Sinmag Equipment Corporation

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sinmag Equipment Corporation

Opinion

We have audited the accompanying financial statements of Sinmag Equipment Corporation (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Company's financial statements for the year ended December 31, 2018 are stated as follows:

Key Audit Matter - Recognition of Revenue from Main Customers

The operating revenue from the main customers of the Company accounted for approximately 37% of the total operating revenue. There is also a significant difference between the change in operating revenue growth (decline) of the main customers and the change in overall operating revenue growth (decline) of the Company, resulting in a significant impact on the financial performance of the Company. Therefore, we deemed the validity of occurrence of sales revenue from the main customers as a key audit matter. The revenue recognition accounting policy is disclosed in Note 4 (l) to the financial statements.
We performed the following audit procedures in response to the above-mentioned key audit matter:

1. We understood the design and implementation of the internal controls related to the recognition of sales revenue, and designed the appropriate audit procedures on internal controls related to the validity of occurrence of sales revenue, in order to confirm and evaluate the effectiveness of the Company's internal control over sales revenue.

2. We selected samples from sales transactions, and reviewed sales orders, invoices and receipts, in order to confirm the validity of occurrence of sales.

3. We compared the changes in sales revenue, gross profit margin, trade receivables turnover rate and credit conditions of the main customers, between the current and previous year and evaluated the reasonableness of the changes.

Other Matter

We did not audit the financial statements of LBC Bakery Equipment Inc., a subsidiary included in the financial statements of the Company, but such financial statements were prepared using a different financial reporting framework and audited by other auditors. We have applied audit procedures on the conversion adjustments to the financial statements of LBC Bakery Equipment Inc., which conform to the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Our opinion, insofar as it relates to the amounts included for LBC Bakery Equipment Inc. prior to these conversion adjustments, is based solely on the report of other auditors and additional audit procedures to meet the relevant requirements of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. The investments accounted for using the equity method of LBC Bakery Equipment Inc. constituted 7% (NT$188,743 thousand) and 6% (NT$154,156 thousand), respectively, of total assets as of December 31, 2018 and 2017, and share of profit or loss of subsidiaries constituted 4% (NT$22,467 thousand) and 4% (NT$22,837 thousand), respectively, of profit before income tax from continuing operations for the years then ended.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chiang-Hsun Chen and Chao-Mei Chen.

Chiang-Hsun Chen Chao-Mei Chen

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2019

<u>*Notice to Readers*</u>

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

SINMAG EQUIPMENT CORPORATION

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

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Notes 4 and 6)	$ 56,184	2	$ 66,964	3
Notes receivable (Notes 4, 7 and 18)	46,139	2	39,990	2
Trade receivables (Notes 4, 7 and 18)	126,717	5	131,829	5
Trade receivables from related parties (Notes 4, 18 and 27)	41,291	2	93,152	4
Other receivables (Notes 4 and 7)	1,441	-	1,383	-
Current tax assets (Note 20)	10,616	-	9,786	-
Inventories (Notes 4 and 8)	100,457	4	68,914	3
Prepayments	1,728	-	12,205	-
Total current assets	384,573	15	424,223	17
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4, 9 and 27)	2,030,490	79	1,931,189	77
Property, plant and equipment (Notes 4, 10 and 28)	118,988	5	122,917	5
Other intangible assets (Notes 4 and 11)	486	-	846	-
Deferred tax assets (Notes 4 and 20)	20,713	1	16,365	1
Other financial assets - non-current (Notes 12 and 28)	64	-	63	-
Other non-current assets (Note 12)	391	-	750	-
Total non-current assets	2,171,132	85	2,072,130	83
TOTAL	$ 2,555,705	100	$ 2,496,353	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 13 and 28)	$ 150,000	6	$ 90,000	4
Contract liabilities - current (Notes 3, 4 and 18)	8,893	1	-	-
Notes payable	27,566	1	37,114	2
Notes payable to related parties (Note 27)	973	-	893	-
Trade payables	5,217	-	5,807	-
Trade payables to related parties (Note 27)	155,543	6	186,827	7
Other payables (Note 14)	54,496	2	54,956	2
Current tax liabilities (Notes 4 and 20)	-	-	15,737	1
Provisions - current (Notes 4 and 15)	131	-	131	-
Advance receipts	-	-	5,689	-
Total current liabilities	402,819	16	397,154	16
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 20)	87,298	3	91,236	3
Net defined benefit liabilities - non-current (Notes 4 and 16)	2,909	-	20,019	1
Total non-current liabilities	90,207	3	111,255	4
Total liabilities	493,026	19	508,409	20
EQUITY (Notes 4 and 17)				
Share capital				
Ordinary shares	502,302	20	485,316	19
Capital surplus	75,738	3	74,943	3
Retained earnings				
Legal reserve	455,057	18	401,642	16
Special reserve	84,646	3	70,718	3
Unappropriated earnings	1,046,591	41	1,039,971	42
Total retained earnings	1,586,294	62	1,512,331	61
Other equity	(101,655)	(4)	(84,646)	(3)
Total equity	2,062,679	81	1,987,944	80
TOTAL	$ 2,555,705	100	$ 2,496,353	100

