

HITRON TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
June 30, 2019, December 31, 2018 and June 30, 2018 (June 30, 2019 and 2018 are unaudited)

UNIT : NTD (In Thousands)

Assets	Notes	June 30, 2019 (Reviewed)	%	December 31, 2018 (Audited)	%	June 30, 2018 (Reviewed)	%	Liabilities & Equity	Notes	June 30, 2019 (Reviewed)	%	December 31, 2018 (Audited)	%	June 30, 2018 (Reviewed)	%
Current assets								Current liabilities							
Cash and cash equivalents		\$1,813,549	21.78	\$2,241,177	22.50	\$3,191,575	37.56	Short-term borrowings		\$1,809,587	21.74	\$1,644,650	16.51	\$902,482	10.62
Financial assets at fair value through profit or loss - current		110,534	1.33	107,950	1.08	104,076	1.22	Financial liabilities at fair value through profit or loss - current		7,764	0.09	-	-	-	-
Financial assets at amortized cost		30,000	0.36	30,000	0.30	-	-	Contract liabilities- current		383,287	4.60	414,677	4.16	236,353	2.78
Notes receivable, net		46,450	0.56	52,311	0.53	24,738	0.29	Notes payable		1,659	0.02	1,813	0.02	5,255	0.06
Accounts receivable, net		1,958,456	23.52	1,973,494	19.81	1,032,790	12.15	Accounts payable		1,223,200	14.69	2,928,456	29.40	1,639,805	19.30
Other receivables		108,668	1.31	337,858	3.39	7,803	0.09	Other Payables		696,979	8.37	481,126	4.83	734,132	8.64
Income tax assets		18,533	0.22	18,098	0.18	65,467	0.77	Income tax payable		48,789	0.59	38,487	0.39	89,672	1.06
Inventories		2,316,446	27.82	3,310,356	33.23	2,256,618	26.56	Provisions - current		163,507	1.96	184,774	1.85	272,175	3.20
Prepayments		400,876	4.82	585,753	5.88	452,270	5.32	Lease liabilities-current		47,688	0.57	-	-	-	-
Other current assets		7,855	0.10	5,317	0.06	37,152	0.45	Other current liabilities		12,945	0.17	190,612	1.92	265,090	3.12
Sub-total		<u>6,811,367</u>	<u>81.82</u>	<u>8,662,314</u>	<u>86.96</u>	<u>7,172,489</u>	<u>84.41</u>	Sub-total		<u>4,395,405</u>	<u>52.80</u>	<u>5,884,595</u>	<u>59.08</u>	<u>4,144,964</u>	<u>48.78</u>
Non-current assets								Non-current liabilities							
Financial assets at fair value through other comprehensive income		16,667	0.20	16,667	0.17	18,910	0.22	Long-term borrowings		93,180	1.12	122,800	1.23	274,320	3.23
Property, plant and equipment		947,120	11.38	959,324	9.63	1,024,554	12.06	Provisions - non-current		45,999	0.55	61,469	0.62	64,405	0.76
Right-of-use assets		254,822	3.06	-	-	-	-	Deferred income tax liabilities		8,241	0.10	8,867	0.09	17,729	0.21
Intangible assets		60,209	0.72	83,464	0.84	65,261	0.77	Lease liabilities -non-current		48,776	0.59	-	-	-	-
Deferred income tax assets		66,267	0.80	57,422	0.58	50,546	0.59	Other non-current liabilities		742	0.01	2,429	0.02	10,610	0.13
Other non-current assets		168,646	2.02	181,938	1.82	165,842	1.95	Sub-total		<u>196,938</u>	<u>2.37</u>	<u>195,565</u>	<u>1.96</u>	<u>367,064</u>	<u>4.33</u>
Sub-total		<u>1,513,731</u>	<u>18.18</u>	<u>1,298,815</u>	<u>13.04</u>	<u>1,325,113</u>	<u>15.59</u>	Total liabilities		<u>4,592,343</u>	<u>55.17</u>	<u>6,080,160</u>	<u>61.04</u>	<u>4,512,028</u>	<u>53.11</u>
Equity								Equity attributable to owners of parent							
								Share capital							
								Common stock							
								Share capital collected in advance							
								Capital surplus							
								Retained earnings							
								Legal reserve							
								Special reserve							
								Unappropriated retained earnings							
								Other equity interest							
								Treasury stock							
								Total equity attributable to owners of the parent							
								Non-controlling interests							
								Total equity							
								Total liabilities and equity							
Total assets		<u>\$8,325,098</u>	<u>100.00</u>	<u>\$9,961,129</u>	<u>100.00</u>	<u>\$8,497,602</u>	<u>100.00</u>			<u>\$8,325,098</u>	<u>100.00</u>	<u>\$9,961,129</u>	<u>100.00</u>	<u>\$8,497,602</u>	<u>100.00</u>

