

**ASolid Technology Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditors' Report**

ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018		2017	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 4,6 and 28)	\$ 370,957	28	\$ 300,368	28
Financial assets at amortized cost-current(Notes7, 28 and 30)	5,073	-	-	-
Debt investments with no active market – current (Notes 4,8, 28 and 30)	-	-	2,059	-
Notes receivable –Net (Notes 4,9 and 28)	9	-	95	-
Trade receivable, from unrelated parties (Notes 4,9 and 28)	284,745	22	195,033	18
Other receivables (Note 9 and 28)	6,065	-	21,002	2
Current tax assets (Note 23)	25	-	-	-
Inventories (Note 4,5 and 10)	458,678	35	326,987	31
Prepayments (Note 15)	28,886	2	31,308	3
Other current assets (Note 15,28 and 30)	<u>5,621</u>	<u>-</u>	<u>4,889</u>	<u>1</u>
Total current assets	<u>1,160,059</u>	<u>87</u>	<u>881,741</u>	<u>83</u>
NON-CURRENT ASSETS				
Property, plant and equipment (Note 4,12 and 30)	91,024	7	94,660	9
Goodwill (Note 5 and 13)	18,576	2	22,951	2
Other intangible assets (Note 4 and 14)	40,249	3	55,719	5
Deferred tax assets (Note 4 and 23)	14,866	1	7,116	1
Other non-current assets (Note 15 and 28)	<u>1,435</u>	<u>-</u>	<u>1,302</u>	<u>-</u>
Total non-current assets	<u>166,150</u>	<u>13</u>	<u>181,748</u>	<u>17</u>
TOTAL ASSETS	<u>\$ 1,326,209</u>	<u>100</u>	<u>\$ 1,063,489</u>	<u>100</u>

	2018		2017	
	Amount	%	Amount	%
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 16 and 28)	\$ 112,160	9	\$ 74,640	7
Contract liability-current (Notes 18)	8,787	1	-	-
Trade payables to unrelated parties (Notes 17 and 28)	229,802	17	70,724	7
Other payables (Notes 18 and 28)	58,090	4	53,703	5
Current tax liabilities (Note 4 and 23)	8,572	1	2,078	-
Advance Receipts and other current liabilities (Note 18)	<u>717</u>	<u>-</u>	<u>31,540</u>	<u>3</u>
Total current liabilities	<u>418,128</u>	<u>32</u>	<u>232,685</u>	<u>22</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 23)	3,585	-	2,001	-
Guarantee deposits received (Note 28)	<u>114</u>	<u>-</u>	<u>114</u>	<u>-</u>
Total non-current liabilities	<u>3,699</u>	<u>-</u>	<u>2,115</u>	<u>-</u>
Total liabilities	<u>421,827</u>	<u>32</u>	<u>234,800</u>	<u>22</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 4 and 20)				
Ordinary shares	<u>342,231</u>	<u>26</u>	<u>342,231</u>	<u>32</u>
Capital surplus				
Additional paid-in capital	389,626	29	389,626	37
Employee share options	<u>12,515</u>	<u>1</u>	<u>4,954</u>	<u>-</u>
Total capital surplus	<u>402,141</u>	<u>30</u>	<u>394,580</u>	<u>37</u>
Retained earnings				
Legal reserve	41,593	3	41,593	4
Unappropriated retained earnings	<u>109,369</u>	<u>8</u>	<u>34,256</u>	<u>3</u>
Total retained earnings	<u>150,962</u>	<u>11</u>	<u>75,849</u>	<u>7</u>
Other equity	<u>8</u>	<u>-</u>	<u>5</u>	<u>-</u>
Total equity attributable to owner of the company	895,342	67	812,665	76
NON-CONTROLLING INTERESTS	<u>9,040</u>	<u>1</u>	<u>16,024</u>	<u>2</u>
Total equity	<u>904,382</u>	<u>68</u>	<u>828,689</u>	<u>78</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 1,326,209</u>	<u>100</u>	<u>\$ 1,063,489</u>	<u>100</u>

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

ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Note 4 and 21)	\$1,127,799	100	\$715,375	100
OPERATING COSTS (Note 10)	<u>(652,489)</u>	<u>(58)</u>	<u>(416,037)</u>	<u>(58)</u>
GROSS PROFIT	<u>475,310</u>	<u>42</u>	<u>299,338</u>	<u>42</u>
OPERATING EXPENSES (Note 22)				
Selling and marketing	(70,070)	(6)	(52,064)	(7)
General and administrative	(75,066)	(7)	(76,494)	(11)
Research and development	(260,463)	(23)	(250,946)	(35)
Expected credit loss	<u>(2,662)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>(408,261)</u>	<u>(36)</u>	<u>(379,504)</u>	<u>(53)</u>
PROFIT (LOSS) FROM OPERATIONS	<u>67,049</u>	<u>6</u>	<u>(80,166)</u>	<u>(11)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 22)	2,209	-	1,514	-
Other gains and losses (Note 22)	5,760	1	2,841	-
Financial costs (Note 4 and 22)	<u>(5,666)</u>	<u>(1)</u>	<u>(3,832)</u>	<u>-</u>
Total non-operating income and expenses	<u>2,303</u>	<u>-</u>	<u>523</u>	<u>-</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	<u>(69,352)</u>	<u>6</u>	<u>(79,643)</u>	<u>(11)</u>
INCOME TAX EXPENSE (Note 4 and 23)	<u>(349)</u>	<u>-</u>	<u>(1,421)</u>	<u>-</u>
NET PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	<u>69,003</u>	<u>6</u>	<u>(81,064)</u>	<u>(11)</u>
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>\$ 4</u>	<u>-</u>	<u>\$ 4</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>4</u>	<u>-</u>	<u>4</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$69,007</u>	<u>6</u>	<u>\$(81,060)</u>	<u>(11)</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$75,113	7	\$(74,323)	(10)
Non-controlling interests	<u>(6,110)</u>	<u>(1)</u>	<u>(6,741)</u>	<u>(1)</u>
	<u>\$69,003</u>	<u>6</u>	<u>\$(81,064)</u>	<u>(11)</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$75,116	7	\$(74,320)	(10)
Non-controlling interests	<u>(6,109)</u>	<u>(1)</u>	<u>(6,740)</u>	<u>(1)</u>
	<u>\$69,007</u>	<u>6</u>	<u>\$(81,060)</u>	<u>(11)</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$2.19</u>		<u>\$(2.18)</u>	
Diluted	<u>\$2.17</u>		<u>\$(2.18)</u>	