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

(With Deloitte & Touche auditors' report dated March 14, 2019)

SINMAG EQUIPMENT CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 18 and 27)				
Sales	$ 925,896	98	$ 1,107,255	98
Service revenue	21,430	2	26,908	2
Total operating revenue	947,326	100	1,134,163	100
OPERATING COSTS				
Cost of goods sold (Notes 8, 19 and 27)	(798,757)	(84)	(943,826)	(83)
Service cost	(2,609)	-	(2,767)	-
Total operating costs	(801,366)	(84)	(946,593)	(83)
GROSS PROFIT	145,960	16	187,570	17
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Note 4)	(11,433)	(1)	(12,997)	(1)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Note 4)	12,997	1	13,067	1
REALIZED GROSS PROFIT	147,524	16	187,640	17
OPERATING EXPENSES (Notes 4, 19 and 27)				
Selling and marketing expenses	(58,589)	(6)	(62,772)	(6)
General and administrative expenses	(71,275)	(8)	(81,323)	(7)
Research and development expenses	(9,094)	(1)	(8,958)	(1)
Gain on reversal of expected credit loss	9,564	1	-	-
Total operating expenses	(129,394)	(14)	(153,053)	(14)
PROFIT FROM OPERATIONS	18,130	2	34,587	3
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 19)	1,011	-	623	-
Other gains and losses (Notes 4 and 19)	6,889	-	(5,135)	-
Finance costs (Notes 4 and 19)	(940)	-	(751)	-
Share of profit or loss of subsidiaries, associates and joint ventures (Note 4)	490,610	52	547,228	48
Total non-operating income and expenses	497,570	52	541,965	48

(Continued)

SINMAG EQUIPMENT CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	$ 515,700	54	$ 576,552	51
INCOME TAX EXPENSE (Notes 4 and 20)	(42,087)	(4)	(42,399)	(4)
NET PROFIT FOR THE YEAR	473,613	50	534,153	47
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 16, 17 and 20)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	6,120	1	(2,471)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(531)	-	420	-
	5,589	1	(2,051)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(22,333)	(2)	(16,782)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss	5,324	-	2,854	-
	(17,009)	(2)	(13,928)	(1)
Other comprehensive loss for the year, net of income tax	(11,420)	(1)	(15,979)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 462,193	49	$ 518,174	46
EARNINGS PER SHARE (Note 21)				
From continuing operations				
Basic	$ 9.43		$ 10.63	
Diluted	$ 9.39		$ 10.60	

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

(With Deloitte & Touche auditors' report dated March 14, 2019) (Concluded)

SINMAG EQUIPMENT CORPORATION

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

			Retained Earnings			Other Equity	
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Total Equity
BALANCE AT JANUARY 1, 2017	$ 485,316	$ 74,943	$ 346,956	$ 54,501	$ 991,291	$ (70,718)	$ 1,882,289
Appropriation of 2016 earnings (Note 17)							
Legal reserve	-	-	54,686	-	(54,686)	-	-
Special reserve	-	-	-	16,217	(16,217)	-	-
Cash dividends distributed by the Company	-	-	-	-	(412,519)	-	(412,519)
Net profit for the year ended December 31, 2017	-	-	-	-	534,153	-	534,153
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	(2,051)	(13,928)	(15,979)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	532,102	(13,928)	518,174
BALANCE AT DECEMBER 31, 2017	485,316	74,943	401,642	70,718	1,039,971	(84,646)	1,987,944
Appropriation of 2017 earnings (Note 17)							
Legal reserve	-	-	53,415	-	(53,415)	-	-
Special reserve	-	-	-	13,928	(13,928)	-	-
Cash dividends distributed by the Company	-	-	-	-	(388,253)	-	(388,253)
Share dividends distributed by the Company	16,986	-	-	-	(16,986)	-	-
Difference between actual acquisition price and carrying amount on acquisition of interests in subsidiaries (Note 17)	-	795	-	-	-	-	795
Net profit for the year ended December 31, 2018	-	-	-	-	473,613	-	473,613
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	5,589	(17,009)	(11,420)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	479,202	(17,009)	462,193
BALANCE AT DECEMBER 31, 2018	$ 502,302	$ 75,738	$ 455,057	$ 84,646	$ 1,046,591	$ (101,655)	$ 2,062,679

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

(With Deloitte & Touche auditors' report dated March 14, 2019)

