

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

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2018 and 2017 and  
Independent Auditors' Review Report**

## ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	March 31, 2018 (Reviewed)		December 31, 2017 (Audited)		March 31, 2017 (Reviewed)			March 31, 2018 (Reviewed)		December 31, 2017 (Audited)		March 31, 2017 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>ASSETS</b>													
<b>CURRENT ASSETS</b>													
Cash and cash equivalents (Notes 6 and 27)	\$ 163,291	12	\$ 300,368	28	456,591	36		\$ 255,058	19	\$ 74,640	7	158,149	12
Financial assets at amortized cost-current(Notes 7, 27 and 29)	5,063	1	-	-	-	-		52,986	4	-	-	-	-
Debt investments with no active market – current (Notes 8, 27 and 29)	-	-	2,059	-	2,050	-		1,229	-	-	-	533	-
Note receivable – Net(Notes 9 and 27)	-	-	95	-	-	-		144,317	11	70,724	7	38,017	3
Trade receivable, from unrelated parties (Notes 9 and 27)	227,999	17	195,033	18	112,579	9		45,701	4	53,703	5	73,229	6
Other receivables (Notes 9 and 27)	13,051	1	21,002	2	2,744	-		2,012	-	2,078	-	20,611	2
Inventories (Note 10)	692,883	52	326,987	31	423,346	34		177	-	31,540	3	29,206	2
Prepayments(Note 14)	52,543	4	31,308	3	36,354	3		501,480	38	232,685	22	319,745	25
Other current assets (Notes 14,27 and 29)	4,838	-	4,889	1	15,042	1							
Total current assets	1,159,668	87	881,741	83	1,048,706	83							
<b>NON-CURRENT ASSETS</b>													
Property, plant and equipment (Notes 12 and 29))	93,632	7	94,660	9	97,808	8		2,759	-	2,001	-	1,180	-
Goodwill	22,951	2	22,951	2	29,290	2		114	-	114	-	114	-
Other intangible assets (Note 13)	48,489	3	55,719	5	75,795	6		2,873	-	2,115	-	1,294	-
Deferred tax assets (Note 22)	8,549	1	7,116	1	7,716	1							
Other non-current assets(Notes 14 and 27)	1,387	-	1,302	-	1,695	-							
Total non-current assets	175,008	13	181,748	17	212,304	17							
<b>LIABILITIES AND EQUITY</b>													
<b>CURRENT LIABILITIES</b>													
Short-term borrowings (Notes 15 and 27)													
Contract liability-current (Notes 17)													
Notes payable to unrelated parties (Notes 16 and 27)													
Trade payables to unrelated parties (Notes 16 and 27)													
Other payables (Notes 17 and 27)													
Current tax liabilities (Note 22)													
Advance Receipts and other current liabilities (Note 17)													
Total current liabilities													
<b>NON-CURRENT LIABILITIES</b>													
Deferred tax liabilities (Note 22)													
Guarantee deposits received													
Total non-current liabilities													
Total liabilities													
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)</b>													
Ordinary shares													
Capital surplus													
Additional paid-in capital													
Employee share options													
Total capital surplus													
Retained earnings													
Legal reserve													
Unappropriated retained earnings													
Total retained earnings													
Other equity													
Total equity attributable to owner of the company													
<b>NON-CONTROLLING INTERESTS</b>													
Total equity													
TOTAL ASSETS	\$ 1,334,676	100	\$ 1,063,489	100	\$ 1,261,010	100	TOTAL LIABILITIES AND EQUITY	\$ 1,334,676	100	\$ 1,063,489	100	\$ 1,261,010	100

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

(With Deloitte & Touche review report dated May 7, 2018)

# ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31,2018		For the Three Months Ended March 31,2017	
	Amount	%	Amount	%
OPERATING REVENUE (Note 20)	\$ 224,351	100	\$ 151,497	100
OPERATING COSTS (Note 10)	<u>(131,374)</u>	<u>(58)</u>	<u>(81,120)</u>	<u>(53)</u>
GROSS PROFIT	<u>92,977</u>	<u>42</u>	<u>70,377</u>	<u>47</u>
OPERATING EXPENSES (Notes 21 and 28)				
Selling and marketing	(14,939)	(7)	(11,648)	(8)
General and administrative	(17,997)	(8)	(15,996)	(11)
Research and development	(60,872)	(27)	(50,658)	(33)
Expected credit loss	<u>(662)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>(94,470)</u>	<u>(42)</u>	<u>(78,302)</u>	<u>(52)</u>
PROFIT (LOSS) FROM PERATIONS	<u>(1,493)</u>	<u>-</u>	<u>(7,925)</u>	<u>(5)</u>
NON-OPERATING INCOME AND EXPENSES (Note 21)				
Other income	195	-	520	-
Other gains and losses	1,432	1	(3,319)	(2)
Financial costs	<u>(1,065)</u>	<u>(1)</u>	<u>(658)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>562</u>	<u>-</u>	<u>(3,457)</u>	<u>(3)</u>
PROFIT BEFORE INCOME TAX	(931)	-	(11,382)	(8)
INCOME TAX EXPENSE (Note 22)	<u>675</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME FOR THE PERIOD	<u>(256)</u>	<u>-</u>	<u>(11,382)</u>	<u>(8)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$(256)</u>	<u>-</u>	<u>\$(11,382)</u>	<u>(8)</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$1,563	1	\$(10,078)	(7)
Non-controlling interests	<u>(1,819)</u>	<u>(1)</u>	<u>(1,304)</u>	<u>(1)</u>
	<u>\$(256)</u>	<u>-</u>	<u>\$(11,382)</u>	<u>(8)</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$1,563	1	\$(10,078)	(7)
Non-controlling interests	<u>(1,819)</u>	<u>(1)</u>	<u>(1,304)</u>	<u>(1)</u>
	<u>\$(256)</u>	<u>-</u>	<u>\$(11,382)</u>	<u>(8)</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$0.05</u>		<u>\$(0.30)</u>	
Diluted	<u>\$0.04</u>		<u>\$(0.30)</u>	