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

ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company						Other Equity Exchange Differences on Translating Foreign Operations	Non-controlling Interests	Total Equity
	Share Capital		Capital surplus		Retained Earnings				
	Shares (In thousands)	Capital Share	Additional Paid-in Capital	Employee Share Options	Legal Reserve	Unappropriated Earnings			
BALANCE, JANUARY 1, 2016	30,446	\$ 304,455	\$ 374,076	\$ 7,122	\$ 27,660	\$ 198,626	\$ 2	\$ 23,111	\$ 935,052
Appropriations of 2016earnings									
Legal reserve	-	-	-	-	13,933	(13,933)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(45,668)	-	-	(45,668)
Share dividends distributed by the Company	3,044	30,446	-	-	-	(30,446)	-	-	-
Net profit for the year ended December 31, 2017	-	-	-	-	-	(74,323)	-	(6,741)	(81,064)
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	3	1	4
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	(74,323)	3	(6,740)	(81,060)
Other changes in capital surplus									
Recognition of employee share options by the Company	-	-	-	4,586	-	-	-	-	4,586
Issue of ordinary shares under employee share options	733	7,330	15,550	(6,754)	-	-	-	-	16,126
Non-controlling interest arising from acquisition of subsidiaries	-	-	-	-	-	-	-	(347)	(347)
BALANCE, DECEMBER 31, 2017	34,223	342,231	389,626	4,954	41,593	34,256	5	16,024	828,689
Appropriations of 2017earnings									
Legal reserve	-	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-
Share dividends distributed by the Company	-	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	-	75,113	-	(6,110)	69,003
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	3	1	4
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	75,113	3	(6,109)	69,007
Other changes in capital surplus									
Recognition of employee share options by the Company	-	-	-	7,561	-	-	-	-	7,561
Non-controlling Interests Increase(Deduct)	-	-	-	-	-	-	-	(875)	(875)
BALANCE, DECEMBER 31, 2018	34,223	\$ 342,231	\$ 389,626	\$ 12,515	\$ 41,593	\$ 109,369	\$ 8	\$ 9,040	\$ 904,382

The accompanying notes are an integral part of the financial statements.

ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	\$ 69,352	\$ (79,643)
Depreciation expenses	8,068	8,922
Amortization expenses	34,702	38,221
Provision (reversal of provision) for bad debt expense	2,662	-
Finance costs	5,666	3,832
Interest income	(349)	(572)
Compensation cost of employee share options	7,561	4,586
Disposal and loss of property, plant and equipment	-	8
Gain for market price decline and obsolete and slow-moving inventories	35,465	(29,117)
Impairment loss of intangible assets	4,375	6,339
Others	9	33
Unrealized foreign exchange loss (gain)	(8,666)	(2,122)
Changes in operating assets and liabilities:		
Notes receivables	86	(95)
Trade receivables	(91,266)	(130,656)
Other receivables	15,517	(19,613)
Inventories	(167,156)	42,770
Prepayments	2,376	(3,648)
Other current assets	(732)	22,363
Notes payable	8,787	-
Trade payables	158,572	19,068
Other payables	4,387	(27,644)
Other current liabilities	(30,823)	13,304
Cash generated from operations	58,593	(133,664)
Interest paid	(5,666)	(3,832)
Income tax paid	-	(18,778)
Net cash generated from (used in) operating activities	<u>52,927</u>	<u>(156,274)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(4,433)	(4,368)
Decrease in refundable deposits	(133)	198
Payments for intangible assets	(19,241)	(28,010)
Interest received	(2,665)	560
Net cash generated from (used in) investing activities	<u>(26,472)</u>	<u>(31,620)</u>

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ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	\$ 855,919	\$ 882,247
Decrease in short-term loans	(818,236)	(887,137)
Exercise of employee share options	-	16,126
Cash dividends paid to owners of the Company	-	(45,668)
Non-controlling Interests change	<u>(875)</u>	<u>(347)</u>
Net cash generated from (used in) financing activities	<u>36,808</u>	<u>(34,779)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>7,326</u>	<u>3,962</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	70,589	(218,711)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>300,368</u>	<u>519,079</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 370,957</u>	<u>\$ 300,368</u>

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

(Concluded)