SINMAG EQUIPMENT CORPORATION

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 515,700	$ 576,552
Adjustments for:		
Gain on reversal of expected credit loss of trade receivables	(9,564)	-
Impairment loss recognized on trade receivables	-	11,225
Depreciation expenses	6,508	3,913
Amortization expenses	360	446
Finance costs	940	751
Share of profit of subsidiaries, associates and joint ventures	(490,610)	(547,228)
Interest income	(178)	(117)
Write-downs of inventories	3,914	808
Loss on disposal of property, plant and equipment	-	36
Unrealized gain on the transactions with subsidiaries, associates and joint ventures	11,433	12,997
Realized gain on the transactions with subsidiaries associates and joint ventures	(12,997)	(13,067)
Net (gain) loss on foreign currency exchange	(2,051)	2,154
Changes in operating assets and liabilities		
Notes receivable	(6,155)	(2,025)
Trade receivables	14,525	12,915
Trade receivables from related parties	51,761	(10,286)
Other receivables	(58)	(608)
Inventories	(35,457)	(2,458)
Prepayments	10,477	(10,477)
Notes payable	(9,548)	10,091
Notes payable from related parties	80	(141)
Trade payables	(572)	(2,982)
Trade payables from related parties	(30,294)	(18,349)
Other payables	(503)	(4,878)
Contract liabilities - current	3,510	-
Advance receipts	(306)	(2,359)
Net defined benefit liabilities	(10,990)	(2,862)
Cash generated from operations	9,925	14,051
Interest received	178	117
Income tax paid	(62,147)	(43,848)
Net cash used in operating activities	(52,044)	(29,680)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	-	(16,438)
Payments for property, plant and equipment	(2,579)	(17,899)
Payments for intangible assets	-	(235)
Proceeds from disposal of property, plant and equipment	-	12
Dividends received from subsidiaries	376,987	465,474
Increase in other financial assets	(1)	-

(Continued)

SINMAG EQUIPMENT CORPORATION

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

	2018	2017
Decrease in other financial assets	$ -	$ 38
Increase in other non-current assets	-	(110)
Decrease in other non-current assets	359	-
Net cash generated from investing activities	374,766	430,842
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	60,000	-
Repayments of short-term borrowings	-	(35,000)
Dividends paid to owners of the Company	(388,253)	(412,519)
Acquisition of additional interest in subsidiaries	(5,652)	-
Interest paid	(897)	(742)
Net cash used in financing activities	(334,802)	(448,261)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	1,300	(2,234)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,780)	(49,333)
CASH AT THE BEGINNING OF THE YEAR	66,964	116,297
CASH AT THE END OF THE YEAR	$ 56,184	$ 66,964

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

(With Deloitte & Touche auditors' report dated March 14, 2019) (Concluded)

1. GENERAL INFORMATION

Sinmag Equipment Corporation (the "Company") was incorporated in the Republic of China ("ROC") in September 1983, and the paid-in capital was $502,302 thousand as of December 31, 2018. The Company is primarily engaged in the following businesses:

a. Wholesale of machinery;

b. Retail sale of machinery and equipment;

c. Machinery and equipment manufacturing;

d. International trade; and

e. All businesses that are not prohibited or restricted by law, except those that are subject to special approval.

The Company's shares have been listed on mainboard of the Taipei Exchange ("TPEx") since December 2007. The financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors on March 14, 2019.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company's accounting policies:

   1) IFRS 9 "Financial Instruments" and related amendments

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Company's financial assets and financial liabilities as of January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	IAS 39	IFRS 9	IAS 39	IFRS 9	Remark
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 66,964	$ 66,964	*
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	265,773	265,773	*
Refundable deposits	Loans and receivables	Amortized cost	549	549	*
Other financial assets - pledged deposits	Loans and receivables	Amortized cost	63	63	*

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Amortized cost	$ -	$ -	$ -	$ -	$ -	$ -	
Add: Reclassification from loans and receivables (IAS 39)	-	333,349	-	333,349	-	-	*
	$ -	$ 333,349	$ -	$ 333,349	$ -	$ -	

* Cash and cash equivalents, notes receivable, trade receivables and other receivables (excluding tax refund receivables), refundable deposits and other financial assets that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

In identifying performance obligations, IFRS 15 and the related amendments require that a good or service is distinct if it is capable of being distinct (for example, the Company regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contracts is to transfer each good or service individually rather than to transfer a combined output).

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivables were recognized or deferred revenue was reduced when revenue was recognized for the relevant contracts under IAS 18.

The Company elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

Impact on assets, liabilities and equity for the current year

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Contract liabilities - advance receipts	$ -	$ 5,383	$ 5,383
Advance receipts	5,383	(5,383)	-
Total effect on liabilities		$ -	

Had the Company applied IAS 18 in the current year, the following adjustments should have been made to reflect the line items and balances under IFRS 15.