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche review report dated May 7, 2018)

## ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Equity Attributable to Owners of the Company							Non-controlling Interests	Total Equity
	Share Capital		Capital surplus		Retained Earnings		Other Equity		
	Shares (In thousands)	Capital Share	Additional Paid-in Capital	Employee Share Options	Legal Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations		
BALANCE, JANUARY 1, 2017	30,446	\$ 304,455	\$ 374,076	\$ 7,122	\$ 27,660	\$ 198,626	\$ 2	\$ 23,111	\$ 935,052
Net profit for the three months ended March 31, 2017	-	-	-	-	-	(10,078)	-	(1,304)	(11,382)
Total comprehensive income (loss) for the three months ended March 31, 2017	-	-	-	-	-	(10,078)	-	(1,304)	(11,382)
Other changes in capital surplus									
Recognition of employee share options by the Company	-	-	-	175	-	-	-	-	175
Issue of ordinary shares under employee share options	733	7,330	15,550	(6,754)	-	-	-	-	16,126
BALANCE, MARCH 31, 2017	31,179	\$ 311,785	\$ 389,626	\$ 543	\$ 27,660	\$ 188,548	\$ 2	\$ 21,807	\$ 939,971
BALANCE, JANUARY 1, 2018	34,223	\$ 342,231	\$ 389,626	\$ 4,954	\$ 41,593	\$ 34,256	\$ 5	\$ 16,024	\$ 828,689
Net profit for the three months ended March 31, 2018	-	-	-	-	-	1,563	-	(1,819)	(256)
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	-	1,563	-	(1,819)	(256)
Other changes in capital surplus									
Recognition of employee share options by the Company	-	-	-	1,890	-	-	-	-	1,890
BALANCE, MARCH 31, 2018	34,223	\$ 342,231	\$ 389,626	\$ 6,844	\$ 41,593	\$ 35,819	\$ 5	\$ 14,205	\$ 830,323

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

(With Deloitte & Touche review report dated May 7, 2018)

# ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (Loss) before income tax	\$ (931)	\$ (11,382)
Depreciation expenses	2,205	2,342
Amortization expenses	8,570	8,586
Expected credit losses	662	-
Finance costs	1,065	658
Interest income	(10)	(76)
Compensation cost of employee share options	1,890	175
Gain for market price decline and obsolete and slow-moving inventories	-	(26,330)
Unrealized foreign exchange loss (gain)	(1,117)	(86)
Changes in operating assets and liabilities:		
Notes receivables	95	-
Trade receivables	(31,469)	(46,710)
Other receivables	7,218	(775)
Inventories	(365,896)	(56,376)
Prepayments	(21,241)	(8,678)
Other current assets	51	12,210
Contract liability	21,708	-
Notes payable	1,229	533
Trade payables	72,638	(13,591)
Other payables	(8,002)	(8,118)
Other current liabilities	(85)	10,970
Cash generated from operations	(311,420)	(136,648)
Interest paid	(1,065)	(658)
Income tax paid	(66)	(245)
Net cash generated from (used in) operating activities	<u>(312,551)</u>	<u>(137,551)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Financial assets at amortized cost	(3,000)	-
Purchase of debt investments with no active market	-	(3)
Payments for property, plant and equipment	(1,174)	(898)
Increase in refundable deposits	(85)	(195)
Payments for intangible assets	(1,340)	(18,451)
Interest received	6	76
Net cash generated from (used in) investing activities	<u>(5,593)</u>	<u>(19,471)</u>

(Continued)

# ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	\$ 236,329	\$ 264,961
Decrease in short-term loans	(55,020)	(184,627)
Exercise of employee share options	<u>-</u>	<u>16,126</u>
Net cash generated from (used in) financing activities	<u>181,309</u>	<u>96,460</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(242)</u>	<u>(1,926)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(137,077)	(62,488)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>300,368</u>	<u>519,079</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 163,291</u>	<u>\$ 456,591</u>

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

(Concluded)

(With Deloitte & Touche review report dated May 7, 2018)

# ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. ORGANIZATION

ASolid Technology Co., Ltd. (the “Company”) was incorporated in February 2008. The company engages mainly in integrated circuit design.

The Company’s shares have been traded over the counter on the Taipei Exchange since November, 2015.

The functional currency of the Company is New Taiwan dollars. The consolidated financial statements are presented in New Taiwan dollars.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Board of Directors on May 7, 2018.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

#### a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

#### b. Basis of preparation

The accompanying consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are 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); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

#### c. Basis of consolidation

See Note 11 and Table 1 for the detailed information of subsidiaries (including the percentage of ownership and main business).

#### d. Other important accounting policies

The accounting policies described in the consolidated financial statements were consistent with those applied in the consolidated financial statements for the year ended December 31, 2017, except for the following:

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

**5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The critical accounting judgments and key sources of estimation uncertainty described in the consolidated financial statements were consistent with those applied in the consolidated financial statements for the year ended December 31, 2017.

**6. CASH AND CASH EQUIVALENTS**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Cash on hand	\$ 2,535	\$ 2,624	\$ 2,469
Checking accounts and demand deposits	160,756	297,744	411,322
Cash equivalent (investments with original maturities less than three months)			
Time deposits	<u>-</u>	<u>-</u>	<u>42,800</u>
	<u>\$ 163,291</u>	<u>\$ 300,368</u>	<u>\$ 456,591</u>

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Bank deposits	0.08%~0.35%	0.08%~0.35%	0.08%~0.60%

**7. FINANCIAL ASSETS AT AMORTIZED COST**

	<b>March 31, 2018</b>
<u>Current</u>	
Time deposits with original maturity more than 3 months	<u>\$ 5,063</u>

**8. DEBT INVESTMENTS WITH NO ACTIVE MARKET**

	<b>December 31, 2017</b>	<b>March 31, 2017</b>
<u>Current</u>		
Time deposits with original maturity more than 3 months	<u>\$ 2,059</u>	<u>\$ 2,050</u>

- a. The market interest rates of the time deposits with original maturity more than 3 months were 0.60% per annum respectively as of December 31, 2017, and March 31, 2017
- b. Refer to Note 29 for information relating to debt instruments with no active market.



