

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

**Consolidated Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report**

ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019		2018	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 508,550	37	\$ 370,957	28
Financial assets at amortized cost-current	25,029	2	5,073	-
Notes receivable –Net	-	-	9	-
Trade receivable, from unrelated parties	255,123	19	284,745	22
Other receivables	182	-	6,065	-
Current tax assets	35	-	25	-
Inventories	400,665	30	458,678	35
Prepayments	12,430	1	28,886	2
Other current assets	<u>1,301</u>	<u>-</u>	<u>5,621</u>	<u>-</u>
Total current assets	<u>1,203,315</u>	<u>89</u>	<u>1,160,059</u>	<u>87</u>
NON-CURRENT ASSETS				
Property, plant and equipment	88,138	7	91,024	7
Goodwill	5,139	-	18,576	2
Other intangible assets	38,397	3	40,249	3
Deferred tax assets	15,533	1	14,866	1
Other non-current assets	<u>1,564</u>	<u>-</u>	<u>1,435</u>	<u>-</u>
Total non-current assets	<u>148,771</u>	<u>11</u>	<u>166,150</u>	<u>13</u>
TOTAL ASSETS	<u>\$ 1,352,086</u>	<u>100</u>	<u>\$ 1,326,209</u>	<u>100</u>

	2019		2018	
	Amount	%	Amount	%
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 149,900	11	\$ 112,160	9
Contract liability-current	3,439	-	8,787	1
Trade payables to unrelated parties	152,554	12	229,802	17
Other payables	67,607	5	58,090	4
Current tax liabilities	11,513	1	8,572	1
Advance Receipts and other current liabilities	<u>549</u>	<u>-</u>	<u>717</u>	<u>-</u>
Total current liabilities	<u>385,562</u>	<u>29</u>	<u>418,128</u>	<u>32</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities	4,083	-	3,585	-
Guarantee deposits received	<u>114</u>	<u>-</u>	<u>114</u>	<u>-</u>
Total non-current liabilities	<u>4,197</u>	<u>-</u>	<u>3,699</u>	<u>-</u>
Total liabilities	<u>389,759</u>	<u>29</u>	<u>421,827</u>	<u>32</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Ordinary shares	<u>393,835</u>	<u>29</u>	<u>342,231</u>	<u>26</u>
Capital surplus				
Additional paid-in capital	390,344	29	389,626	29
Employee share options	<u>17,609</u>	<u>1</u>	<u>12,515</u>	<u>1</u>
Total capital surplus	<u>407,953</u>	<u>30</u>	<u>402,141</u>	<u>30</u>
Retained earnings				
Legal reserve	49,104	4	41,593	3
Unappropriated retained earnings	<u>111,668</u>	<u>8</u>	<u>109,369</u>	<u>8</u>
Total retained earnings	<u>160,772</u>	<u>12</u>	<u>150,962</u>	<u>11</u>
Other equity	<u>11</u>	<u>-</u>	<u>8</u>	<u>-</u>
Total equity attributable to owner of the company	<u>962,571</u>	<u>71</u>	<u>895,342</u>	<u>67</u>
NON-CONTROLLING INTERESTS	<u>(244)</u>	<u>-</u>	<u>9,040</u>	<u>1</u>
Total equity	<u>962,327</u>	<u>71</u>	<u>904,382</u>	<u>68</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 1,352,086</u>	<u>100</u>	<u>\$ 1,326,209</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, 2019 AND 2018