Impact on assets, liabilities and equity for the current year

	December 31, 2018
Increase in contract liabilities - advance receipts	$ 8,893
Decrease in advance receipts	(8,893)
Total effect on liabilities	$ -

b. Amendments to the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within financing activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the statements of cash flows.

Except for the above impacts, as of the date the financial statements were authorized for issue, the Company continues assessing other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Company’s financial position and financial performance and will disclose these other impacts when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting the parent company only financial statements, the functional currencies of the Company (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company’s share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company’s share of equity of subsidiaries attributable to the Company.

Changes in the Company’s ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

Any excess of the cost of acquisition over the Company’s share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee’s financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term of an item of property, plant and equipment is shorter than its useful life, it is depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are also allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

<u>2018</u>

Financial assets are classified as financial assets at amortized cost.

- Financial assets at amortized cost

  Financial assets that meet the following conditions are subsequently measured at amortized cost:

  i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

  ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable, trade receivables and other receivables (excluding tax refund receivables), other financial assets - pledged deposits and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

2017

Financial assets held by the Company as classified as loans and receivables.

Loans and receivables (including cash and cash equivalents, notes receivable, trade receivables and other receivables (excluding tax refund receivables), other financial assets - pledged deposits and refundable deposits) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

b) Impairment of financial assets

2018

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

2017

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of such financial assets, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as trade receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience with collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For a financial asset at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For a financial asset at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment does not exceed what the amortized cost would have been had the impairment not been recognized.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Before 2017, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method except for situations where interest recognized for short-term payables is considered immaterial.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Warranties

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Company's obligations.

l. Revenue recognition

2018

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of bakery equipment. Sales of bakery equipment are recognized as revenue when the goods are delivered to the customer because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from the maintenance services of equipment.

As the Company provides maintenance services, customers simultaneously receive and consume the benefits provided by the Company's performance. Consequently, the related revenue is recognized when services are rendered.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Company; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of the materials' ownership.

2) Revenue from the rendering of services

Service income is recognized when services are provided.

3) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis with reference to the principal outstanding and at the applicable effective interest rate.

m. Leasing

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

<u>The Company as lessee</u>

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

n. Borrowing costs

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgements, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	$ 241	$ 315
Checking accounts	13,939	16,312
Demand deposits	42,004	50,337
	$ 56,184	$ 66,964

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

	December 31	
	2018	2017
Bank balance	0.001%-0.48%	0.001%-0.35%

7. NOTES RECEIVABLE, TRADE RECEIVABLES, OVERDUE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2018	2017
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	$ 46,139	$ 39,990
Less: Allowance for impairment loss	-	-
	$ 46,139	$ 39,990
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	$ 133,769	$ 144,725
Less: Allowance for impairment loss	(7,052)	(12,896)
	$ 126,717	$ 131,829

(Continued)

	December 31	
	2018	2017
Overdue receivables		
At amortized cost		
Gross carrying amount	$ 1,018	$ 4,738
Less: Allowance for impairment loss	(1,018)	(4,738)
	$ -	$ -
Other receivables		
Tax refund receivables	$ -	$ 581
Others	1,441	802
	$ 1,441	$ 1,383

(Concluded)

a. Notes receivable

In 2018

The average credit period for notes receivable was 60-120 days. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all notes receivable. The expected credit losses on notes receivable are estimated by reference to the past default experience of the debtor, the debtor's current financial position and the general economic conditions of the industry in which the debtors operate. As of December 31, 2018, the ratio of allowance for impairment loss of notes receivable was 0%.

In 2017

The Company applied the same credit policy in 2018 and 2017. In determining the recoverability of a note receivable, the Company considered any change in the credit quality of the note receivable since the date credit was initially granted to the reporting period. Historical experience show that all notes receivable were recoverable. Therefore, the allowance for impairment loss was recognized based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

b. Trade receivables

In 2018

The average credit period of sales of goods was 90 days. No interest was charged on trade receivables that were past due. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor, the debtor's current financial position and the general economic conditions of the industry in which the debtors operate. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due days from the invoice date is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2018

	Up to 60 Days	61 to 120 Days	121 to 180 Days	181 to 240 Days	Total
Expected credit loss rate	3.31%	4.07%	9.04%	100.00%	-
Gross carrying amount	$ 67,851	$ 57,183	$ 6,880	$ 1,855	$ 133,769
Loss allowance (Lifetime ECL)	(2,246)	(2,329)	(622)	(1,855)	(7,052)
Amortized cost	$ 65,605	$ 54,854	$ 6,258	$ -	$ 126,717

The movements of the loss allowance of trade receivables were as follows:

	2018
Balance at January 1, 2018 per IAS 39	$ 12,896
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	12,896
Less: Net remeasurement of loss allowance	(5,844)
Foreign exchange gains and losses	-
Balance at December 31, 2018	$ 7,052

In 2017

The Company applied the same credit policy in 2018 and 2017. Historical experience show that most trade receivables were highly recoverable. Nonetheless, the Company recognized an allowance for impairment loss of 100% against all receivables aged over 300 days. Allowance for impairment loss was recognized against trade receivables within 300 days based on the 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:

	December 31, 2017
Up to 90 days	$ 90,696
91-180 days	47,434
181-360 days	6,595
	$ 144,725

The above aging schedule was based on the number of past due days from the invoice date.

