amounts in excess of $10 million of related party transactions are disclosed, and the opposite side of the transaction is not disclosed.

Note 8: The transactions were eliminated when preparing the consolidated financial statements.

SENAO NETWORKS, INC. AND SUBSIDIARIES

Information on investees

Three-month period ended March 31, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount (Note 1) Balance as at March 31, 2019	Initial investment amount (Note 1) Balance as at December 31, 2019	Shares held as at March 31, 2019 Number of shares	Shares held as at March 31, 2019 Ownership (%)	Shares held as at March 31, 2019 Book value	Net profit (loss) of the investee for three-month period ended March 31, 2019	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2019 (Note 2)	Footnote
Senao Networks, Inc.	EnGenius Technologies, Inc.	U.S.A.	Sales of communication products	$ 61,640	$ 61,640	60,000	100.00	$ 77,366	($ 2,523)	($ 2,996)	
Senao Networks, Inc.	Senao International (Samoa) Ltd.	Samoa	Investment holdings	119,397	119,397	3,874,000	100.00	(33,695)	(6,931)	(7,034)	
Senao Networks, Inc.	EnGenius Networks, Inc.	Taiwan	Sales of communication products	20,000	20,000	2,000,000	100.00	20,047	20	20	
Senao Networks, Inc.	Emplus Technologies Inc.	Taiwan	Development, manufacturing and sales of communication products	84,249	84,249	6,490,800	50.99	145,053	29,963	15,356	
Senao International (Samoa) Ltd.	EnGenius International (Samoa) Ltd.	Samoa	Investment holdings	98,316	98,316	3,190,000	100.00	(32,256)	(7,679)	-	
Senao International (Samoa) Ltd.	EnGenius Technologies Canada Inc.	Canada	Investment holdings	4,225	4,225	100	100.00	5,952	740	-	
EnGenius International (Samoa) Ltd.	EnGenius Networks Singapore Pte. Ltd.	Singapore	Sales of communication products	97,083	97,083	3,150,000	100.00	(32,892)	(7,681)	-	
EnGenius Networks Singapore Pte. Ltd.	EnGenius Networks Europe B.V.	Netherlands	Sales of communication products	17,811	17,811	210,000	100.00	(20,037)	(3,910)	-	

Note 1: The column "Initial investment amount" is translated into New Taiwan Dollars at the spot exchange rate prevailing at the end of the period.

Note 2: The column “Investment income (loss) recognised by the Company” represents the income (loss), including the amount of investment income or loss from reinvestment, of directly invested subsidiaries and subsidiaries under equity method.

Note 3: The transactions were eliminated when preparing the consolidated financial statements.