## 9. NOTES AND ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

	<u>March 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>	<u>March 31,</u> <u>2017</u>
<u>Notes receivables</u>	\$ -	\$ 95	\$ -
<u>Accounts receivables</u>			
Amortised cost			
Carrying amount	\$ 231,902	\$ 198,274	\$ 117,762
Less: Allowance for impairment loss	( 3,903)	( 3,241)	( 5,183)
	<u>\$ 227,999</u>	<u>\$ 195,033</u>	<u>\$ 112,579</u>
<u>Other receivables</u>			
Tax Refund receivable	\$ 12,712	\$ 5,783	\$ 2,393
Overpaid sales tax	-	14,931	-
Others	<u>339</u>	<u>288</u>	<u>351</u>
	<u>\$ 13,051</u>	<u>\$ 21,002</u>	<u>\$ 2,744</u>

### Notes and Accounts Receivables

The average credit period on sales of goods was 60 days. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss against all receivables over specific days because historical experience had been that receivables that are past due beyond specific days were not recoverable. Allowance for impairment loss were recognized against trade receivables between 60 days and specific days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The aging of receivables was as follows:

	<u>December 31,</u> <u>2017</u>	<u>March 31,</u> <u>2017</u>
Less than 60 days	\$ 174,585	\$ 108,756
61-120 days	18,913	2,890
Over 120 days	<u>4,776</u>	<u>6,116</u>
	<u>\$ 198,274</u>	<u>\$ 117,762</u>

The above aging schedule was based on the invoice date.

The aging of receivables that were past due but not impaired was as follows:

	<u>December 31,</u> <u>2017</u>	<u>March 31,</u> <u>2017</u>
Less than 60 days	\$ 908	\$ -
61-120 days	<u>640</u>	<u>-</u>
	<u>\$ 1,548</u>	<u>\$ -</u>

The above aging schedule was based on the invoice date.

The movements of the allowance for doubtful trade receivables were as follows:

	<u>Individually</u> <u>Assessed for</u> <u>Impairment</u>	<u>Collectively</u> <u>Assessed for</u> <u>Impairment</u>	<u>Total</u>
Balance at January 1, 2017	\$ 5,183	\$ -	\$ 5,183
Balance at March 31, 2017	<u>\$ 5,183</u>	<u>\$ -</u>	<u>\$ 5,183</u>

## 10. INVENTORIES

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Finished goods	\$ 186,906	\$ 133,492	\$ 150,708
Work in progress	207,523	15,162	42,535
Raw materials	258,110	116,319	218,687
Merchandise	37,550	60,794	5,230
Semi-finished products	<u>2,794</u>	<u>1,220</u>	<u>6,186</u>
	<u>\$ 692,883</u>	<u>\$ 326,987</u>	<u>\$ 423,346</u>

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2018 and 2017 were \$131,374 thousand, and \$81,120 thousand, respectively.

## 11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

<u>Investor</u>	<u>Investee</u>	<u>Nature of Activities</u>	<u>Proportion of Ownership</u>		
			<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
ASolid Technology Co., Ltd.	Advanced Memory Technology Co., Ltd	Integrated circuit design	37.12%	37.12%	32.58%
ASolid Technology Co., Ltd.	Innostor Technology Corporation	Integrated circuit design	69.74%	69.74%	69.74%
Innostor Technology Corporation	Innostor Technology (Samoa) Limited	Investment holding company	100%	100%	100%
Innostor Technology (Samoa) Limited	Innostor Technology (Shenzhen) Ltd.	Consumer electronics, services business	100%	100%	100%

- a. The Group holds a 37.12% interest in Advanced Memory Technology Co., Ltd. Because over 50% directors of Advanced Memory Technology Co., Ltd., who have the power to dominate the relevant activities, are assigned by the Company, the Company listed Advanced Memory Technology Co., Ltd. as a subsidiary.
- b. Broadway Semiconductor Inc since February 23, 2017 changed its name to the Advanced Memory Technology Co., Ltd

## 12. PROPERTY, PLANT AND EQUIPMENT

	<u>Freehold land</u>	<u>Buildings</u>	<u>Research and Development Equipment</u>	<u>Machinery and Equipment</u>	<u>Other Equipment</u>	<u>Total</u>
<u>Cost</u>						
Balance at January 1, 2017	\$ 44,592	\$ 42,008	\$ 12,650	\$ 26,102	\$ 12,522	\$ 137,874
Additions	-	-	220	-	678	898
Effect of rate changes	-	-	-	-	(30)	(30)
Balance at March 31, 2017	<u>\$ 44,592</u>	<u>\$ 42,008</u>	<u>\$ 12,870</u>	<u>\$ 26,102</u>	<u>\$ 13,170</u>	<u>\$ 138,742</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2017	\$ -	\$ 950	\$ 6,397	\$ 23,108	\$ 8,163	\$ 38,618
Depreciation	-	475	794	380	693	2,342
Effect of rate changes	-	-	-	-	(26)	(26)
Balance at March 31, 2017	<u>\$ -</u>	<u>\$ 1,425</u>	<u>\$ 7,191</u>	<u>\$ 23,488</u>	<u>\$ 8,830</u>	<u>\$ 40,934</u>
Carrying amounts at January 1, 2017	<u>\$ 44,592</u>	<u>\$ 41,058</u>	<u>\$ 6,253</u>	<u>\$ 2,994</u>	<u>\$ 4,359</u>	<u>\$ 99,256</u>
Carrying amounts at March 31, 2017	<u>\$ 44,592</u>	<u>\$ 40,583</u>	<u>\$ 5,679</u>	<u>\$ 2,614</u>	<u>\$ 4,340</u>	<u>\$ 97,808</u>
<u>Cost</u>						
Balance at January 1, 2018	\$ 44,592	\$ 42,008	\$ 13,419	\$ 14,106	\$ 15,774	\$ 129,899
Additions	-	-	261	-	913	1,174
Effect of rate changes	-	-	-	-	14	14
Balance at March 31, 2018	<u>\$ 44,592</u>	<u>\$ 42,008</u>	<u>\$ 13,680</u>	<u>\$ 14,106</u>	<u>\$ 16,701</u>	<u>\$ 131,087</u>

