

**KIWI TECHNOLOGY INC.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017**

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of KIWI Technology Inc. as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 “Consolidated Financial Statements” endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, KIWI Technology Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

KIWI Technology Inc.
Lee, Hsin-Hsin
Chairman
March 20, 2019



安侯建業聯合會計師事務所

KPMG

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Independent Auditors' Report

To the Board of Directors
KIWI Technology Inc.:

Opinion

We have audited the consolidated financial statements of KIWI Technology Inc. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of operations, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Other Matter

KIWI Technology Inc. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including supervisors) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregated, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partners on the audit resulting in this independent auditors' report are Ching-Wen Kao and Huei-Chen Chang.

KPMG

Taipei, Taiwan (Republic of China)
March 20, 2019

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

KIWI TECHNOLOGY INC. AND SUBSIDIARIES**Consolidated Statements of Operations**

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings (Lss) Per Share)

	2018		2017	
	Amount	%	Amount	%
4000 Revenue (notes 6(n), (o), 7 and 14)	\$ 101,046	100	112,751	100
5000 Cost of revenue (notes 6(e), (g), (i) and (j))	<u>(48,118)</u>	<u>(48)</u>	<u>(48,109)</u>	<u>(43)</u>
Gross profit	<u>52,928</u>	<u>52</u>	<u>64,642</u>	<u>57</u>
Operating expenses (notes 6(g), (h), (i), (j), (p), 7 and 12):				
6100 Selling expenses	(22,727)	(22)	(14,823)	(13)
6200 Administrative expenses	(23,287)	(23)	(13,542)	(12)
6300 Research and development expenses	<u>(37,132)</u>	<u>(37)</u>	<u>(28,956)</u>	<u>(26)</u>
Total operating expenses	<u>(83,146)</u>	<u>(82)</u>	<u>(57,321)</u>	<u>(51)</u>
Operating income (loss)	<u>(30,218)</u>	<u>(30)</u>	<u>7,321</u>	<u>6</u>
Non-operating income and loss (notes 6(f), (i), (q) and 7):				
7010 Other income	3,255	3	1,246	1
7020 Other gains and losses, net	4,201	4	(2,759)	(2)
7070 Share of losses of associates accounted for using equity method	<u>(1,008)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
Total non-operating income and loss	<u>6,448</u>	<u>6</u>	<u>(1,513)</u>	<u>(1)</u>
Income (loss) before income tax	(23,770)	(24)	5,808	5
7950 Income tax expense (note 6(k))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss)	<u>(23,770)</u>	<u>(24)</u>	<u>5,808</u>	<u>5</u>
Other comprehensive income:				
8310 Items that will not be reclassified subsequently to profit or loss				
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(3,847)	(3)	-	-
8349 Income tax related to items that will not be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(3,847)</u>	<u>(3)</u>	<u>-</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign operations	82	-	(286)	-
8399 Income tax related to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>82</u>	<u>-</u>	<u>(286)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(3,765)</u>	<u>(3)</u>	<u>(286)</u>	<u>-</u>
Total comprehensive income (loss) for the year	<u>\$ (27,535)</u>	<u>(27)</u>	<u>5,522</u>	<u>5</u>
Earnings (loss) per share (in New Taiwan dollars) (note 6(m)) :				
9750 Basic earnings (loss) per share	<u>\$ (0.86)</u>		<u>0.22</u>	
9850 Diluted earnings (loss) per share	<u>\$ (0.86)</u>		<u>0.22</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

KIWI TECHNOLOGY INC. AND SUBSIDIARIES**Consolidated Statements of Changes in Equity**

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company						Total equity
	Common stock	Capital Surplus	Legal reserve	Unappropriated earnings (accumulated deficit)	Foreign currency translation differences	Other equity	
Balance at January 1, 2017	\$ 159,260	-	-	(32,181)	-	-	127,079
Net income in 2017	-	-	-	5,808	-	-	5,808
Other comprehensive loss in 2017	-	-	-	-	(286)	-	(286)
Total comprehensive income in 2017	-	-	-	5,808	(286)	-	5,522
Issuance of new shares for cash	15,000	135,000	-	-	-	-	150,000
Decrease in capital surplus to offset accumulated deficit	-	(32,181)	-	32,181	-	-	-
Balance at December 31, 2017	174,260	102,819	-	5,808	(286)	-	282,601
Net loss in 2018	-	-	-	(23,770)	-	-	(23,770)
Other comprehensive income (loss) in 2018	-	-	-	-	82	(3,847)	(3,765)
Total comprehensive income (loss) in 2018	-	-	-	(23,770)	82	(3,847)	(27,535)
Appropriation approved by the shareholders:							
Legal reserve	-	-	581	(581)	-	-	-
Stock dividends distributed from capital surplus	102,819	(102,819)	-	-	-	-	-
Balance at December 31, 2018	\$ 277,079	-	581	(18,543)	(204)	(3,847)	255,066

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

KIWI TECHNOLOGY INC. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2018 and 2017****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Income (loss) before income tax	\$ (23,770)	5,808
Adjustments for:		
Depreciation	1,932	1,030
Amortization	541	629
Interest income	(2,104)	(1,044)
Share of losses of associates accounted for using equity method	1,008	-
Loss on disposal of investments accounted for using equity method	385	-
Total profit and loss	<u>1,762</u>	<u>615</u>
Changes in operating assets and liabilities:		
Accounts receivable	(3,517)	(2,492)
Inventories	(9,958)	(12,489)
Prepayments and other current assets	(5,867)	(2,919)
Accounts payable	(1,713)	(1,139)
Other payables and other current liabilities	(72)	2,982
Net changes in operating assets and liabilities	<u>(21,127)</u>	<u>(16,057)</u>
Cash used in operations	(43,135)	(9,634)
Interest received	2,104	1,163
Income taxes received	21	106
Net cash used in operating activities	<u>(41,010)</u>	<u>(8,365)</u>
Cash flows from investing activities:		
Purchase of financial assets measured at fair value through other comprehensive income	(3,111)	-
Purchase of available-for-sale financial assets	-	(10,000)
Acquisition of investments accounted for using equity method	(26,501)	(19,893)
Proceeds from disposal of investments accounted for using equity method	18,500	-
Additions to property, plant and equipment	(4,278)	(2,647)
Increase in refundable deposits	(1,705)	(127)
Additions to intangible assets	(455)	(827)
Decrease (increase) in other financial assets	22,000	(18,000)
Increase in other non-current assets	(709)	-
Net cash provided by (used in) investing activities	<u>3,741</u>	<u>(51,494)</u>
Cash flows from financing activities:		
Issuance of new shares for cash	-	150,000
Net cash provided by financing activities	<u>-</u>	<u>150,000</u>
Effect of foreign exchange rate changes	294	(286)
Net increase (decrease) in cash and cash equivalents	(36,975)	89,855
Cash and cash equivalents at beginning of year	125,895	36,040
Cash and cash equivalents at end of year	<u>\$ 88,920</u>	<u>125,895</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
KIWI TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Organization and business

KIWI Technology Inc. (formerly Taifa Technology Inc.) (the “Company”) was incorporated on May 14, 2002 as a company limited by shares under the laws of the Republic of China (“R.O.C.”) and registered under the Ministry of Economic Affairs, R.O.C. and was renamed on January 5, 2017. The address of the Company’s registered office is 4F., No.158, Sec. 1, Wenxing Rd., Zhubei City, Hsinchu County, Taiwan. The Company and its subsidiaries (collectively the “Group”) are mainly engaged in the IC design of audio and communication chips and providing Internet of Things (IoT) solutions using Low-Power Wide-Area Network (LPWAN) technologies.