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ -	$ 3,657	$ 3,657
Add: Impairment losses recognized on receivables	-	9,239	9,239
Balance at December 31, 2017	$	$ 12,896	$ 12,896

c. Overdue receivables

In 2018

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all overdue receivables. The expected credit losses on overdue receivables are estimated by reference to the past default experience of the debtor, the debtor's current financial position and the general economic conditions of the industry in which the debtors operate. As of December 31, 2018, the ratio of allowance for impairment loss of overdue receivables was 100%.

The movements of the loss allowance of overdue receivables were as follows:

	2018
Balance at January 1, 2018 per IAS 39	$ 4,738
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	4,738
Less: Net remeasurement of loss allowance	(3,720)
Balance at December 31, 2018	$ 1,018

In 2017

The movements of the allowance for overdue receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 2,752	$ -	$ 2,752
Add: Impairment losses recognized on receivables	1,986	-	1,986
Balance at December 31, 2017	$ 4,738	$ -	$ 4,738

d. Other receivables

In 2018

Other receivables consist of tax refund receivables and advances to employees. The Company adopted a policy of only dealing with entities that have good credit ratings and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

The Company considers the current financial condition of debtors in order to assess, whether there has been a significant increase in credit risk on other receivables since initial recognition and measures the expected credit loss. As of December 31, 2018, the ratio of allowance for impairment loss of other receivables was 100%.

In 2017

Other receivables consist of tax refund receivables and advances to employees. Historical experience show that all other receivables were recoverable, and after assessment, no allowance for impairment loss for other receivables was recognized.

8. INVENTORIES

	December 31	
	2018	2017
Merchandise	$ 31,472	$ 7,308
Finished goods	16,991	9,370
Work in progress	21,357	23,850
Raw materials	28,229	26,059
Inventory in transit	2,408	2,327
	$ 100,457	$ 68,914

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $798,757 thousand and $943,826 thousand, respectively. The cost of goods sold included inventory write-downs of $3,914 thousand and $808 thousand, respectively.

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Subsidiaries

	December 31	
	2018	2017
Lucky Union Limited	$ 2,030,490	$ 1,931,189

	Proportion of Ownership and Voting Rights	
Name of Subsidiary	December 31, 2018	December 31, 2017
Lucky Union Limited	100%	100%

Refer to Tables 5 and 6 for the details of the subsidiaries indirectly held by the Company.

The share of profit or loss and other comprehensive income of the investments in subsidiaries accounted for using the equity method for the years ended December 31, 2018 and 2017 was based on the subsidiaries' financial statements which have been audited for the same years.

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Transportati on Equipment	Office Equipment	Total
Cost						
Balance at January 1, 2017	$ 61,785	$ 56,747	$ 20,016	$ -	$ 5,760	$ 144,308
Additions	13,200	3,660	246	428	365	17,899
Disposals	-	-	(212)	-	(145)	(357)
Balance at December 31, 2017	$ 74,985	$ 60,407	$ 20,050	$ 428	$ 5,980	$ 161,850
Accumulated depreciation and impairment						
Balance at January 1, 2017	$ -	$ 20,991	$ 10,463	$ -	$ 3,875	$ 35,329
Disposals	-	-	(188)	-	(121)	(309)
Depreciation expenses	-	1,534	1,749	43	587	3,913
Balance at December 31, 2017	$ -	$ 22,525	$ 12,024	$ 43	$ 4,341	$ 38,933
Carrying amounts at December 31, 2017	$ 74,985	$ 37,882	$ 8,026	$ 385	$ 1,639	$ 122,917
Cost						
Balance at January 1, 2018	$ 74,985	$ 60,407	$ 20,050	$ 428	$ 5,980	$ 161,850
Additions	-	1,546	932	-	101	2,579
Balance at December 31, 2018	$ 74,985	$ 61,953	$ 20,982	$ 428	$ 6,081	$ 164,429
Accumulated depreciation and impairment						
Balance at January 1, 2018	$ -	$ 22,525	$ 12,024	$ 43	$ 4,341	$ 38,933
Depreciation expenses	-	2,291	3,076	86	1,055	6,508
Balance at December 31, 2018	$ -	$ 24,816	$ 15,100	$ 129	$ 5,396	$ 45,441
Carrying amounts at December 31, 2018	$ 74,985	$ 37,137	$ 5,882	$ 299	$ 685	$ 118,988

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

Buildings	
Main buildings	3-50 years
Others	10 years
Machinery and equipment	5-8 years
Transportation equipment	5 years
Office equipment	5 years

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 28.