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

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE	\$1,073,764	100	\$1,127,799	100
OPERATING COSTS	<u>(533,580)</u>	<u>(50)</u>	<u>(652,489)</u>	<u>(58)</u>
GROSS PROFIT	<u>540,184</u>	<u>50</u>	<u>475,310</u>	<u>42</u>
OPERATING EXPENSES				
Selling and marketing	(76,863)	(7)	(70,070)	(6)
General and administrative	(79,603)	(7)	(75,066)	(7)
Research and development	(277,555)	(26)	(260,463)	(23)
Expected credit loss	<u>(16,000)</u>	<u>(2)</u>	<u>(2,662)</u>	<u>-</u>
Total operating expenses	<u>(450,021)</u>	<u>(42)</u>	<u>(408,261)</u>	<u>(36)</u>
PROFIT FROM OPERATIONS	<u>90,163</u>	<u>8</u>	<u>67,049</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	1,059	-	2,209	-
Other gains and losses	(12,136)	(1)	5,760	1
Financial costs	<u>(5,611)</u>	<u>-</u>	<u>(5,666)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(16,688)</u>	<u>(1)</u>	<u>2,303</u>	<u>-</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	73,475	7	69,352	6
INCOME TAX EXPENSE	<u>(17,550)</u>	<u>(2)</u>	<u>(349)</u>	<u>-</u>
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	<u>55,925</u>	<u>5</u>	<u>69,003</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ 4	-	\$ 4	-
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>\$55,929</u>	<u>5</u>	<u>\$69,007</u>	<u>6</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$61,144	6	\$75,113	7
Non-controlling interests	<u>(5,219)</u>	<u>(1)</u>	<u>(6,110)</u>	<u>(1)</u>
	<u>\$55,925</u>	<u>5</u>	<u>\$69,003</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$61,147	6	\$75,116	7
Non-controlling interests	<u>(5,218)</u>	<u>(1)</u>	<u>(6,109)</u>	<u>(1)</u>
	<u>\$55,929</u>	<u>5</u>	<u>\$69,007</u>	<u>6</u>
EARNINGS PER SHARE				
Basic	<u>\$1.55</u>		<u>\$2.19</u>	
Diluted	<u>\$1.54</u>		<u>\$2.17</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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company								
	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	Non-controlling Interests	Total Equity
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 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	-	-	-	-	-	-	-	(875)	(875)
BALANCE, DECEMBER 31, 2018	34,223	342,231	389,626	12,515	41,593	109,369	8	9,040	904,382
Appropriations of 2018earnings									
Legal reserve	-	-	-	-	7,511	(7,511)	-	-	-
Share dividends distributed by the Company	5,134	51,334	-	-	-	(51,334)	-	-	-
Net profit for the year ended December 31, 2019	-	-	-	-	-	61,144	-	(5,219)	55,925
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	3	1	4
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	61,144	3	(5,218)	55,929
Other changes in capital surplus									
Recognition of employee share options by the Company	-	-	-	5,094	-	-	-	-	5,094
Issue of ordinary shares under employee share options	27	270	718	-	-	-	-	-	988
Non-controlling Interests	-	-	-	-	-	-	-	(4,066)	(4,066)
BALANCE, DECEMBER 31, 2019	39,384	\$ 393,835	\$ 390,344	\$ 17,609	\$ 49,104	\$ 111,668	\$ 11	\$ (244)	\$ 962,327

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, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 73,475	\$ 69,352
Depreciation expenses	7,769	8,068
Amortization expenses	29,268	34,702
Provision (reversal of provision) for bad debt expense	16,000	2,662
Finance costs	5,611	5,666
Interest income	(476)	(349)
Compensation cost of employee share options	5,094	7,561
Gain for market price decline and obsolete and slow-moving inventories	15,000	35,465
Impairment loss of intangible assets	13,437	4,375
Unrealized foreign exchange loss (gain)	(6,815)	(8,666)
Changes in operating assets and liabilities:		
Notes receivables	9	86
Trade receivables	9,887	(91,266)
Other receivables	1,014	15,517
Inventories	43,013	(167,156)
Prepayments	16,421	2,376
Other current assets	4,320	(732)
Notes payable	(5,348)	8,787
Trade payables	(74,100)	158,572
Other payables	9,517	4,387
Other current liabilities	<u>(168)</u>	<u>(30,823)</u>
Cash generated from operations	162,928	58,584
Interest paid	(5,611)	(5,666)
Income tax paid	<u>(9,884)</u>	<u>-</u>
Net cash generated from (used in) operating activities	<u>147,433</u>	<u>52,918</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Financial assets at amortized cost	(19,941)	(3,000)
Payments for property, plant and equipment	(5,596)	(4,433)
Proceeds from sale of property, plant and equipment	711	-
Increase in refundable deposits	(129)	(133)
Payments for intangible assets	(28,700)	(19,241)
Proceeds from sale of intangible assets	1,284	9
Interest received	<u>461</u>	<u>335</u>
Net cash generated from (used in) investing activities	<u>(51,910)</u>	<u>(26,463)</u>

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ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	\$ 826,642	\$ 855,919
Decrease in short-term loans	(787,852)	(818,236)
Exercise of employee share options	988	-
Non-controlling Interests change	<u>(4,066)</u>	<u>(875)</u>
Net cash generated from (used in) financing activities	<u>35,712</u>	<u>36,808</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>6,358</u>	<u>7,326</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	137,593	70,589
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>370,957</u>	<u>300,368</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 508,550</u>	<u>\$ 370,957</u>

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