2. Authorization of the Consolidated Financial Statements

These consolidated financial statements were authorized by the Board of Directors on March 20, 2019.

3. Application of New and Revised Accounting Standards and Interpretations

- (a) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”).

In preparing the accompanying consolidated financial statements, the Group has adopted the following International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”), and Interpretations that have been issued by the International Accounting Standards Board (“IASB”) (collectively, “IFRSs”) and endorsed by the FSC, with effective date from January 1, 2018.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IFRS 2 “Clarification of Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows—Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes—Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

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KIWI TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Except for the following items, the initial application of the above IFRSs did not have any material impact on consolidated financial statements. The extent and impact of changes are as follows:

(i) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a five-step model framework to determine the method, timing and amount of revenue recognized. This Standard replaces the existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations. The Group applies this standard retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application. The Group elected not to restate the comparative information for the prior reporting period; but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initial application of this Standard as an adjustment to the opening balance of its retained earnings on January 1, 2018.

The Group uses the practical expedients for completed contracts, meaning, it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changes of accounting policies:

1) Sales of goods

Under IAS 18, revenue for the sale of goods was recognized when the related significant risks and rewards of ownership of the goods have been transferred to the customers, the revenue and the cost incurred, or to be incurred, can be measured reliably, the economic benefits of the transaction will probably flow to the Group, and there is neither continuing managerial involvement to the degree usually associated with ownership nor effect control over the goods sold. Under IFRS 15, revenue is recognized when a customer obtains control of the goods.

2) Impacts on consolidated financial statements

The Group assessed that the changes in this accounting policy did not have significant impact on the Group’s consolidated financial statements.

(ii) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IFRS 7 “Financial Instruments: Disclosures” that are applied to disclosures about 2018 but generally have not been applied to comparative information.

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KIWI TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The details of new significant accounting policies and the nature and effect of the changes to IFRS 9 are as follows:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which financial assets are managed and their contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale. Please refer to note 4(g) for an explanation of how the Group classifies and measures its financial assets and accounts for related gains and losses under IFRS 9.

The adoption of IFRS 9 did not have any significant impact on the Group's accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets, and debt investments at FVOCI. Under IFRS 9, credit losses are recognized earlier than under IAS 39. Please refer to note 4(g) for more details.

3) Transition

The adoption of IFRS 9 have generally been applied retrospectively, except as described below:

* Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, and therefore, is not comparable to the information presented for 2018 under IFRS 9.

* The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of financial assets and financial liabilities previously designated as measured at FVTPL.
- The designation of investments in equity instruments not held for trading as measured at FVOCI.

(Continued)

KIWI TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the measurement categories and carrying amounts under IAS 39 and IFRS 9 for each class of the Group's financial assets as of January 1, 2018. There is no change in the categories and carrying amount for financial liabilities.

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and cash equivalents	Loans and receivables (Note 1)	125,895	Amortized cost	125,895
Notes and accounts receivable	Loans and receivables (Note 1)	7,442	Amortized cost	7,442
Other financial assets – current	Loans and receivables (Note 1)	108,000	Amortized cost	108,000
Refundable deposits	Loans and receivables (Note 1)	703	Amortized cost	703
Equity instruments	Available-for-sale (Note 2)	10,000	FVOCI	10,000

Note1: Cash and cash equivalents, notes and accounts receivable, refundable deposits and time deposits with original maturities more than three months (classified as other financial assets) that were previously classified as loans and receivables under IAS 39 are now classified as financial assets measured at amortized cost upon the initial application of IFRS 9.

Note2: These equity instruments represent investments that the Group intends to hold for long-term strategic purposes. As permitted by IFRS9, the Group has designated these investments at the date of initial application as measured at FVOCI. The above-mentioned changes did not have any material impact on other equity and retained earnings on January 1, 2018.

(b) The impact of IFRSs endorsed by the FSC but not yet in effect

According to Ruling No. 1070324857 issued by the FSC on July 17, 2018, commencing from 2019, the Company is required to adopt the IFRSs that have been endorsed by the FSC with effective date from January 1, 2019. The related new, revised or amended standards and interpretations are set out below:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	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
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

(Continued)

KIWI TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Except for the following items discussed below, the Group believed that the initial adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16“Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that the Group will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

(Continued)

KIWI TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics;
 - apply to exemption, and not to recognize the right-of-use assets and lease liabilities with lease term that ends within 12 months at the date of initial application;
 - exclude the initial direct costs from measuring the right-of-use assets at the date of initial application;
- 3) So far, the most significant impact identified is that the Group will have to recognize right-of-use assets and lease liabilities for its operating leases of its offices, which will result in an increase of \$11,533 in its right-of-use assets and lease liabilities on January 1, 2019. The Group is not required to make any adjustments for leases in which the Group is the intermediate lessor in a sub-lease.

The actual impacts of adopting the abovementioned new standards may change depending on the economic conditions and events which may occur in the future.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

A summary of the new and amended standards issued by the IASB but not yet endorsed by the FSC is set out below:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Group is currently evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards. The results thereof will be disclosed when the Group completes its evaluations.

4. Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Except for those specifically indicated, the following accounting policies have been applied consistently to all periods presented in these financial statements.

(Continued)

KIWI TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(a) Statement of compliance

The Group's accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations") and the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC (collectively as "Taiwan-IFRSs").

(b) Basis of preparation

(i) Basis of measurement

The accompanying consolidated financial statements have been prepared on a historical cost basis except for financial assets measured at fair value through other comprehensive income (available-for-sale financial assets).

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The accompanying consolidated financial statements incorporate the financial statements of the Company and its controlled entities (the subsidiaries) in which the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company balances, transactions and resulting unrealized income and loss are eliminated on consolidation. Total comprehensive income (loss) of a subsidiary is attributed to the shareholders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, the financial statements of subsidiaries are adjusted to align their accounting policies with those adopted by the Company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the adjustment of the non-controlling interests and the fair value of the consideration paid or received is recognized in equity and attributed to the shareholders of the Company.

(Continued)

KIWI TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) List of subsidiaries included in the consolidated financial statements

The subsidiaries included in the consolidated financial statements at the end of the reporting period were as follows:

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership	
			December 31, 2018	December 31, 2017
The Company	Kiwi Technology Inc.	Sales of LPWAN IoT products	100.00 %	100.00 %

(iii) List of subsidiaries which are not included in the consolidated financial statements: None.