The accompanying notes are an integral part of financial statements

HITRON TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three Months and Six Months Periods Ended June 30, 2019 and 2018
(Reviewed, Not Audited)

UNIT : NTD (In Thousands)

Item	Notes	For the Three Months Periods Ended June 30				For the Six Months Periods Ended June 30			
		2019	%	2018	%	2019	%	2018	%
Operating revenue		\$2,816,346	100.00	\$1,713,238	100.00	\$5,402,850	100.00	\$3,603,317	100.00
Operating costs		(2,259,929)	(80.24)	(1,263,904)	(73.77)	(4,415,148)	(81.72)	(2,760,369)	(76.61)
Operating margin		556,417	19.76	449,334	26.23	987,702	18.28	842,948	23.39
Net operating margin		556,417	19.76	449,334	26.23	987,702	18.28	842,948	23.39
Operating expenses									
Selling expenses		(149,439)	(5.31)	(137,105)	(8.00)	(302,416)	(5.60)	(281,684)	(7.82)
General and administrative expenses		(140,339)	(4.98)	(112,577)	(6.57)	(279,569)	(5.17)	(224,065)	(6.22)
Research and development expenses		(100,912)	(3.58)	(83,228)	(4.86)	(193,552)	(3.58)	(163,445)	(4.54)
Expected credit gains(losses)		2,481	0.08	594	0.03	3,600	0.06	(873)	(0.01)
Sub-total		(388,209)	(13.79)	(332,316)	(19.40)	(771,937)	(14.29)	(670,067)	(18.59)
Net operating income (loss)		168,208	5.97	117,018	6.83	215,765	3.99	172,881	4.80
Non-operating income and expense									
Other income		3,327	0.12	3,616	0.21	6,842	0.13	7,614	0.21
Other gains and loss		(10,525)	(0.37)	(41,798)	(2.44)	5,992	0.11	(22,793)	(0.63)
Financial costs		(21,148)	(0.75)	(12,631)	(0.74)	(44,165)	(0.82)	(22,282)	(0.62)
Sub-total		(28,346)	(1.00)	(50,813)	(2.97)	(31,331)	(0.58)	(37,461)	(1.04)
Profit before tax		139,862	4.97	66,205	3.86	184,434	3.41	135,420	3.76
Income tax		(31,847)	(1.13)	(14,203)	(0.82)	(32,408)	(0.60)	(34,932)	(0.97)
Profit from continuing operations		108,015	3.84	52,002	3.04	152,026	2.81	100,488	2.79
Profit for the period		108,015	3.84	52,002	3.04	152,026	2.81	100,488	2.79
Other comprehensive income(loss)									
Items that may be reclassified subsequently to profit or loss									
Exchange differences arising from translation of foreign operations		(12,676)	(0.45)	(3,164)	(0.18)	7,877	0.15	7,227	0.20
Other comprehensive income(loss) for the period		(12,676)	(0.45)	(3,164)	(0.18)	7,877	0.15	7,227	0.20
Total comprehensive income for the period		95,339	3.39	48,838	2.86	159,903	2.96	107,715	2.99
Profit attributable to :									
Owners of parent		66,941	2.38	35,349	2.06	82,968	1.54	58,539	1.62
Non-controlling interests		41,074	1.46	16,653	0.97	69,058	1.27	41,949	1.17
Total		108,015	3.84	52,002	3.04	152,026	2.81	100,488	2.79
Total comprehensive income attributable to :									
Owners of parent		54,265	1.93	32,504	1.90	90,845	1.68	65,766	1.83
Non-controlling interests		41,074	1.46	16,334	0.95	69,058	1.28	41,949	1.16
Total		\$95,339	3.39	\$48,838	2.86	\$159,903	2.96	\$107,715	2.99
Earnings per share									
Basic earnings per share		\$0.3		\$0.14		\$0.38		\$0.24	
Diluted earnings per share		\$0.3		\$0.14		\$0.37		\$0.23	