11. OTHER INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2017	$ 2,471
Additions	235
Balance at December 31, 2017	$ 2,706
Accumulated amortization and impairment	
Balance at January 1, 2017	$ (1,414)
Amortization expenses	(446)
Balance at December 31, 2017	$ (1,860)
Carrying amount at December 31, 2017	$ 846
Cost	
Balance at January 1, 2018	$ 2,706
Additions	-
Balance at December 31, 2018	$ 2,706
Accumulated amortization and impairment	
Balance at January 1, 2018	$ (1,860)
Amortization expenses	(360)
Balance at December 31, 2018	$ (2,220)
Carrying amount at December 31, 2018	$ 486

Computer software was depreciated on a straight-line basis over its estimated useful life of 5 years.

12. OTHER ASSETS

	December 31	
	2018	2017
Non-current		
Other financial assets - pledged deposits (Note 28)	$ 64	$ 63
Other assets		
Refundable deposits	324	549
Others	67	201
	$ 391	$ 750

13. BORROWINGS

Short-term Borrowings

	December 31	
	2018	2017
Secured borrowings (Note 28)		
Bank loans	$ 50,000	$ -
Unsecured borrowings		
Line of credit borrowings	100,000	90,000
	$ 150,000	$ 90,000

a. The range of weighted average effective interest rates on bank secured loans was 1.19 % per annum as of December 31, 2018.

b. The range of weighted average effective interest rates on bank line of credit borrowings was 1.15% per annum as of both December 31, 2018 and 2017.

14. OTHER LIABILITIES

	December 31	
	2018	2017
Current		
Other payables		
Payables for salaries or bonuses (including employees' compensation and remuneration of directors)	$ 48,120	$ 49,340
Payables for professional service fees	915	684
Payables for interest	77	34
Payables for business tax	429	-
Others	4,955	4,898
	$ 54,496	$ 54,956

15. PROVISIONS

	December 31	
	2018	2017
Current		
Warranties	$ 131	$ 131

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's obligations for warranties in sale of goods contracts. The estimate had been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company 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.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 56,195	$ 60,024
Fair value of plan assets	(53,286)	(40,005)
Deficit (surplus)	2,909	20,019
Asset ceiling	-	-
Net defined benefit liabilities	$ 2,909	$ 20,019

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2017	$ 57,764	$ (37,354)	$ 20,410
Service cost			
Current service cost	452	-	452
Net interest expense (income)	669	(433)	236
Recognized in profit or loss	1,121	(433)	688
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	74	74
Actuarial loss - changes in demographic assumptions	761	-	761
Actuarial loss - changes in financial assumptions	764	-	764
Actuarial loss - experience adjustments	872	-	872
Recognized in other comprehensive income	2,397	74	2,471
Contributions from the employer	-	(3,550)	(3,550)
Benefits paid	(1,258)	1,258	-
Balance at December 31, 2017	60,024	(40,005)	20,019
Service cost			
Current service cost	458	-	458
Net interest expense (income)	594	(387)	207
Recognized in profit or loss	1,052	(387)	665
Remeasurement			
Return on plan assets (excluding amounts included in net interest)		(1,239)	(1,239)
Actuarial loss - changes in demographic assumptions	674	-	674
Actuarial loss - changes in financial assumptions	699	-	699
Actuarial (gain) - experience adjustments	(6,254)	-	(6,254)
Recognized in other comprehensive income	(4,881)	(1,239)	(6,120)
Contributions from the employer	-	(11,655)	(11,655)
Balance at December 31, 2018	$ 56,195	$ (53,286)	$ 2,909

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans’ debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	**2017**
Discount rate(s)	1.000%	1.125%
Expected rate(s) of salary increase	2.500%	2.500%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2018	**2017**
Discount rate(s)		
0.25% increase	$ (1,401)	$ (1,533)
0.25% decrease	$ 1,455	$ 1,593
Expected rate(s) of salary increase		
0.25% increase	$ 1,409	$ 1,544
0.25% decrease	$ (1,364)	$ (1,494)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2018	**2017**
Expected contributions to the plans for the next year	$ 3,000	$ 3,245
Average duration of the defined benefit obligation	10.1 years	10.3 years

17. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2018	**2017**
Number of shares authorized (in thousands)	60,000	60,000
Shares authorized	$ 600,000	$ 600,000
Number of shares issued and fully paid (in thousands)	50,230	48,532
Shares issued	$ 502,302	$ 485,316

The Company reserved 2,100 thousand ordinary shares authorized for employee share options.