(d) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates at the end of the period ("the reporting date") of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated at the exchange rate prevailing at the date when the fair value is determined. Exchange differences arising on the translation of non-monetary items are recognized in profit or loss, except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items denominated in foreign currencies that are measured at historical cost are not retranslated.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into the presentation currency of the Group's consolidated financial statements at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency of the Group's consolidated financial statements at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

On the disposal of a foreign operation which involves a loss of control over a subsidiary or loss of significant influence over an associate that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are entirely reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary, the proportionate share of accumulated exchange differences is reclassified to non-controlling interests. For a partial disposal of the Group's ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

(Continued)

KIWI TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Classification of current and non-current assets and liabilities

An asset is classified as current when one of following criteria is met; all other assets are classified as non-current assets:

- (i) It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when one of following criteria is met; all other liabilities are classified as non-current liabilities:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash consists of cash on hand, checking deposits, and demand deposits. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the aforesaid criteria and are not held for investing purposes are also classified as cash equivalents.

(g) Financial instruments

(i) Financial assets (applicable commencing January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost and fair value through other comprehensive income (FVOCI).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- * it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- * its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

KIWI TECHNOLOGY INC. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements**

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets measured at fair value through other comprehensive income

The Group may make an irrevocable election at initial recognition for an equity investment that is not held for trading to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Foreign exchange gains and losses, interest income calculated using the effective interest method and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other changes in the carrying amount of financial assets measured at FVOCI are recognized in other comprehensive income and accumulated in other equity as unrealized gain (loss) from financial assets measured at fair value through other comprehensive income. On derecognition, gains and losses accumulated in other equity of debt investments are reclassified to profit or loss. However, gains and losses accumulated in other equity of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established (usually the ex-dividend date).

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other financial assets and refundable deposits).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following financial assets which are measured using 12-month ECL:

- * other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables are always measured at an amount equal to lifetime ECL.

(Continued)

KIWI TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. The information includes both quantitative and qualitative information and analysis based on the Group's historical experience and credit assessment, as well as forward-looking information.

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The recognition or reversal of the loss allowance is recognized in profit or loss.

The gross carrying amount of a financial asset is written off, either partially or in full, to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets to other enterprises.

(ii) Financial assets (applicable before January 1, 2018)

Financial assets are classified into loans and receivables, and available-for-sale financial assets. Regular way purchases or sales of financial assets are recognized or derecognized on a trade-date basis.

1) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise accounts receivable and other financial assets. At initial recognition, such assets are recognized at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less, any

(Continued)

KIWI TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

impairment losses. Interest income is recognized as non-operating income in profit or loss.

2) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. At initial recognition, available-for-sale financial assets are recognized at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, these assets are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on monetary financial assets, are recognized in other comprehensive income and presented in "unrealized gain/loss from available-for-sale financial assets" in equity. When the financial asset is derecognized, the gain or loss previously accumulated in equity is reclassified to profit or loss.

Dividends received from equity investments are recognized as non-operating income on the date of entitlement to receive dividends (usually the ex-dividend date).

3) Impairment of financial assets

Financial assets, other than those carried at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Those financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, their estimated future cash flows have been affected.

Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, indications that the debtor or issuer will probably enter bankruptcy or other financial reorganization, and the disappearance of an active market for that financial asset because of financial difficulties. For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, such asset is included in a group of financial assets with similar credit risk characteristics which are then collectively assessed for impairment. Objective evidence that receivables are impaired includes the Group's collection experience in the past, an increase in delayed payments, and national or local economic conditions that correlate with arrears of receivables.

An impairment loss in respect of a financial asset measured at amortized cost is measured as the excess of the asset's carrying amount over the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying amount of the financial assets at the date the impairment loss is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

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KIWI TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

When an impairment loss is recognized for an available-for-sale asset, the cumulative gains or loss that had been recognized in other comprehensive income is reclassified from equity to profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

An impairment loss is recognized by reducing the carrying amount of the respective financial assets with the exception of receivables, where the carrying amount is reduced through an allowance account. Except for the write-off of uncollectible receivables against the allowance account, changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses and recoveries of accounts receivable are recognized as operating expenses; impairment losses and recoveries of other financial assets are recognized as other gains and losses under non-operating income and loss.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers out substantially all the risks and rewards of ownership of the financial assets to other enterprises.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and accumulated in other equity – unrealized gains or losses from available-for-sale financial assets is recognized in profit or loss, and included in the non-operating income and loss of the consolidated statements of operations.

On derecognition of part of a financial asset, the previous carrying amount of the financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of relative fair values of those parts on the date of transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received or receivable for the part of the financial asset derecognized and the cumulative gain or loss that had been recognized in other comprehensive income allocated to the part derecognized is charged to profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(Continued)

KIWI TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Financial liabilities

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recognized at the amount of consideration received less the direct issuing cost.

Interest and gain and loss related to the financial liability are recognized in profit or loss and included in non-operating income and loss.

2) Other financial liabilities

Financial liabilities not classified as held for trading or not designated as at fair value through profit or loss, which comprise notes and accounts payable and other payables, are measured at fair value, plus, any directly attributable transaction costs at initial recognition. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Interest expense which is not capitalized as asset is recognized in profit or loss, and included in non-operating income and loss.

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss and included in the non-operating income and loss.

4) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to the location and condition ready for sale. The cost of finished goods and work-in-process includes an appropriate share of production overheads which are allocated based on the normal capacity of the production facilities.

Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses.

(Continued)

KIWI TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Investments accounted for using equity method

Investments accounted for using the equity method include investments in associates and interests in joint venture.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The operating results as well as assets and liabilities of associates and joint venture are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated balance sheet at cost, and adjusted thereafter, to recognize the Group's share of profit or loss and other comprehensive income (loss) of the associate and joint venture, as well as the distribution received. The Group also recognizes its share in the changes in the equities of associates and joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities, and contingent liabilities of an associate or a joint venture recognized at the date of acquisition, is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value, less, costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of equity method from the date when the Group ceases to have significant influence over an associate. When the Group retains an interest in the former associate, the Group measures the retained interest at fair value at that date. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate, is included in the determination of the gain or loss on disposal of the associate. In addition, the Group shall account for all amounts recognized in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If the Group's ownership interest in an associate is reduced as a result of disposal, with the investment continues to be an associate, the Group should reclassify only a proportionate amount of the gain or loss previously recognized in other comprehensive income to profit or loss.

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KIWI TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

When the Group subscribes to additional shares in an associate or a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the net assets of the associate or joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription to the shares of associate or joint venture by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate or joint venture shall be reclassified to profit or loss on the same basis as would be required if the associate or joint venture had directly disposed of the related assets or liabilities.

(j) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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 shall be depreciated separately unless the useful life and depreciation method of that significant part are the same as those of another significant part of that same item.