The accompanying notes are an integral part of financial statements

HITRON TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Six Months Periods Ended June 30, 2019 and 2018

UNIT : NTD (In Thousands)

Summary	Stockholders' equity of Parent Company								Treasury stock	Sub Total	Non-controlling interests	Total equity	
	Stock		Capital surplus	Retained Earnings			Equity Adjustments						
	Common Stock	Share capital collected in advance		Legal Reserve	Special Reserve	Unappropriated retained earnings	Exchange differences on translation of foreign operations	Unrealized gains or losses on investments in equity instruments at fair value through other comprehensive income					Unrealized gain or loss on available-for-sale financial assets
Balance on January 1, 2018	\$2,297,357	\$117,500	\$687,987	\$174,139	\$25,386	\$338,155	\$(43,971)	\$-	\$1,345	\$-	\$3,597,898	\$545,549	\$4,143,447
Effect of retrospective application	-	-	-	-	-	-	-	-	1,345	(1,345)	-	-	-
Adjusted balance on January 1, 2018	<u>2,297,357</u>	<u>117,500</u>	<u>687,987</u>	<u>174,139</u>	<u>25,386</u>	<u>338,155</u>	<u>(43,971)</u>	<u>-</u>	<u>1,345</u>	<u>-</u>	<u>3,597,898</u>	<u>545,549</u>	<u>4,143,447</u>
Appropriation and distribution of retained earnings 2017													
Legal reserve	-	-	-	32,734	-	(32,734)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	17,240	(17,240)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(288,181)	-	-	-	-	(288,181)	-	(288,181)
Cash dividends from capital surplus	-	-	(15,610)	-	-	-	-	-	-	-	(15,610)	-	(15,610)
Other	-	-	72	-	-	-	-	-	-	-	72	-	72
Net income for the six-months ended June 30, 2018	-	-	-	-	-	58,539	-	-	-	-	58,539	41,948	100,487
Other comprehensive income for the six-months ended June 30, 2018. net of income tax	-	-	-	-	-	-	7,226	-	-	-	7,226	-	7,226
Bonds payable converted into common stock and capital surplus	174,075	(110,217)	52,417	-	-	-	-	-	-	-	116,275	-	116,275
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(78,142)	(78,142)
Balance on June 30, 2018	<u>\$2,471,432</u>	<u>\$7,283</u>	<u>\$724,866</u>	<u>\$206,873</u>	<u>\$42,626</u>	<u>\$58,539</u>	<u>\$(36,745)</u>	<u>\$-</u>	<u>\$1,345</u>	<u>\$-</u>	<u>\$3,476,219</u>	<u>\$509,355</u>	<u>\$3,985,574</u>
Balance on January 1, 2019	\$2,242,940	\$165	\$729,418	\$206,873	\$42,626	\$192,739	\$(56,778)	\$163	\$-	\$-	\$3,358,146	\$522,823	\$3,880,969
Appropriation and distribution of retained earnings 2018													
Legal reserve	-	-	-	19,196	-	(19,196)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	13,989	(13,989)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(159,554)	-	-	-	-	(159,554)	-	(159,554)
Cash dividends from capital surplus	-	-	(20,494)	-	-	-	-	-	-	-	(20,494)	-	(20,494)
Net income for the six-months ended June 30, 2019	-	-	-	-	-	82,968	-	-	-	-	82,968	69,058	152,026
Other comprehensive income for the six-months ended June 30, 2019. net of income tax	-	-	-	-	-	-	7,877	-	-	-	7,877	-	7,877
Bonds payable converted into common stock and capital surplus	35,055	11,703	38,210	-	-	-	-	-	-	-	84,968	-	84,968
Treasury stock acquired	-	-	-	-	-	-	-	-	-	(160,442)	(160,442)	-	(160,442)
From differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	-	23,230	-	-	-	-	-	-	-	23,230	-	23,230
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(75,824)	(75,824)
Rounding	(1)	-	-	-	-	-	-	-	-	-	(1)	-	(1)
Balance on June 30, 2019	<u>\$2,277,994</u>	<u>\$11,868</u>	<u>\$770,364</u>	<u>\$226,069</u>	<u>\$56,615</u>	<u>\$82,968</u>	<u>\$(48,901)</u>	<u>\$163</u>	<u>\$-</u>	<u>\$(160,442)</u>	<u>\$3,216,698</u>	<u>\$516,057</u>	<u>\$3,732,755</u>