<u>Accumulated depreciation</u>						
Balance at January 1, 2018	\$ -	\$ 2,850	\$ 9,325	\$ 12,576	\$ 10,488	\$ 35,239
Depreciation	-	475	697	237	796	2,205
Effect of rate changes	-	-	-	-	11	11
Balance at March 31, 2018	<u>\$ -</u>	<u>\$ 3,325</u>	<u>\$ 10,022</u>	<u>\$ 12,813</u>	<u>\$ 11,295</u>	<u>\$ 37,455</u>
Carrying amounts at January 1, 2018						
	<u>\$ 44,592</u>	<u>\$ 39,158</u>	<u>\$ 4,094</u>	<u>\$ 1,530</u>	<u>\$ 5,286</u>	<u>\$ 94,660</u>
Carrying amounts at March 31, 2018						
	<u>\$ 44,592</u>	<u>\$ 38,683</u>	<u>\$ 3,658</u>	<u>\$ 1,293</u>	<u>\$ 5,406</u>	<u>\$ 93,632</u>

The above items of property, plant and equipment were depreciated on a straight-line basis over the following estimated useful lives as follows:

Buildings	10 to 35 years
Research and Development Equipment	3 years
Machinery and Equipment	2 to 5 years
Other Equipment	2 to 5 years

### 13. OTHER INTANGIBLE ASSETS

	<u>Photomask</u>	<u>Computer Software</u>	<u>Patent</u>	<u>Technology Licensing</u>	<u>Total</u>
<u>Cost</u>					
Balance at January 1, 2017	\$ 58,290	\$ 19,617	\$ 20,097	\$ 52,490	\$ 150,494
Additions	<u>8,451</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>18,451</u>
Balance at March 31, 2017	<u>\$ 66,741</u>	<u>\$ 19,617</u>	<u>\$ 20,097</u>	<u>\$ 62,490</u>	<u>\$ 168,945</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2017	\$ 46,012	\$ 17,948	\$ 1,005	\$ 19,599	\$ 84,564
Amortization expense	<u>3,080</u>	<u>274</u>	<u>1,005</u>	<u>4,227</u>	<u>8,586</u>
Balance at March 31, 2017	<u>\$ 49,092</u>	<u>\$ 18,222</u>	<u>\$ 2,010</u>	<u>\$ 23,826</u>	<u>\$ 93,150</u>
Carrying amounts at January 1, 2017					
	<u>\$ 12,278</u>	<u>\$ 1,669</u>	<u>\$ 19,092</u>	<u>\$ 32,891</u>	<u>\$ 65,930</u>
Carrying amounts at March 31, 2017					
	<u>\$ 17,649</u>	<u>\$ 1,395</u>	<u>\$ 18,087</u>	<u>\$ 38,664</u>	<u>\$ 75,795</u>
<u>Cost</u>					
Balance at January 1, 2018	\$ 74,874	\$ 19,998	\$ 20,097	\$ 63,535	\$ 178,504
Additions	<u>381</u>	<u>959</u>	<u>-</u>	<u>-</u>	<u>1,340</u>
Balance at March 31, 2018	<u>\$ 75,255</u>	<u>\$ 20,957</u>	<u>\$ 20,097</u>	<u>\$ 63,535</u>	<u>\$ 179,844</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2018	\$ 61,297	\$ 19,009	\$ 5,024	\$ 37,455	\$ 122,785
Amortization expense	<u>2,788</u>	<u>185</u>	<u>1,005</u>	<u>4,592</u>	<u>8,570</u>
Balance at March 31, 2018	<u>\$ 64,085</u>	<u>\$ 19,194</u>	<u>\$ 6,029</u>	<u>\$ 42,047</u>	<u>\$ 131,355</u>
Carrying amounts at January 1, 2018					
	<u>\$ 13,577</u>	<u>\$ 989</u>	<u>\$ 15,073</u>	<u>\$ 26,080</u>	<u>\$ 55,719</u>
Carrying amounts at March 31, 2018					
	<u>\$ 11,170</u>	<u>\$ 1,763</u>	<u>\$ 14,068</u>	<u>\$ 21,488</u>	<u>\$ 48,489</u>

Intangible assets were amortized on a straight-line basis over the estimated useful lives as follows:

Photomask	2 years
Computer software	2 - 5 years
Patent	4 years
Technology Licensing	2 - 3 years

**14. OTHER ASSETS**

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
<u>Current</u>			
Prepayments	\$ 52,543	\$ 31,308	\$ 36,354
Payment on behalf of others	\$ 744	\$ 729	\$ 7,759
Temporary payment	28	55	522
Other current assets	<u>18</u>	<u>11</u>	<u>169</u>
	790	795	8,450
<u>Other Financial Assets - Current</u>			
Restricted demand deposits	<u>4,048</u>	<u>4,094</u>	<u>6,592</u>
	<u>\$ 4,838</u>	<u>\$ 4,889</u>	<u>\$ 15,042</u>
<u>Non-Current</u>			
Guarantee Deposits Paid	<u>\$ 1,387</u>	<u>\$ 1,302</u>	<u>\$ 1,695</u>

**15. BORROWINGS**Short-term Borrowings

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
<u>Secured borrowings</u>			
L/C	\$ -	\$ -	\$ 10,509
Bank loans	<u>-</u>	<u>-</u>	<u>10,000</u>
	<u>-</u>	<u>-</u>	<u>20,509</u>
<u>Unsecured borrowings</u>			
Purchase of materials borrowing	-	-	22,386
Bank loans	<u>255,058</u>	<u>74,640</u>	<u>115,254</u>
	<u>255,058</u>	<u>74,640</u>	<u>137,640</u>
	<u>\$ 255,058</u>	<u>\$ 74,640</u>	<u>\$ 158,149</u>

Interest rate of bank loans is 2.01% to 3.27% and 1.76% to 2.54% and 1.86% to 3.36% on March 31, 2018, and December 31, 2017 and March 31, 2017.