The gain or loss arising from the disposal of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is recognized in other gains and losses.

(ii) Subsequent costs

Subsequent costs are capitalized only when it is probable that future economic benefits associated with the costs will flow to the Group and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognized in profit or loss. All other repairs and maintenance are charged to expense as incurred.

(iii) Depreciation

Depreciation is provided for property, plant and equipment over the estimated useful lives using the straight-line method. When an item of property, plant and equipment comprises significant individual components for which different depreciation methods or useful lives are appropriate, each component is depreciated separately.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows: Office equipment: 3 to 5 years; R&D equipment: 3 to 5 years; Leasehold equipment: 3 years; Molding equipment: 3 years.

Depreciation methods, useful lives, and residual values are reviewed at least at each financial year-end, with the effect of any changes in estimate accounted for on a prospective basis.

(Continued)

KIWI TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Intangible assets

The Group's computer software are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss using the straight-line method over the estimated useful lives (2 to 3 years).

The residual value, amortization period, and amortization method are reviewed at least at each financial year-end, with the effect of any changes in estimate accounted for on a prospective basis.

(l) Impairment of non-financial assets

Non-financial assets other than inventories and deferred income tax assets are reviewed for impairment at each reporting date to determine whether there is any indication of impairment. When there exists an indication of impairment for an asset, the recoverable amount of the asset is estimated. If the recoverable amount of an individual asset cannot be determined, the Group estimates the recoverable amount of the cash-generating units ("CGU") to which the asset has been allocated.

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell or its value in use. When the recoverable amount of an asset or a CGU is less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount, and an impairment loss is recognized in profit or loss immediately.

The Group assesses at each reporting date whether there is any evidence that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. If so, an impairment loss recognized in prior periods for an asset is reversed, and the carrying amount of the asset or CGU is increased to its revised estimate of recoverable amount. The increased carrying amount shall not exceed the carrying amount (net of amortization or depreciation) that would have been determined had no impairment loss been recognized in prior years.

(m) Leases

Leases are classified as finance leases when the Group assumes substantially all the risks and rewards incidental to ownership of the assets. All other leases are classified as operating leases.

(i) The Group as lessor

Lease income from an operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as expense over the lease term on a straight-line basis. Incentives granted to the lessee to enter into the operating lease are recognized as a reduction of rental income over the lease term on a straight-line basis. Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

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KIWI TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) The Group as lessee

Payments made under operating leases (excluding insurance and maintenance expenses) are charged to expense over the lease term on a straight-line basis. Lease incentives received from the lessor are recognized as a reduction of rental expense over the lease term on a straight-line basis. Contingent rents are recognized as expense in the period when the lease adjustments are confirmed.

(n) Revenue recognition

(i) Revenue from contracts with customers (applicable commencing January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Sale of goods

The Group recognizes revenue when control of the products has been transferred, being when the products have been delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer'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 customer, and either the customer has accepted the products in accordance with the sales contracts, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Revenue from services rendered

The Group provides the customers with a right to access the Group's software license, to which the revenue is recognized over the license period.

3) 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 the payment by the customer exceed one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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KIWI TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Revenue recognition (applicable before January 1, 2018)

1) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement; the significant risks and rewards of ownership of the goods have been transferred to the buyer; it is probable that the economic benefits associated with the transaction will flow to the Group; the associated costs and possible return of goods can be estimated reliably; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of sales contracts.

2) Services

Revenue from services rendered is recognized by reference to the stage of completion at the reporting date.

3) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed during the year in which employees render services.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to make such payments as a result of past service provided by the employees, and the obligation can be estimated reliably.

(p) Income taxes

Income tax expenses include both current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

(Continued)

KIWI TECHNOLOGY INC. AND SUBSIDIARIES
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Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for:

- (i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- (ii) Temporary differences arising from investments in subsidiaries and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences, and it is probable that the differences will not reverse in the foreseeable future; and
- (iii) Temporary differences arising from initial recognition of goodwill.

Deferred tax is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(q) Earnings per share (“EPS”)

The basic and diluted EPS attributable to shareholders of the Company are disclosed in the consolidated financial statements. Basic EPS is calculated by dividing net income attributable to shareholders of the Company by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to shareholders of the Company and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Group’s dilutive potential common shares include profit sharing for employees to be settled in the form of common stock.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group’s chief operating decision maker, who decides on the allocation of resources to the segment and assesses its performance for which discrete financial information is available.

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KIWI TECHNOLOGY INC. AND SUBSIDIARIES
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5. Critical Accounting Judgments and Key Sources of Estimation and Assumption Uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and Taiwan-IFRSs requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and the future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included as follows:

(a) Valuation of inventory

Inventories are measured at the lower of cost or net realizable value. The Group estimates the net realizable value of inventory, taking into account obsolescence and unmarketable items at the reporting date, and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, which could result in significant adjustments due to rapid industry change.

Refer to note 6(e) for further description of the valuation of inventories.

6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Bank deposits	\$ 29,920	66,375
Time deposits	59,000	59,520
	<u>\$ 88,920</u>	<u>125,895</u>

As of December 31, 2018 and 2017, the time deposits with original maturities of more than three months amounted to \$86,000 and \$108,000, respectively, which were classified as other financial assets—current.

(b) Financial assets measured at fair value through other comprehensive income—non-current

	December 31, 2018
Equity investments measured at fair value through other comprehensive income:	
Domestic unlisted stock	<u>\$ 9,264</u>

The Group designated the investments shown above as financial assets measured at fair value through other comprehensive income because these equity instruments are held for long-term strategic purposes and not for trading. These investments were classified as available-for-sale financial assets on December 31, 2017. Please refer to note 6(c).

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KIWI TECHNOLOGY INC. AND SUBSIDIARIES
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In 2018, there were no strategic investments disposed and there were no transfers of any cumulative gain or loss within equity relating to these investments.

For credit risk and market risk, please refer to note 6(s).

(c) Available-for-sale financial assets—non-current

	December 31,
	2017
Domestic unlisted stock	<u>\$ <u>10,000</u></u>

The abovementioned investments were classified as financial assets measured at fair value through other comprehensive income—non-current on December 31, 2018. Please refer to note 6(b).

For credit risk and market risk, please refer to note 6(s).

