

**Shieh Yih Machinery Industry Co., Ltd. and
Subsidiaries**

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

SHIEH YIH MACHINERY INDUSTRY CO., LTD. AND SUBSIDIARIES

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

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,470,110	28	\$ 1,527,387	27
Financial assets at fair value through profit or loss	198,716	4	34,993	1
Financial assets at amortized cost	271,842	5	155,231	3
Contract assets	58,616	1	114,060	2
Notes receivable	103,882	2	196,245	4
Trade receivables	336,536	6	632,948	11
Other receivables	12,249	-	15,639	-
Current tax assets	3,104	-	3,908	-
Inventories	1,103,386	21	1,090,653	20
Prepayments	33,935	1	73,369	1
Other current assets	1,281	-	2,022	-
Total current assets	<u>3,593,657</u>	<u>68</u>	<u>3,846,455</u>	<u>69</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income	58,131	1	58,993	1
Financial assets at amortized cost - non-current	3,467	-	3,463	-
Investments accounted for using equity method	45,306	1	65,208	1
Property, plant and equipment	1,304,536	25	1,367,164	25
Right-of-use assets	59,036	1	-	-
Investment properties	112,970	2	114,115	2
Intangible assets	8,721	-	8,717	-
Deferred tax assets	78,991	2	82,910	2
Refundable deposits	9,104	-	8,521	-
Long-term prepayments for lease	-	-	14,858	-
Other non-current assets	13,687	-	11,444	-
Total non-current assets	<u>1,693,949</u>	<u>32</u>	<u>1,735,393</u>	<u>31</u>
TOTAL	<u>\$ 5,287,606</u>	<u>100</u>	<u>\$ 5,581,848</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 208,532	4	\$ 208,966	4
Financial liabilities at fair value through profit or loss	-	-	14	-
Contract liabilities	425,532	8	536,257	10
Notes payable	184,592	4	64,482	1
Trade payables	660,295	12	1,026,315	19
Trade payables to related parties	554	-	17,985	-
Other payables	163,888	3	165,826	3
Current tax liabilities	6,364	-	14,344	-
Lease liabilities - current	18,816	-	-	-
Current portion of long-term borrowings	200,000	4	-	-
Other current liabilities	2,256	-	3,453	-
Total current liabilities	<u>1,870,829</u>	<u>35</u>	<u>2,037,642</u>	<u>37</u>
NON-CURRENT LIABILITIES				
Long-term borrowings	798,080	15	797,080	14
Deferred tax liabilities	90,291	2	128,826	2
Net defined benefit liabilities	82,852	2	97,964	2
Guarantee deposits received	804	-	736	-
Lease liabilities - non-current	26,622	-	-	-
Total non-current liabilities	<u>998,649</u>	<u>19</u>	<u>1,024,606</u>	<u>18</u>
Total liabilities	<u>2,869,478</u>	<u>54</u>	<u>3,062,248</u>	<u>55</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Ordinary shares	1,584,341	30	1,584,341	28
Capital surplus	284,515	5	313,033	6
Retained earnings				
Legal reserve	245,736	5	236,269	4
Special reserve	135,210	2	91,855	1
Unappropriated earnings	349,126	7	429,312	8
Total retained earnings	<u>730,072</u>	<u>14</u>	<u>757,436</u>	<u>13</u>
Other equity				
Exchange differences on translating foreign operations	(150,247)	(3)	(105,520)	(2)
Unrealized loss on financial assets at fair value through other comprehensive income	(30,553)	-	(29,690)	-
Total other equity	<u>(180,800)</u>	<u>(3)</u>	<u>(135,210)</u>	<u>(2)</u>
Total equity attributable to owners of the Company	<u>2,418,128</u>	<u>46</u>	<u>2,519,600</u>	<u>45</u>
Total equity	<u>2,418,128</u>	<u>46</u>	<u>2,519,600</u>	<u>45</u>
TOTAL	<u>\$ 5,287,606</u>	<u>100</u>	<u>\$ 5,581,848</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated March 17, 2020)