In the meeting on June 13, 2018, the Company's shareholders approved the transfer of retained earnings of $16,986 thousand to 1,698,608 new shares with a par value of NT$10. The transfer was approved by FSC on June 22, 2018, and July 22, 2018 was set as the subscription base date. The new issuance was approved by Ministry of Economic Affairs on August 6, 2018 under Business Negotiation Letter No. 10701094900.

b. Capital surplus

	December 31	
	2018	2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Arising from issuance of ordinary shares	$ 74,811	$ 74,811
Arising from the difference between consideration received and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	927	132
	$ 75,738	$ 74,943

* 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 to once a year).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

As the Company is in the growing stage, in determining the Company's dividend distribution policy, the Company's board of directors considers the current and future investment environment, capital needs for future expansions, domestic and international competition and capital budget, and also takes into account stockholder's benefits and the balance between dividend distributions and the Company's long-term financial plans. A dividend distribution plan is proposed annually by the board of directors and passed for resolution in the shareholders' meeting.

The Company shall, considering financial, operational and managerial factors, distribute no less than 20% of unappropriated earnings to stockholders as dividends and bonuses, in the form of cash or stock dividends, whilst cash dividends should not be lower than 20% of total bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 19(f).

Under Article 237 of the Company Law, an appropriation of 10% of net income to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. 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.

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2017 and 2016 which were approved in the shareholders' meetings on June 13, 2018 and June 19, 2017, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2017	2016	2017	2016
Legal reserve	$ 53,415	$ 54,686	$ -	$ -
Special reserve	13,928	16,217	-	-
Cash dividends	388,253	412,519	8.00	8.50
Share dividends	16,986	-	0.35	-

The appropriation of earnings for 2018 had been proposed by the Company's board of directors on March 14, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 47,361	$ -
Special reserve	17,009	-
Cash dividends	326,497	6.5

The appropriation of earnings for 2018 is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 14, 2019.

d. Special reserve

	For the Year Ended December 31	
	2018	2017
Appropriation in respect of:		
First-time adoption of IFRSs	$ 54,333	$ 54,333
Debit to other equity items	30,313	16,385
	$ 84,646	$ 70,718

e. Other equity items

Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ (84,646)	$ (70,718)
Effect of change in tax rate	858	-
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(22,333)	(16,782)
Related income tax	4,466	2,854
Other comprehensive income recognized for the year	(17,009)	(13,928)
Balance at December 31	$ (101,655)	$ (84,646)

18. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Revenue from the sale of goods	$ 925,896	$ 1,107,255
Revenue from the rendering of services	21,430	26,908
	$ 947,326	$ 1,134,163

a. Contract information

1) Revenue from the sale of goods

The main operating revenue of the Company was from sales of bakery equipment. Goods are sold at their respective fixed amounts as agreed in the contracts.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from providing the maintenance services of equipment.

b. Contract balances

	December 31, 2018
Notes receivable (Note 7)	$ 46,139
Trade receivables (Note 7)	126,717
Trade receivables from related parties (Note 27)	41,291
	$ 214,147
Contract liabilities	
Sale of goods	$ 8,893

Revenue of the current reporting period recognized from the contract liabilities at the beginning of the year was $4,996 thousand.

c. Disaggregation of revenue

	For the Year Ended December 31	
	2018	2017
Revenue from sale of goods	$ 925,896	$ 1,107,255
Revenue from rendering of services	21,430	26,908
	$ 947,326	$ 1,134,163

19. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income		
Bank deposits	$ 178	$ 117
Others	833	506
	$ 1,011	$ 623

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Loss on disposal of property, plant and equipment	$ -	$ (36)
Net foreign exchange gains (losses)	6,897	(5,097)
Others	(8)	(2)
	$ 6,889	$ (5,135)

c. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	$ 940	$ 751

d. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
An analysis of depreciation by function		
Operating costs	$ 4,019	$ 2,287
Operating expenses	2,489	1,626
	$ 6,508	$ 3,913
An analysis of amortization by function		
Operating costs	$ 145	$ 236
Selling and marketing expenses	-	-
General and administrative expenses	25	20
Research and development expenses	190	190
	$ 360	$ 446

e. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Short-term benefits	$ 133,102	$ 137,224
Post-employment benefits		
Defined contribution plans	4,137	4,117
Defined benefit plans (see Note 16)	665	688
	4,802	4,805
Total employee benefits expense	$ 137,904	$ 142,029
An analysis of employee benefits expense by function		
Operating costs	$ 33,566	$ 35,019
Operating expenses	104,338	107,010
	$ 137,904	$ 142,029

	2018			2017		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Salary expenses	$ 28,302	$ 84,875	$ 113,177	$ 27,846	$ 86,493	$ 114,339
Insurance expenses	2,504	5,585	8,089	2,488	5,617	8,105
Pension expenses	1,637	3,165	4,802	1,642	3,163	4,805
Remuneration of directors	-	8,539	8,539	-	9,312	9,312
Other employee benefits	1,123	2,174	3,297	3,043	2,425	5,468
Total employee benefits expense	$ 33,566	$ 104,338	$ 137,904	$ 35,019	$ 107,010	$ 142,029