(d) Accounts receivable

	December 31,	December 31,
	2018	2017
Accounts receivable	\$ 11,022	7,505
Less: Loss allowance	<u>(63)</u>	<u>(63)</u>
	<u>\$ <u>10,959</u></u>	<u>7,442</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. Analysis of expected credit loss on accounts receivable as of December 31, 2018 was as follows:

	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 8,610	0.00%	-
Past due 1-30 days	2,257	0.00%	-
Past due 31-60 days	92	0.00%	-
Past due over 91 days	<u>63</u>	100%	<u>63</u>
	<u>\$ <u>11,022</u></u>		<u>63</u>

As of December 31, 2017, the Group applied the incurred loss model to measure the loss allowance for accounts receivable. The aging analysis of accounts receivable which were past due but not impaired was as follows:

	December 31,
	2017
Past due 1-60 days	<u>\$ <u>493</u></u>

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KIWI TECHNOLOGY INC. AND SUBSIDIARIES
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Movements of the allowance for accounts receivable were as follows:

	<u>2018</u>	<u>2017</u>	
		<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>
Balance at January 1 (per IAS 39)	\$ 63	32	-
Adjustment on initial application of IFRS 9	<u>-</u>		
Balance at January 1 (per IFRS 9)	63		
Impairment losses recognized	<u>-</u>	<u>31</u>	<u>-</u>
Balance at December 31	<u><u>\$ 63</u></u>	<u><u>63</u></u>	<u><u>-</u></u>

(e) Inventories

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Merchandise	\$ 97	-
Raw materials	12,894	7,731
Work in process	7,622	6,167
Finished goods	<u>8,949</u>	<u>5,706</u>
	<u><u>\$ 29,562</u></u>	<u><u>19,604</u></u>

For the years ended December 31, 2018 and 2017, the cost of revenue amounted to \$48,118 and \$48,109, respectively, of which \$1,848 and \$1,416, respectively, was write-down of inventories.

(f) Investments accounted for using equity method

A summary of the Group's financial information for investments in associates and joint ventures at the reporting date is as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Associates	\$ -	19,893
Joint ventures	<u>26,289</u>	<u>-</u>
	<u><u>\$ 26,289</u></u>	<u><u>19,893</u></u>

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KIWI TECHNOLOGY INC. AND SUBSIDIARIES
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Name of Associates and Joint Ventures	Main Business and Products	Location	December 31, 2018		December 31, 2017		
			Percentage of voting rights	Carrying amount	Percentage of voting rights	Carrying amount	
Associates:							
Acer Being Communication Inc.	Information software services and electronic information supply services	Taiwan	-	\$ -	49.00	19,893	
Joint ventures:							
PT Wahana Solusi Pintar	Sale of LPWAN IoT products	Indonesia	49.00 %	<u>26,289</u> \$ <u>26,289</u>	-	<u>-</u> <u>19,893</u>	

On May 25, 2018, the Group disposed all of its shares in Acer Being Communication Inc. with a consideration of \$18,500. The related loss on disposal of investments accounted for using equity method was \$385, which was included in other gains and losses.

Aggregated financial information of associates that were individually material (Acer Being Communication Inc.) to the Group is summarized as follows, which were the financial statements prepared by the associates in accordance with related regulations and have been adjusted to reflect the adjustments made by the Group when using the equity method.

	December 31, 2017
Current assets	\$ 50,645
Non-current assets	659
Current liabilities	(14,344)
Non-current liabilities	<u>(167)</u>
Net assets	<u>\$ 36,793</u>
2017	
Revenue	<u>\$ 5,802</u>
Net loss	\$ (26,918)
Other comprehensive income	-
Comprehensive income (loss)	<u>\$ (26,918)</u>

The Group entered into a joint venture agreement with PT ABHIMATA CITRA, whereby the Group acquired 49% of ownership of PT Wahana Solusi Pintar for a cash consideration of \$26,501 on December 28, 2018, and the Group and PT ABHIMATA CITRA have joint control over PT Wahana Solusi Pintar. PT Wahana Solusi Pintar is mainly engaged in the sales of LPWAN IoT products and the development of Indonesian market for the Group.

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KIWI TECHNOLOGY INC. AND SUBSIDIARIES
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The following table summarizes the financial information of PT Wahana Solusi Pintar as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in PT Wahana Solusi Pintar.

	December 31, 2018
Percentage ownership interest	<u>49%</u>
Non-current assets	\$ 284
Current assets	53,443
Non-current liabilities	-
Current liabilities	<u>(77)</u>
Net assets	<u>\$ 53,650</u>
Non-current financial liabilities (excluding trade payable, other payable and provision)	<u>\$ -</u>
Current financial liabilities (excluding trade payable, other payable and provision)	<u>\$ -</u>
Group's share of net assets (same as carrying amount of interest in joint venture)	<u>\$ 26,289</u>
	<u>2018</u>
Revenue	<u>\$ -</u>
Profit (loss) from continuing operations	<u>\$ -</u>
Other comprehensive income	<u>-</u>
Comprehensive income	<u>\$ -</u>
The Group's share of profit and total comprehensive income	<u>\$ -</u>

(g) Property, plant and equipment

	<u>Office equipment</u>	<u>R&D equipment</u>	<u>Leasehold equipment</u>	<u>Molding equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2018	\$ 569	1,581	400	2,043	4,593
Additions	<u>-</u>	<u>-</u>	<u>3,524</u>	<u>754</u>	<u>4,278</u>
Balance at December 31, 2018	<u>\$ 569</u>	<u>1,581</u>	<u>3,924</u>	<u>2,797</u>	<u>8,871</u>
Balance at January 1, 2017	\$ 219	2,777	970	-	3,966
Additions	350	904	400	993	2,647
Disposals	-	(2,100)	(970)	-	(3,070)
Reclassification	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,050</u>	<u>1,050</u>
Balance at December 31, 2017	<u>\$ 569</u>	<u>1,581</u>	<u>400</u>	<u>2,043</u>	<u>4,593</u>
Accumulated depreciation :					
Balance at January 1, 2018	\$ 137	584	122	93	936
Depreciation	<u>161</u>	<u>465</u>	<u>721</u>	<u>585</u>	<u>1,932</u>
Balance at December 31, 2018	<u>\$ 298</u>	<u>1,049</u>	<u>843</u>	<u>678</u>	<u>2,868</u>

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KIWI TECHNOLOGY INC. AND SUBSIDIARIES
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	<u>Office equipment</u>	<u>R&D equipment</u>	<u>Leasehold equipment</u>	<u>Molding equipment</u>	<u>Total</u>
Balance at January 1, 2017	\$ 6	2,054	916	-	2,976
Depreciation	131	630	176	93	1,030
Disposals	-	(2,100)	(970)	-	(3,070)
Balance at December 31, 2017	<u>\$ 137</u>	<u>584</u>	<u>122</u>	<u>93</u>	<u>936</u>
Carrying amount:					
Balance at December 31, 2018	<u>\$ 271</u>	<u>532</u>	<u>3,081</u>	<u>2,119</u>	<u>6,003</u>
Balance at December 31, 2017	<u>\$ 432</u>	<u>997</u>	<u>278</u>	<u>1,950</u>	<u>3,657</u>
Balance at January 1, 2017	<u>\$ 213</u>	<u>723</u>	<u>54</u>	<u>-</u>	<u>990</u>

(h) Intangible assets

	<u>Computer software</u>
Costs:	
Balance at January 1, 2018	\$ 1,127
Addition	455
Balance at December 31, 2018	<u>\$ 1,582</u>
Balance at January 1, 2017	\$ 2,479
Addition	827
Disposal	(2,179)
Balance at December 31, 2017	<u>\$ 1,127</u>
Accumulated amortization:	
Balance at January 1, 2018	\$ 369
Amortization	541
Balance at December 31, 2018	<u>\$ 910</u>
Balance at January 1, 2017	\$ 1,919
Amortization	629
Disposal	(2,179)
Balance at December 31, 2017	<u>\$ 369</u>
Carrying amount:	
Balance at December 31, 2018	<u>\$ 672</u>
Balance at December 31, 2017	<u>\$ 758</u>
Balance at January 1, 2017	<u>\$ 560</u>

The amortization of intangible assets was included in operating expenses in the consolidated statements of operation.