**16. NOTES PAYABLE AND TRADE PAYABLES**

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
<u>Notes payable</u>			
Operating	<u>\$ 1,229</u>	<u>\$ -</u>	<u>\$ 533</u>
<u>Trade payables</u>			
Operating	<u>\$ 144,317</u>	<u>\$ 70,724</u>	<u>\$ 38,017</u>

## 17. OTHER LIABILITIES

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
<u>Current</u>			
Other payables			
Payable for salaries and bonus	\$ 13,231	\$ 25,992	\$ 25,191
Payable for the bonus or compensation to employees and the remuneration to directors and supervisors	6,379	6,379	21,628
Others (payable for commissions, Labor and National Health insurance, and others)	<u>26,091</u>	<u>21,332</u>	<u>26,410</u>
	<u>\$ 45,701</u>	<u>\$ 53,703</u>	<u>\$ 73,229</u>
Contract liability	<u>\$ 52,986</u>	<u>\$ -</u>	<u>\$ -</u>
Other current liabilities			
Advance sales receipts	\$ -	\$ 31,278	\$ 28,500
Receipts under custody	166	214	584
Temporary receipts	-	-	121
Others	<u>11</u>	<u>48</u>	<u>1</u>
	<u>\$ 177</u>	<u>\$ 31,540</u>	<u>\$ 29,206</u>

## 18. RETIREMENT BENEFIT PLANS

### Defined contribution plans

The Company, Advanced Memory Technology Co., Ltd. and Innostor Technology Corporation of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

## 19. EQUITY

### a. Common share

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Numbers of shares authorized (in thousands)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Shares authorized	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Number of shares issued and fully paid (in thousands)	<u>34,223</u>	<u>34,223</u>	<u>31,179</u>
Shares issued	<u>\$ 342,231</u>	<u>\$ 342,231</u>	<u>\$ 311,785</u>

The changes in the Company's common shares are mainly attributable for the exercises of employee share options and dividends to the shares held by shareholders.

The authorized shares had been reserved 5,000 thousand shares for the issuance of convertible bonds and employee share options on March 31, 2018 and December 31, 2017 and March 31, 2017

### b. Capital Surplus

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Arising from issuance of common shares	\$ 374,602	\$ 374,602	\$ 374,602
<u>May be used to offset a deficit only</u>			
Arising from employee stock options transferred to issuance of common shares	15,024	15,024	15,024
<u>May not be used for any purpose</u>			
Arising from employee share options	<u>6,844</u>	<u>4,954</u>	<u>543</u>
	<u>\$ 396,470</u>	<u>\$ 394,580</u>	<u>\$ 390,169</u>

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been approved by the annual shareholders' meeting on June 14, 2015, and the Employees and directors remuneration policy was stipulated in the Company's Articles of Incorporation.

The Company's Articles of Incorporation provide that any profit after annual closing should be used first to cover deficit, and then set aside a legal reserve of 10% of the profits until the legal reserve equals the Company's paid-in capital, and retain special reserve(s) pursuant to applicable laws or regulations or as requested by the authorities in charge. On any remaining balance plus unappropriated earnings of prior years, the board of directors will propose an appropriation of earnings according to actual operating status to be presented in the shareholders' meeting for approval.

For policy about the employees' compensation and remuneration to directors and supervisors, please refer to Employees' compensation and remuneration to directors in Note 20

In accordance with the Company's Articles of Incorporation, the Company's dividend policy is in line with the current and future development plans, taking into account the investment environment, capital requirements and domestic and international competition, taking into account the shareholder's interests, etc. Cash bonus shall be more than 10% of the total bonus to shareholders. However, the Company may consider the factors including the economic conditions, industrial development and required fund, etc., to adjust the principle of distribution of cash and share dividends if necessary.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2016 have been approved in the shareholders' meeting on June 20, 2017, respectively, were as follows:

	<u>Appropriation of Earnings</u> <u>For the Year Ended</u> <u>December 31,2016</u>	<u>Dividends Per Share (NT\$)</u> <u>For the Year Ended</u> <u>December 31,2016</u>
Legal reserve	\$13,933	\$ -
Cash dividends	45,668	1.50
Share dividends	30,446	1.00

d. Non-controlling interests

	<u>For the Three Months Ended</u> <u>March 31</u>	
	<u>2017</u>	<u>2016</u>
Balance at January 1	\$ 16,024	\$ 23,111
Attributable to non-controlling interests:		
Share of loss for the period	<u>(1,819)</u>	<u>(1,304)</u>
Balance at September 30	<u>\$ 14,205</u>	<u>\$ 21,807</u>

**20. REVENUE****For the Three Months Ended  
March 31**

	<b>2018</b>	<b>2017</b>
Revenue from the sale of goods	<u>\$224,351</u>	<u>\$151,497</u>

**21. NET PROFIT**

## a. Other income

**For the Three Months Ended  
March 31**

	<b>2018</b>	<b>2017</b>
Interest income	\$ 10	\$ 76
Others	<u>185</u>	<u>444</u>
	<u>\$ 195</u>	<u>\$ 520</u>