SHIEH YIH MACHINERY INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
GROSS SALES	\$ 3,359,219	100	\$ 3,903,811	100
LESS: SALES RETURNS	1,319	-	733	-
LESS: SALES ALLOWANCE	<u>960</u>	<u>-</u>	<u>580</u>	<u>-</u>
NET SALES	3,356,940	100	3,902,498	100
OPERATING COST	<u>2,467,607</u>	<u>74</u>	<u>2,863,414</u>	<u>73</u>
GROSS PROFIT	<u>889,333</u>	<u>26</u>	<u>1,039,084</u>	<u>27</u>
OPERATING EXPENSES				
Selling and marketing expenses	484,770	14	429,093	11
General and administrative expenses	241,679	7	361,677	10
Research and development expenses	137,902	4	156,960	4
Expected credit loss	<u>(12,776)</u>	<u>-</u>	<u>8,464</u>	<u>-</u>
Total operating expenses	<u>851,575</u>	<u>25</u>	<u>956,194</u>	<u>25</u>
PROFIT FROM OPERATIONS	<u>37,758</u>	<u>1</u>	<u>82,890</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	30,466	1	21,462	1
Rental income	6,057	-	5,932	-
Dividends income	2,352	-	3,163	-
Other income	25,320	1	5,914	-
(Loss) gain on disposal of property, plant and equipment	(1,194)	-	182	-
Gain on disposal of investment properties	-	-	6,438	-
Gain on valuation of financial instruments	2,316	-	3,786	-
Miscellaneous expenses	(21,580)	(1)	(2,117)	-
Foreign exchange gain (loss)	(22,585)	(1)	2,939	-
Share of the profit or loss of associates	(10,733)	-	6,073	-
Interest expenses	<u>(20,583)</u>	<u>-</u>	<u>(26,619)</u>	<u>-</u>
Total non-operating income and expenses	<u>(10,164)</u>	<u>-</u>	<u>27,153</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	27,594	1	110,043	3
INCOME TAX EXPENSE	<u>8,976</u>	<u>-</u>	<u>15,375</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>18,618</u>	<u>1</u>	<u>94,668</u>	<u>2</u>

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SHIEH YIH MACHINERY INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(4,006)	-	(6,922)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	(863)	-	368	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	801	-	1,398	-
	<u>(4,068)</u>	<u>-</u>	<u>(5,156)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(54,881)	(2)	(17,749)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	10,154	-	4,247	-
	<u>(44,727)</u>	<u>(2)</u>	<u>(13,502)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(48,795)</u>	<u>(2)</u>	<u>(18,658)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ (30,177)</u>	<u>(1)</u>	<u>\$ 76,010</u>	<u>2</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 18,618</u>	<u>1</u>	<u>\$ 94,668</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ (30,177)</u>	<u>(1)</u>	<u>\$ 76,010</u>	<u>2</u>
EARNINGS PER SHARE				
Basic	<u>\$ 0.12</u>		<u>\$ 0.60</u>	
Diluted	<u>\$ 0.12</u>		<u>\$ 0.60</u>	

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

(With Deloitte & Touche audit report dated March 17, 2020)

(Concluded)

SHIEH YIH MACHINERY INDUSTRY CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners to the Company										Non-controlling Interest	Total Equity	
	Share Capital	Share Premiums	Treasury Shares Transactions	Capital Surplus Changes in Percentage of Ownership Interest in Subsidiaries	Employee Stock Options - Expired	Restricted Shares for Employee	Legal Reserve	Special Reserve	Unappropriated Earnings	Other Equity Exchange Differences on Translating Foreign Operations			Unrealized Loss on Financial Assets at FVTOCI
BALANCE AT JANUARY 1, 2018	1,584,341	318,710	5,129	1,602	3,435	-	229,047	53,677	441,020	(92,018)	(30,058)	-	2,514,885
Appropriation of 2017 earnings													
Legal reserve	-	-	-	-	-	-	7,222	-	(7,222)	-	-	-	-
Special reserve	-	-	-	-	-	-	-	38,178	(38,178)	-	-	-	-
Cash dividends distributed by the Company	-	(15,843)	-	-	-	-	-	-	(55,452)	-	-	-	(71,295)
	-	(15,843)	-	-	-	-	7,222	38,178	(100,852)	-	-	-	(71,295)
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	-	94,668	-	-	-	94,668
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	-	-	(5,524)	(13,502)	368	-	(18,658)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	-	-	89,144	(13,502)	368	-	76,010
BALANCE AT DECEMBER 31, 2018	1,584,341	302,867	5,129	1,602	3,435	-	236,269	91,855	429,312	(105,520)	(29,690)	-	2,519,600
Appropriation of 2018 earnings													
Legal reserve	-	-	-	-	-	-	9,467	-	(9,467)	-	-	-	-
Special reserve	-	-	-	-	-	-	-	43,355	(43,355)	-	-	-	-
Cash dividends distributed by the Company	-	(28,518)	-	-	-	-	-	-	(42,777)	-	-	-	(71,295)
	-	(28,518)	-	-	-	-	9,467	43,355	(95,599)	-	-	-	(71,295)
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	-	-	18,618	-	-	-	18,618
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	-	-	(3,205)	(44,727)	(863)	-	(48,795)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	-	-	15,413	(44,727)	(863)	-	(30,177)
BALANCE AT DECEMBER 31, 2019	\$ 1,584,341	\$ 274,349	\$ 5,129	\$ 1,602	\$ 3,435	\$ -	\$ 245,736	\$ 135,210	\$ 349,126	\$ (150,247)	\$ (30,553)	\$ -	\$ 2,418,128