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KIWI TECHNOLOGY INC. AND SUBSIDIARIES
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(i) Operating lease

The Group leased offices under operating leases. The future minimum lease payments are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Not later than 1 year	\$ 5,782	2,143
Later than 1 year but not later than 5 years	<u>6,198</u>	<u>2,923</u>
	<u>\$ 11,980</u>	<u>5,066</u>

For the years ended December 31, 2018 and 2017, rental expenses of \$4,646 and \$1,789, respectively, were recognized in cost of revenue and operating expenses.

For the years ended December 31, 2018 and 2017, the rental income of \$462 and \$0, respectively, were recognized in other income.

(j) Employee benefits

The Company contributes monthly an amount equal to 6% of each employee's monthly wages to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Foreign subsidiaries make contributions in compliance with their respective local regulations. Under this defined contribution plan, the Group has no legal or constructive obligation to pay additional amounts after contributing a fixed amount.

For the years ended December 31, 2018 and 2017, the Group recognized pension expenses of \$2,126 and \$1,622, respectively, in relation to the defined contribution plans.

(k) Income taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018.

(i) The components of income tax expense for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Current income tax expense	\$ -	-
Deferred income tax expense	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>-</u>

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KIWI TECHNOLOGY INC. AND SUBSIDIARIES
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Reconciliation between the income tax expense and income (loss) before taxes for 2018 and 2017 is as follows.

	<u>2018</u>	<u>2017</u>
Income (loss) before taxes	\$ <u>(23,770)</u>	<u>5,808</u>
Income tax using the Company's statutory tax rate	\$ (4,754)	987
Current-year losses for which no deferred tax asset was recognized	5,690	-
Changes in unrecognized temporary difference	(103)	756
Utilization of previously unrecognized tax losses	-	(1,743)
Others	<u>(833)</u>	<u>-</u>
	<u>\$ -</u>	<u>-</u>

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets and liabilities

Unrecognized deferred income tax assets:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Deductible temporary differences	\$ 1,618	1,463
Operating losses carryforwards	<u>21,900</u>	<u>21,736</u>
	<u>\$ 23,518</u>	<u>23,199</u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, can be carried forward for 10 years to offset future taxable profit. Deferred tax assets have not been recognized in respect of these items as the management believed that it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2018, the unrecognized tax losses and the respective expiry years were as follows:

<u>Year of loss</u>	<u>Tax effects of tax losses</u>	<u>Year of expiry</u>
2009	\$ 2,646	2019
2011	4,423	2021
2012	5,249	2022
2013	2,818	2023
2014	819	2024
2016	255	2026
2018	<u>5,690</u>	2028
	<u>\$ 21,900</u>	

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KIWI TECHNOLOGY INC. AND SUBSIDIARIES
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(iii) The Company's income tax returns for the years through 2016 have been examined and approved by the R.O.C. income tax authorities.

(l) Capital and other equity

(i) Common stock

As of December 31, 2018 and 2017, the Company's authorized shares of common stock consisted of 100,000,000 shares, with par value of \$10 (dollars) per share, of which 27,707,842 shares and 17,426,000 shares, respectively, were issued. All issued shares were paid up upon issuance.

The Company's shareholders at the meeting on March 15, 2018 resolved the distribution of stock dividends of \$102,819 from capital surplus, with issuing 10,281,842 shares of common stock. The effective date of the capital increase was April 2, 2018 and the related registration process had been completed.

The Company had issued 1,500,000 shares of common stock for cash at a price at \$100 (dollars) per share on August 14, 2017 and the related registration process had been completed.

The movements in outstanding shares of common stock in 2018 and 2017 were as follows (in thousands of shares):

	<u>2018</u>	<u>2017</u>
Balance at January 1	17,426	15,926
Capital surplus transferred to common stock (stock dividends)	10,282	-
Issuance of new shares for cash	-	1,500
Balance at December 31	<u>27,708</u>	<u>17,426</u>

(ii) Capital surplus

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Paid-in capital in excess of par value	<u>\$ -</u>	<u>102,819</u>

Pursuant to the Company Act, any realized capital surplus is initially used to cover accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends or distributed by cash based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

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(iii) Retained earnings and dividend policy

The Company's Articles of Incorporation stipulate that at least 10% of annual net income, after deducting accumulated deficit, if any, must be retained as legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, together with the unappropriated earnings from the previous years, can be distributed as dividends to shareholders, pursuant to a resolution approved by the shareholders.

According to the Company Act, a company shall first retain 10% of its income after taxes as legal reserve until such retention equals the amount of paid-in capital. If a company has no accumulated deficit, it may, pursuant to a resolution approved by the shareholders, distribute its legal reserve by issuing new shares or distributing cash for the portion of legal reserve which exceeds 25% of the paid-in capital.

(m) Earnings (loss) per share ("EPS")

(i) Basic earnings (loss) per share

	<u>2018</u>	<u>2017</u>
Net income (loss) attributable to the shareholders of the Company	\$ <u>(23,770)</u>	<u>5,808</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>27,708</u>	<u>26,093</u>
Basic earnings (loss) per share (in New Taiwan dollars)	\$ <u>(0.86)</u>	<u>0.22</u>

(ii) Diluted earnings (loss) per share

	<u>2018</u>	<u>2017</u>
Net income (loss) attributable to the shareholders of the Company	\$ <u>(23,770)</u>	<u>5,808</u>
Weighted-average number of ordinary shares outstanding (in thousands)	27,708	26,093
Effect of dilutive potential common stock:		
Compensation to employees	-	41
Weighted-average shares of common stock outstanding (including effect of dilutive potential common stock)	\$ <u>27,708</u>	<u>26,134</u>
Diluted earnings (loss) per share (in New Taiwan dollars)	\$ <u>(0.86)</u>	<u>0.22</u>

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(n) Revenue from contracts with customers (applicable commencing January 1, 2018)

(i) Disaggregation of revenue

	2018
(1) Primary geographical markets:	
Taiwan	\$ 24,249
Hong Kong and Mainland China	72,086
Japan	3,581
Others	1,130
	\$ 101,046
(2) Major products:	
Audio and communication IC products	\$ 90,801
LPWAN IoT products	8,183
Services and others	2,062
	\$ 101,046

For details on revenue for the year ended December 31, 2017, please refer to note 6(o).