## b. Other gains and losses

**For the Three Months Ended  
March 31**

	<b>2018</b>	<b>2017</b>
Net foreign exchange gain(loss)	\$ 1,596	\$ (3,319)
Others	<u>(164)</u>	<u>-</u>
	<u>\$ 1,432</u>	<u>\$ (3,319)</u>

## c. Finance costs

**For the Three Months Ended  
March 31**

	<b>2018</b>	<b>2017</b>
Interest on bank loans	<u>\$ 1,065</u>	<u>\$ 658</u>

## d. Depreciation and amortization

**For the Three Months Ended  
March 31**

	<b>2018</b>	<b>2017</b>
Property, plant and equipment	\$ 2,205	\$ 2,342
Intangible assets	<u>8,570</u>	<u>8,586</u>
Total	<u>\$ 10,775</u>	<u>\$ 10,928</u>

## An analysis of deprecation by function

Operating expenses	<u>\$ 2,205</u>	<u>\$ 2,342</u>
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An analysis of amortization by  
function

Operating expenses	<u>\$ 8,570</u>	<u>\$ 8,586</u>
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## e. Impairment loss on financial assets (Impairment reversals of financial assets)

**For the Three Months Ended  
March 31**

	<b>2018</b>	<b>2017</b>
Accounts receivables	<u>\$ 662</u>	<u>\$ -</u>

f. Employee benefits expense

	<b>For the Three Months Ended March 31</b>	
	<b>2018</b>	<b>2017</b>
Post-employment benefits		
Defined contribution plans	\$ 2,083	\$ 2,025
Other employee benefits	<u>50,960</u>	<u>46,535</u>
Total employee benefits expense	<u>\$ 53,043</u>	<u>\$ 48,560</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 53,043</u>	<u>\$ 48,560</u>

g. Employees' compensation and remuneration to directors and supervisors

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate in next year.

The appropriations of employees' compensation and remuneration to directors and supervisors for 2016 having have been resolved by the board of directors on March 20, 2017. Details were stated as below.

	<b>For the Year Ended December 31,2016</b>	
	<b>Cash</b>	<b>Share</b>
Bonus to employees	\$ 14,163	\$ -
Remuneration of directors and supervisors	1,800	-

Information on the employees' compensation/bonus to employees and the remuneration to directors/remuneration to directors and supervisors resolved by the Company's board of directors for the year 2018 and 2017 are available on the Market Observation Post System website of the TSE.

h. Gain or loss on foreign currency exchange

	<b>For the Three Months Ended March 31</b>	
	<b>2018</b>	<b>2017</b>
Foreign exchange gains	\$ 8,842	\$ 5,820
Foreign exchange losses	<u>(7,246)</u>	<u>(9,139)</u>
Net gain or loss	<u>\$ 1,596</u>	<u>\$ (3,319)</u>

## 22. INCOME TAXES

a. Major components of tax expenses recognized in profit or loss:

	<b>For the Three Months Ended March 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax		
In respect of the current period	\$ 677	\$ -
Adjustments tax for prior years	<u>-</u>	<u>(2,003)</u>
	677	(2,003)
Deferred tax		
In respect of the current period	(449)	2,003
Change in tax rate	<u>(903)</u>	<u>-</u>
Income tax expenses recognized in profit or loss	<u>\$ (675)</u>	<u>\$ -</u>

b. Income tax assessments

The tax returns through 2015 have been assessed by the tax authorities.



## 23. EARNINGS PER SHARE

	<b>For the Three Months Ended March 31</b>	
	<b>2018</b>	<b>2017</b>
Basic earnings per share	<u>\$ 0.05</u>	<u>\$ (0.30)</u>
Diluted earnings per share	<u>\$ 0.04</u>	<u>\$ (0.30)</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 29, 2017. The basic and diluted earnings per share adjusted retrospectively for the three months ended March 31, 2017 were as follows:

	<b>Before Adjusted Retrospectively</b>	<b>After Adjusted Retrospectively</b>
	Basic earnings per share	<u>\$ (0.33)</u>
Diluted earnings per share	<u>\$ (0.33)</u>	<u>\$ (0.30)</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

### Net Profit(Loss) for the Period

	<b>For the Three Months Ended March 31</b>	
	<b>2018</b>	<b>2017</b>
Earnings used in the computation of basic earnings per share	<u>\$ 1,563</u>	<u>\$(10,078)</u>
Earnings used in the computation of diluted earnings per share.	<u>\$ 1,563</u>	<u>\$(10,078)</u>

### Shares

	<b>(In Thousands of Shares)</b>	
	<b>For the Three Months Ended March 31</b>	
	<b>2018</b>	<b>2017</b>
Weighted average number of ordinary shares in computation of basic earnings per share	34,223	33,563
Effect of potentially dilutive ordinary shares:		
Employee share option	824	-
Employees' compensation	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>35,047</u>	<u>33,563</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 24. SHARE-BASED PAYMENT

a. Employee share option program granted in 103 years

Information on employee share options was as follows:

	For the Three Months Ended March 31			
	2018		2017	
	Number of Options (In Thousands)	Weighted-average Exercise Price(NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price(NT\$)
Balance at January 1	58	\$ 22	791	\$ 22
Options exercised	-	-	(733)	22
Overdue of this period	(58)	-	-	-
Balance at March 31	-	-	58	-
Options exercisable at March 31	-	-	58	-
Weighted-average fair value of options granted (\$)	\$ 7.78		\$ 7.78	

Compensation cost recognized was \$0, and \$175 thousand for the three months ended March 31, 2018 and 2017 respectively.

b. Employee share option program granted in 106 years

Information on employee share options was as follows:

	For the Three Months Ended March 31	
	2018	
	Number of Options (In Thousands)	Weighted-average Exercise Price(NT\$)
Balance at January 1	2,500	\$ 40.15
Balance at March 31	2,500	
Options exercisable at March 31	-	
Weighted-average fair value of options granted (\$)	\$ 8.00	

Compensation cost recognized was \$1,890 thousand for the three months ended March 31, 2018.