The accompanying notes are an integral part of financial statements

HITRON TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Periods Ended June 30, 2019 and 2018

UNIT : NTD (In Thousands)

Items	For the Six Months Periods Ended June 30	
	2019	2018
Cash flows from operating activities		
Profit before income tax	\$184,434	\$135,420
Adjusted items:		
Income and expenses having no effect on cash flows		
Depreciation	110,197	84,855
Amortization	16,231	10,619
Expected credit gain (losses)	(3,600)	873
Net gains of financial assets (liabilities) at fair value through profit or loss	1,258	(408)
Interest expense	44,165	22,281
Interest income	(2,398)	(5,130)
Loss(gain) on disposal and obsolescence of property, plant and equipment	130	19
Loss(gain) on disposal of investments	(243)	(2,092)
Loss(gain) on disposal of investments accounted for using equity method	-	1,631
Changes in current assets and liabilities related to operating activities		
(Increase)decrease in held-for-trading financial assets	-	18,364
(Increase)decrease in notes receivable	5,860	791
(Increase)decrease in accounts receivable	18,638	89,345
(Increase)decrease in other receivables	228,666	13,185
(Increase)decrease in inventories	993,620	(812,221)
(Increase)decrease in prepaid expenses	(2,935)	(16,021)
(Increase)decrease in prepayments	186,354	(130,412)
(Increase)decrease in other current assets	(2,537)	4,011
Increase(decrease) in contract liability	(31,391)	93,256
Increase(decrease) in notes payable	(154)	3,377
Increase(decrease) in accounts payable	(1,705,256)	431,437
Increase(decrease) in other payables	(92,302)	(177,587)
Increase(decrease) in provisions	(36,737)	(3,567)
Increase(decrease) in advanced receipts	-	(5,273)
Increase(decrease) in other current liabilities	866	4,473
Increase(decrease) in net defined benefit liability	-	(22,851)
Interest received	2,922	4,523
Interest paid	(46,803)	(17,095)
Income taxes refund (paid)	(32,014)	23,404
Net cash generated from (used in) operating activities	<u>(163,029)</u>	<u>(250,793)</u>
Cash flows from investing activities		
Proceeds from disposal of financial assets at fair value through profit or loss	4,233	-
Acquisition of investments accounted for using equity method	(2,506)	-
Proceeds from disposal of investments accounted for using equity method	43,657	11,167
Acquisition of property, plant and equipment	(24,066)	(14,824)
Proceeds from disposal of property, plant and equipment	62	242
Decrease in refundable deposits	24,590	13,832
Acquisition of intangible assets	(11,998)	(902)
Acquisition of right-of-use assets	(130,407)	-
Increase in other financial assets	(1,000)	-
Increase in other non-current assets	(20,729)	(3,574)
Increase in prepayments for equipment	(5,018)	(14,546)
Liquidation and return of shares by investments accounted for using equity method	16	-
Net cash generated from (used in) investing activities	<u>(123,166)</u>	<u>(8,605)</u>
Cash flows from (used in) financing activities		
Increase in short-term borrowings	164,937	148,029
Repayment of bonds payable	(1,700)	-
Increase in long-term borrowings	-	15,680
Decrease in long-term borrowings	(121,720)	-
Decrease in financial liabilities at fair value through profit or loss, designated as upon initial recognition	(67)	(279)
Repayment of the principal portion of lease liabilities	(25,997)	-
Increase in other non-current liabilities	-	14,718
Decrease in other non-current liabilities	(468)	-
Treasury stock acquired	(160,442)	-
Increase(decrease) in non-controlling interests	20,235	(856)
Net cash generated from (used in) financing activities	<u>(125,222)</u>	<u>177,292</u>
Effect of exchange rate	(16,211)	(5,815)
Net decrease in cash and cash equivalents	(427,628)	(87,921)
Cash and cash equivalents at the beginning of period	2,241,177	3,279,496
Cash and cash equivalents at the end of period	<u>\$1,813,549</u>	<u>\$3,191,575</u>

The accompanying notes are an integral part of financial statements