(ii) Contract balances

	December 31, 2018	January 1, 2018
Accounts receivable	\$ 11,022	7,505
Less: loss allowance	(63)	(63)
	\$ 10,959	7,442

For details on accounts receivable and its loss allowance, please refer to note 6(d).

(o) Revenue

	2017
Revenue from sale of goods	\$ 102,954
Revenue from services rendered	9,797
	\$ 112,751

(p) Remuneration to employees, and directors and supervisors

The Company's Articles of Incorporation require that a minimum of 10% of earnings should be distributed as employee remuneration and a maximum of 2% of earnings will be allocated as directors and supervisors' remuneration. The earnings are determined based on the Company's pre-tax income before the deduction of the amount of remuneration to employees and directors and supervisors.

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The Company did not accrued any remuneration to employees and directors and supervisors for the year ended December 31, 2018 as it incurred a net loss in 2018. For the year ended December 31, 2017, the Company accrued its remuneration to employees, and directors and supervisors amounting to \$660 and \$132, respectively. The said amounts, which were recognized as operating expenses, were calculated based on the pre-tax net profit for each year before deducting the amount of remuneration to employees and directors and supervisors, multiplied by the proposed distribution ratio of remuneration to employees and directors and supervisors. The difference between accrual and actual payment, if any, will be treated as change in accounting estimate and recognized in profit or loss in the following year.

The aforementioned accrued remunerations to employees, and directors and supervisors were same as the amounts approved by the Board of Directors and were paid in cash.

(q) Non-operating income and loss

(i) Other income

	<u>2018</u>	<u>2017</u>
Interest income	\$ 2,104	1,044
Other income	<u>1,151</u>	<u>202</u>
	<u>\$ 3,255</u>	<u>1,246</u>

(ii) Other gains and losses

	<u>2018</u>	<u>2017</u>
Loss on disposal of investments accounted for using equity method	\$ (385)	-
Foreign currency exchange gain (loss)	4,742	(2,759)
Others	<u>(156)</u>	<u>-</u>
	<u>\$ 4,201</u>	<u>(2,759)</u>

(r) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Financial assets measured at fair value through other comprehensive income—non-current	\$ 9,264	-
Available-for-sale financial assets—non-current	-	10,000
Financial assets measured at amortized cost (loans and receivables):		
Cash and cash equivalents	88,920	125,895
Accounts receivable	10,959	7,442
Other financial assets—current	86,000	108,000
Refundable deposits	<u>2,408</u>	<u>703</u>
	<u>\$ 197,551</u>	<u>252,040</u>

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2) Financial liabilities

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Financial liabilities measured at amortized cost:		
Accounts payable	\$ 2,413	4,126
Other payable	4,755	5,209
Guarantee deposits received	<u>924</u>	<u>924</u>
	<u>\$ 8,092</u>	<u>10,259</u>

(ii) Fair value information—Financial instruments not measured at fair value

The Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

(iii) Fair value information—Financial instruments measured at fair value

1) Fair value hierarchy

The financial assets measured at fair value through other comprehensive income is measured at fair value on a recurring basis. The table below analyzes financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

		<u>December 31, 2018</u>			
		<u>Fair Value</u>			
	<u>Carrying amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets measured at fair value through other comprehensive income—non-current	\$ <u>9,264</u>	<u>-</u>	<u>-</u>	<u>9,264</u>	<u>9,264</u>
		<u>December 31, 2017</u>			
		<u>Fair Value</u>			
	<u>Carrying amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Available-for-sale financial assets—non-current	\$ <u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>

(Continued)

KIWI TECHNOLOGY INC. AND SUBSIDIARIES
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There were no transfers among fair value hierarchies for the years ended December 31, 2018 and 2017.

2) Valuation techniques and inputs used for financial instruments measured at fair value

The fair value of privately held stock is estimated by using the market approach and is determined by reference to recent financing activities, valuations of similar companies, market conditions, and other economic indicators. The significant unobservable input is the liquidity discount. No quantitative information is disclosed due to that the possible changes in liquidity discount would not cause significant potential financial impact.

3) Movement in financial assets included Level 3 fair value hierarchy— financial assets measured at fair value through other comprehensive income (available-for-sale financial assets)

	<u>2018</u>	<u>2017</u>
Balance at January 1	\$ 10,000	-
Total gains or losses:		
Recognized in other comprehensive income	(3,847)	-
Additions	<u>3,111</u>	<u>10,000</u>
Balance at December 31	<u>\$ 9,264</u>	<u>10,000</u>

The abovementioned total gains or losses were included in “unrealized gain (loss) from financial assets measured at fair value through other comprehensive income”. The gains or losses attributable to the financial assets held on December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Total gains or losses:		
Recognized in other comprehensive income (included in “unrealized gain (loss) from financial assets measured at fair value through other comprehensive income”)	<u>\$ (3,847)</u>	<u>-</u>

(s) Financial risk management

The Group is exposed to credit risk, liquidity risk, and market risk (including currency risk and other market price risk). The Group has disclosed the information on exposure to the aforementioned risks and the Group’s policies and procedures to measure and manage those risks as well as the quantitative information below.

The Board of Directors is responsible for developing and monitoring the Group’s risk management policies. The Group’s risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor adherence to the controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s operations.

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The Group's management monitors and reviews financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, receivables from customers, and other financial assets. The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets.

The Group maintains cash with reputable financial institutions; therefore, the exposure related to the potential default by those counter-parties is not considered significant.

Due to IC Chips industrial characteristics, the customers of IC Chips product of the Group were concentrated on few customers. As of December 31, 2018 and 2017, 96% and 90%, respectively, of accounts receivable were concentrated on five major customers, thus, the credit risk was significantly centralized. The Group has established a credit policy under which each customer is analyzed individually for creditworthiness for purposes of setting the credit limit. Additionally, the Group continuously evaluates the credit quality of customers to minimize the credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Group manages and maintains adequate cash to support operations and mitigate the impact of cash flow fluctuation.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, included estimated interest.

	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>
December 31, 2018				
Non-derivative financial liabilities:				
Accounts payable	\$ 2,413	2,413	-	-
Other payables	4,755	4,755	-	-
Guarantee deposits received	924	-	924	-
	<u>\$ 8,092</u>	<u>7,168</u>	<u>924</u>	<u>-</u>
December 31, 2017				
Non-derivative financial liabilities:				
Accounts payable	\$ 4,126	4,126	-	-
Other payable	5,209	5,209	-	-
Guarantee deposits received	924	-	924	-
	<u>\$ 10,259</u>	<u>9,335</u>	<u>924</u>	<u>-</u>

The Group does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

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(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The foreign currencies used in these transactions are mainly the US dollar (USD). The Group's management continuously control the net foreign currency exposure to be maintained at an acceptable level.

a) Exposure to foreign currency risk and sensitivity analysis

At the reporting date, the carrying amounts of the Group's monetary assets and liabilities denominated in a currency other than the respective functional currencies of Group entities were as follows:

December 31, 2018						
	Foreign currency (in thousands)	Exchange rate	NTD (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousands)	
<u>Financial assets</u>						
USD	\$ 319	30.715	9,798	1 %	98	
<u>Financial liabilities</u>						
USD	69	30.715	2,119	1 %	21	
December 31, 2017						
	Foreign currency (in thousands)	Exchange rate	NTD (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousands)	
<u>Financial assets</u>						
USD	\$ 3,393	29.76	100,977	1 %	1,010	
<u>Financial liabilities</u>						
USD	119	29.76	3,549	1 %	35	

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b) The foreign exchange gain and loss on monetary items

The foreign exchange gain and loss (including realized and unrealized) on monetary items is summarized as below.