## 25. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Lessor	Leased Property	Leased Periods	Method of Payment	Rent Expense		The future Rents Payable	
				For the Three Months Ended March 31			
				2018	2017		
Sonix Technology Co., Ltd.	3F&9F., NO8, Ln. 32, Xianzheng 5 <sup>th</sup> St., Jhubei City, Hsinchu Country	2015.06-2018.06	Every month	\$ -	\$ 638		\$ -
Trusval Technology Co.,Ltd	3F.-2, No.83, Sec. 2, Gongdao 5th Rd., Hsinchu City	2017.08-2019.08	Every month	561	-	2018/4-12 2019	1,683 1,496

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Not later than 1 year	\$ 2,244	\$ 2,244	\$ 1,914
1 to 5 years	935	1,496	1,276
	\$ 3,179	\$ 3,740	\$ 3,190

## 26. CAPITAL MANAGEMENT

To determine an appropriate capital structure of the Group, the Group considers the external competition and the change in environment according to overall business environment and the future development trend of the Group. Key management personnel of the Group review the capital structure regularly. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. The Group manages its capital to ensure that the Group has all required funds to cover

necessary working capital, research and development expenses, and dividends for the future period, and to assure the Group is able to continue as going concerns and balances the return to shareholders with the interest of stakeholders, and to maintain an optimal capital structure in order to enhance shareholder value in the long term.

The capital structure of the Group consists of net debt (borrowings offset by cash) and equity of the Group (comprising issued capital, reserves, retained earnings, other equity).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

## 27. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments that are not carried at fair value

At the end of the reporting period, the Group believes the carrying amounts of debt investments with no active market, other receivables and loans, and financial liabilities measured at amortized cost, which recognized in the consolidated financial statements approximate their fair values.

### b. Categories of financial instruments

	<u>March 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>	<u>March 31,</u> <u>2017</u>
<u>Financial assets</u>			
Loans and receivables (1)	\$ -	\$ 519,859	\$ 575,659
Financial assets at amortized cost	410,791	-	-

#### Financial liabilities

Amortized cost (2)	446,419	199,181	270,042
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1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt instrument investments with no active market, trade receivables and restricted deposits.

2) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, trade payables and other payables.

### c. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, trade payables, and borrowings. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

#### 1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Approximately 99% of the Group's sales and cost were denominated in currencies other than the functional currency. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 29.

Sensitivity analysis

The Group was mainly exposed to USD.

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with New Taiwan dollars strengthen 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	<b>USD Impact</b>	
	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2018</b>	<b>2017</b>
Profit or loss	(\$ 912) (i)	(\$ 1,009) (i)

i. This was mainly attributable to the exposure outstanding on USD receivables and payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Fair value interest rate risk			
Financial assets	\$ 5,063	\$ 2,059	\$ 44,850
Cash flow interest rate risk			
Financial assets	164,804	301,838	417,914
Financial liabilities	255,058	74,640	158,149

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease was used when reporting interest rate risk internally to key management

personnel and represents management's assessment of the reasonably possible change in interest rates.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets.
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Group.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group has significant risk exposure to the Group's largest customer. As of March 31, 2018, December 31, 2017 and March 31, 2017, the gross trade receivables from the aforementioned customer were 29%, 23% and 13%, respectively.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of March 31, 2018, December 31, 2017 and March 31, 2017, the Group had available unutilized short-term bank loan facilities set out in (b) below.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

March 31, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-derivative financial liabilities					
Non-interest bearing					
Trade payables	\$ 103,863	\$ 37,768	\$ 2,686	\$ -	\$ -
Other payables	10,929	883	2,080	-	-
Variable interest rate liabilities	<u>20,000</u>	<u>235,058</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 134,792</u>	<u>\$ 273,709</u>	<u>\$ 4,766</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2017

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-derivative financial liabilities					
Non-interest bearing					
Trade payables	\$ 41,147	\$ 28,521	\$ 1,056	\$ -	\$ -
Other payables	10,557	4,003	-	-	-
Variable interest rate liabilities	<u>20,000</u>	<u>54,640</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 71,704</u>	<u>\$ 87,164</u>	<u>\$ 1,056</u>	<u>\$ -</u>	<u>\$ -</u>

March 31, 2017

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-derivative financial liabilities					
Non-interest bearing					
Trade payables	\$ 13,165	\$ 22,340	\$ 2,512	\$ -	\$ -
Other payables	8,148	1,791	-	-	-
Variable interest rate liabilities	<u>7,344</u>	<u>134,218</u>	<u>16,587</u>	<u>-</u>	<u>-</u>
	<u>\$ 28,657</u>	<u>\$ 158,349</u>	<u>\$ 19,099</u>	<u>\$ -</u>	<u>\$ -</u>

Note: Other payables excluded payables for salaries, pension, the bonus or compensation to employees, and the remuneration to directors and supervisors.