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

(With Deloitte & Touche audit report dated March 17, 2020)

SHIEH YIH MACHINERY INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 27,594	\$ 110,043
Adjustments for:		
Expected credit loss recognized on trade receivables/Impairment (gain) loss reversed on trade receivables	(12,776)	8,464
Depreciation expenses	127,322	111,621
Amortization expenses	8,012	5,324
Interest expenses	20,583	26,619
Amortization of prepayments for lease	-	426
Share of profit of associates	10,733	(6,073)
Interest income	(30,466)	(21,462)
Dividends income	(2,352)	(3,163)
Reversal of write-downs of inventories	(2,111)	(27,775)
Gain on disposal of property, plant and equipment	1,194	(182)
Gain on disposal of investment properties	-	(6,438)
Gain on valuation of financial assets instruments	(2,316)	(3,786)
Gain on foreign currency exchange	8,887	469
Changes in operating assets and liabilities:		
Financial assets mandatorily classified as at fair value through profit or loss	-	(31,304)
Contract assets	55,444	(114,060)
Notes receivable	92,453	188,695
Trade receivables	309,254	326,113
Other receivables	2,935	10,079
Inventories	(9,949)	(184,303)
Prepayments	40,434	(5,862)
Other current assets	743	(304)
Financial liabilities held for trading	3,462	2,084
Contract liabilities	(110,725)	192,280
Notes payable	120,110	(868)
Trade payables	(366,020)	173,648
Trade payables to related parties	(17,431)	7,903
Other payables	709	(55,059)
Other current liabilities	(1,202)	(3,807)
Net defined benefit liabilities	(18,315)	(9,919)
Cash generated from operations	256,206	689,403
Interest paid	(23,434)	(26,891)
Income tax paid	(42,237)	(61,539)
Net cash generated from operating activities	<u>190,535</u>	<u>600,973</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(164,883)	-
Proceeds from sale of financial assets at fair value through other comprehensive income	-	3,881

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SHIEH YIH MACHINERY INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Purchase of financial assets at amortized cost	(116,611)	(72,743)
Payments for property, plant and equipment	(63,410)	(88,443)
Proceeds from disposal of property, plant and equipment	5,567	255
Decrease in refundable deposits	(583)	1,672
Payments for intangible assets	(8,017)	(6,894)
Payments for investment properties	-	(7,421)
Proceeds from disposal of investment properties	-	139,725
(Increase)/decrease in other non-current assets	(2,548)	1,419
Interest received	30,917	20,693
Dividend received	<u>2,352</u>	<u>3,163</u>
Net cash generated from (used in) investing activities	<u>(317,216)</u>	<u>(4,693)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(434)	(178,780)
Proceeds from long-term borrowings	200,000	400,000
Repayments of long-term borrowings	-	(600,000)
Proceeds from guarantee deposits received	68	84
Dividends paid to owners of the Company	(71,295)	(71,295)
Repayment of the principal portion of lease liabilities	<u>(21,284)</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>107,055</u>	<u>(449,991)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(37,651)</u>	<u>(7,677)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(57,277)	138,612
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,527,387</u>	<u>1,388,775</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,470,110</u>	<u>\$ 1,527,387</u>

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

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(Concluded)