	2018		2017	
	Foreign exchange gain (loss)	Exchange rate	Foreign exchange gain (loss)	Exchange rate
<u>Financial assets</u>				
USD/TWD	\$ 4,933	30.715	(2,624)	29.76
<u>Financial liabilities</u>				
USD/TWD	(287)	30.715	(126)	29.76

2) Other market price risk

The Group has strategic investments in privately held stocks, in which the Group does not actively participate in their trading.

Assuming a hypothetical increase or decrease of 5% in equity prices of the equity investments at each reporting date, the other comprehensive income for the years ended December 31, 2018 and 2017 would have increased or decreased by \$463 and \$500, respectively.

(t) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of debt and equity balance. The Group's overall strategy doesn't have significant difference.

The Group's management reviews the capital structure annually, including the consideration of costs and related risks of each type of capital. The Group may adjust and balance its capital structure by paying dividends or issuing new shares in accordance with the key management's advice.

7. Related-party transactions

(a) Name and relationship with related parties

Name of related parties	Relationship with the Company
Kiwi Technology Inc.	Subsidiary
Acer Being Communication Inc. ("ABC")	Associate (The Company disposed all of its shares in ABC. on May 25, 2018. ABC was not the related party of the Company sine then.)
SBI & Capital 22 JV Fund, L.P.	Other related party

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(b) Significant related-party transactions

(i) Revenue

In 2017, the Group provided product technology advice, training, and consulting service to ABC and the related service fee amounted to \$3,081. The prices and trading terms with related parties are not comparable to the prices and trading terms with third-party customers as the Group did not provide similar services to third-party customers.

(ii) Lease

In 2017, the Group leased rental office to SBI & Capital 22 JV Fund, L.P. The related rental income amounted to \$462 and was included in "other gains and losses, net".

(c) Compensation for key management personnel

	2018	2017
Short-term employee benefits	\$ 7,526	5,183
Post-employment benefits	273	249
	\$ 7,799	5,432

8. Pledged assets: None

9. Significant commitments and contingencies: None

10. Significant loss from disaster: None

11. Significant subsequent events: None

12. Others

Employee benefits, depreciation and amortization expenses categorized by function are summarized as follows:

	2018			2017		
	Cost of revenue	Operating expenses	Total	Cost of revenue	Operating expenses	Total
Employee benefits:						
Salaries	3,199	38,455	41,654	704	30,717	31,421
Insurance	291	2,906	3,197	82	2,380	2,462
Pension	163	1,963	2,126	43	1,579	1,622
Remuneration to directors	-	1,656	1,656	-	600	600
Others	173	1,497	1,670	39	1,519	1,558
Depreciation	585	1,347	1,932	92	938	1,030
Amortization	-	541	541	-	629	629

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13. Additional disclosures

(a) Information on significant transactions:

In accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Group discloses the following information on significant transactions:

- (i) Financing provided to other parties: None
- (ii) Guarantee and endorsement provided to other parties: None
- (iii) Marketable securities held at the reporting date (excluding investments in subsidiaries and associates):

(In Thousands of Shares/Amounts in Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2018				Maximum percentage of ownership during 2018		Note
				Number of shares	Carrying Value	Percentage of Ownership	Fair value	Shares/Units	Percentage of Ownership	
The Company	Antzer Tech Corp.	-	Financial assets measured at fair value through other comprehensive income—non-current	6,555	9,264	11.22 %	9,264	6,555	11.22 %	-

- (iv) Marketable securities for which the accumulated purchase or sale amounts for the year exceed \$300 million or 20% of the paid-in capital: None
- (v) Acquisition of real estate which exceeds \$300 million or 20% of the paid-in capital: None
- (vi) Disposal of real estate which exceeds \$300 million or 20% of the paid-in capital: None
- (vii) Total purchases from and sales to related parties which exceed \$100 million or 20% of the paid-in capital: None.
- (viii) Receivables from related parties which exceed \$100 million or 20% of the paid-in capital: None.
- (ix) Information about derivative instruments transactions: None.
- (x) Business relationships and significant intercompany transactions: None.

(b) Information on investees:

(In Thousands of Shares/Amounts in Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Maximum percentage of Ownership during 2018		Net Income (Loss) of the Investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
The Company	Kiwi Technology Inc.	Japan	Sale of LPWAN IoT products	8,223	8,223	0.6	100.00 %	2,991	0.6	100.00 %	(4,278)	(4,278)	
The Company	Acer Being Communication Inc.	Taiwan	Information software services and electronic information supply services	-	19,893	-	-	-	1,989	49.00 %	(2,057)	(1,008)	Note
The Company	PT Wahana Solusi Pintar	Indonesia	Sale of LPWAN IoT products	26,501	-	122,500	49.00 %	26,289	122,500	49.00 %	-	-	

Note: The Group disposed all of its shares in Acer Being Communication Inc. on May 25, 2018. Net income (loss) of the investee shown on the table was the net loss for the period from January 1, 2018 to May 25, 2018.

(c) Information on investments in Mainland China: None

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14. Segment information

(a) General information

The Group is primarily engaged in the research, design, development, and sale of audio and communication IC chips and LPWAN IoT products. The overall operating result is used by the Group's chief operating decision maker as the measurement for performance evaluation.

Therefore, the Group has only one operating segment. The financial information used by operating segment is consistent with that used in preparing the consolidated financial statements for the years ended December 31, 2018 and 2017.

(b) Product information

Revenues from external customers are detailed below:

<u>Products and services</u>	<u>2018</u>	<u>2017</u>
Audio and communication IC products	\$ 90,801	91,631
LPWAN IoT products	8,183	10,697
Services and others	<u>2,062</u>	<u>10,423</u>
	<u>\$ 101,046</u>	<u>112,751</u>

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Revenues from external customers are detailed below:

<u>Region</u>	<u>2018</u>	<u>2017</u>
Taiwan	\$ 24,249	29,779
Hong Kong and Mainland China	72,086	70,010
Japan	3,581	11,472
Others	<u>1,130</u>	<u>1,490</u>
	<u>\$ 101,046</u>	<u>112,751</u>

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(d) Major customers information

	<u>2018</u>	<u>2017</u>
Customer A (note)	\$ 26,738	25,657
Customer B (note)	25,169	25,066
Customer C (note)	19,351	19,277
Customer D (note)	13,743	18,962

Note: revenues are from audio and communication IC products.