The amount included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Unsecured bank overdraft facility:			
Amount used	\$ 255,058	\$ 74,640	\$ 137,640
Amount unused	<u>246,912</u>	<u>429,280</u>	<u>373,845</u>
	<u>\$ 501,970</u>	<u>\$ 503,920</u>	<u>\$ 511,485</u>
Secured bank overdraft facility:			
Amount used	\$ -	\$ -	\$ 20,509
Amount unused	<u>40,000</u>	<u>40,000</u>	<u>149,491</u>
	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 170,000</u>

**28. TRANSACTIONS WITH RELATED PARTIES**

Besides as disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

Compensation of key management personnel

	<b>For the Three Months Ended March 31</b>	
	<b>2018</b>	<b>2017</b>
Short-term employee benefits	<u>\$ 3,373</u>	<u>\$ 3,304</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

## 29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for the suppliers as procurement loans and the tariff of imported guarantees:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Pledged time deposits(Financial assets at amortized cost)	\$ 5,063	\$ -	\$ -
Pledged time deposits(Debt investments with no active market)	-	2,059	2,050
Restricted demand deposits - liquidity	4,048	4,094	6,592
Land	44,592	44,592	44,592
Buildings	<u>28,912</u>	<u>29,123</u>	<u>29,756</u>
	<u>\$ 82,615</u>	<u>\$ 79,868</u>	<u>\$ 82,990</u>

## 30. SIGNIFICANT ASSETS AND LIABILITIES DEMONSTRATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

### March 31, 2018

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 10,101	29.105	\$ 293,990
RMB	197	4.647	915
KRW	2,184	0.028	<u>60</u>
			<u>\$ 294,965</u>
<u>Financial liabilities</u>			
Monetary items			
USD	12,675	29.105	<u>\$ 368,906</u>

### December 31, 2017

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 11,708	29.760	\$ 348,430
RMB	348	4.565	1,589
KRW	3,184	0.028	<u>90</u>
			<u>\$ 350,109</u>
<u>Financial liabilities</u>			
Monetary items			
USD	3,433	29.760	<u>\$ 102,166</u>

### March 31, 2017

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 7,195	30.330	\$ 218,230
RMB	532	4.407	2,344
KRW	3,877	0.027	<u>106</u>
			<u>\$ 220,680</u>
<u>Financial liabilities</u>			
Monetary items			
USD	4,787	30.330	<u>\$ 145,185</u>

The significant (unrealized) foreign exchange gains (losses) were as follows:

	For the Three Months Ended March 31, 2018		For the Three Months Ended March 31, 2017	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
<b>Foreign Currencies</b>				
USD	29.105	\$ 1,117	30.330	\$ 86

### 31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (None)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (None)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
- 9) Trading in derivative instruments. (None)
- 10) Information on investees. (Table 2)
- 11) Intercompany relationships and significant intercompany transactions. (Table 1)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 3)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (Table 4)

### 32. SEGMENT INFORMATION

The Group engages mainly in integrated circuit design, and there was single operating segment for the three months ended March 31, 2018 and 2017. Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.



**TABLE 1****ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES****INFORMATION ON INVESTEEES****FOR THE THREE MONTHS ENDED MARCH 31, 2018****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2017			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				September 30, 2017	December 31, 2016	Shares	%	Carrying Amount			
ASolid Technology Co., Ltd.	Advanced Memory Technology Co., Ltd.	6F., No.1-1, Sec. 1, Chongqing N. Rd., Datong Dist., Taipei City	Integrated circuit design	\$ 21,860	\$ 21,860	2,450	37.12%	\$ 1,752	\$ (538)	\$ (200)	-
ASolid Technology Co., Ltd.	Innostor Technology Corporation	9F., No.8, Ln. 32, Xianzheng 5th St., Jhubei City, Hsinchu County	Integrated circuit design	59,281	59,281	5,928	69.74%	29,594	(3,888)	(3,412)	-
Innostor Technology Corporation	Innostor Technology (Samoa) Limited	SAMOA	Investment holding company	2,626 (USD 80)	2,626 (USD 80)	80,000	100%	(236)	-	-	-

Note 1 : Please refer to Table 3 for information on investment in Mainland China.

## ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2018  
(In Thousands of New Taiwan Dollars)

March 31, 2018

No. (Note 1)	Investee Company	Counterparty	Relationship(Note 2)	Transactions Details (Note 3)			
				Financial Statement Accounts	Amount	% to Total Sales or Assets	Payment Terms
0	ASolid Technology Co., Ltd.	Innostor Technology Corporation	1	Sales revenue	\$ 9,049	-	-
				Other revenue	36	-	-
				Rent revenue	247	-	-
				Other receivables	45,690	3%	-
1	Innostor Technology Corporation	Innostor Technology (Shenzhen ) Ltd.	3	Experimental research service fees	1,790	-	-

March 31, 2017

No. (Note 1)	Investee Company	Counterparty	Relationship(Note 2)	Transactions Details (Note 3)			
				Financial Statement Accounts	Amount	% to Total Sales or Assets	Payment Terms
0	ASolid Technology Co., Ltd.	Advanced Memory Technology Co., Ltd.	1	Other revenue	\$ 45	-	-
				Sales revenue	1,249	-	-
1	Innostor Technology Corporation	Innostor Technology (Shenzhen ) Ltd.	3	Experimental research service fees	1,798	-	-

Note 1: No. 0 represents the parent company.

Note 2: No. 1 represents the transactions from parent company to subsidiary.

Note 3: Balances and transactions between the company and its subsidiaries, have been eliminated on consolidation.

**ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**TABLE 3**

**INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE THREE MONTHS ENDED MARCH 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2018	Net Income (Loss) of the Investee	% Ownership for Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2018	Accumulated Inward Remittance of Investment Income as of March 31, 2018	Note
					Outward	Inward							
Innostor Technology (Shenzhen ) Ltd.	Consumer electronics, services business	\$ 2,626 (USD80)	Through the investing company in the third country	\$ 2,626 (USD 80) (Note 2)	\$ -	\$ -	\$ 2,626 (USD80) (Note 2)	\$ -	69.74%	\$ -	(\$ 236)	\$ -	Subsidiary

Accumulated Investment in Mainland China as of March 31, 2018	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment (Note 1)
\$2,626 (USD 80)	\$2,626 (USD 80)	\$489,671

Note 1 : In accordance with the Provisions on the Examination of Investment or Technical Cooperation in the Mainland Area as stipulated by the Investment Commission of the Ministry of Economic Affairs.

Note 2 : The Company indirectly hold Innostor Technology (Shenzhen ) Ltd. from the acquired Innostor Technology Corporation on September 26, 2016.