As of December 31, 2018 and 2017, the Company had 97 and 98 employees, respectively, including 6 non-employee directors for both years, and the basis for calculation is the same as the basis used to calculated employee benefits expenses.

f. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of 2%-10% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and the remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2018 and 2017, which have been approved by the Company's board of directors on March 14, 2019 and March 16, 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees' compensation	4.00%	3.90%
Remuneration of directors and supervisors	1.56%	1.53%

Amount

	For the Year Ended December 31	
	2018	2017
	Cash	Cash
Employees' compensation	$ 21,847	$ 23,780
Remuneration of directors and supervisors	8,539	9,312

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains	$ 21,362	$ 13,853
Foreign exchange losses	(14,465)	(18,950)
	$ 6,897	$ (5,097)

20. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 79,383	$ 94,535
Income tax on unappropriated earnings	5,952	6,314
Adjustments for prior years.	(972)	1,482
Withholding tax credits from overseas profits of the current year	(38,783)	(49,885)
	45,580	52,446
Deferred tax		
In respect of the current year	(18,251)	(10,047)
Adjustments to deferred tax attributable to changes in tax rates and laws	14,758	-
	(3,493)	(10,047)
Income tax expense recognized in profit or loss	$ 42,087	$ 42,399

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2018	2017
Profit before tax from continuing operations	$ 515,700	$ 576,552
Income tax expense calculated at the statutory rate	$ 103,140	$ 98,014
Unrecognized deductible temporary differences - share of (profit) loss of subsidiaries accounted for equity method	(41,981)	(13,557)
Effect of tax rate changes	14,758	-
Nondeductible expenses in determining taxable income	(27)	31
Income tax on unappropriated earnings	5,952	6,314
Adjustments for prior years' tax	(972)	1,482
Withholding tax credits from overseas profits	(38,783)	(49,885)
Income tax expense recognized in profit or loss	$ 42,087	$ 42,399

In 2017, the applicable corporate income tax rate used by the Company in the ROC was 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the tax rate for the 2018 unappropriated earnings was reduced from 10% to 5%.

As the status of 2019 appropriations of earnings is uncertain, the potential income tax consequences of 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Current tax	$ -	$ -
Deferred tax		
Effect of change in tax rate	(1,550)	-
In respect of the current year		
Translation of foreign operations	(4,466)	(2,854)
Remeasurement of defined benefit plans	1,223	(420)
Total income tax recognized in other comprehensive income	$ (4,793)	$ (3,274)

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Tax refund receivable	$ 10,616	$ 9,786
Current tax liabilities		
Income tax payable	$ -	$ 15,737

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized loss on inventories	$ 2,346	$ 1,197	$ -	$ 3,543
Allowance for impairment loss	2,533	(1,345)	-	1,188
Unrealized gain on the transactions with subsidiaries, associates and joint ventures	2,209	77	-	2,286
Exchange differences on translating the financial statements of foreign operations	4,870	-	5,324	10,194
Defined benefit obligations	3,918	-	(531)	3,387
Others	489	(374)	-	115
	$ 16,365	$ (445)	$ 4,793	$ 20,713
Deferred tax liabilities				
Temporary differences				
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	$ 89,470	$ (6,097)	$ -	$ 83,373
Pensions	1,295	2,427	-	3,722
Others	471	(268)	-	203
	$ 91,236	$ (3,938)	$ -	$ 87,298

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized loss on inventories	$ 2,209	$ 137	$ -	$ 2,346
Allowance for impairment loss	620	1,913	-	2,533
Unrealized gain on the transactions with subsidiaries, associates and joint ventures	2,221	(12)	-	2,209
Exchange differences on translating the financial statements of foreign operations	2,016	-	2,854	4,870
Defined benefit obligations	3,498	-	420	3,918
Others	550	(61)	-	489
	$ 11,114	$ 1,977	$ 3,274	$ 16,365
Deferred tax liabilities				
Temporary differences				
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	$ 97,610	$ (8,140)	$ -	$ 89,470
Pensions	809	486	-	1,295
Others	887	(416)	-	471
	$ 99,306	$ (8,070)	$ -	$ 91,236

e. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2018 and 2017, the taxable temporary differences associated with investments in subsidiaries and branches for which no deferred tax liabilities have been recognized were $793,955 thousand and $584,048 thousand, respectively.

f. Income tax assessments

The tax returns through 2015 have been assessed by the tax authorities, and there is no unjudged lawsuit or claim regarding tax assessments against the Company.

21. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	**2017**
Basic earnings per share		
From continuing operations	$ 9.43	$ 10.63
Diluted earnings per share		
From continuing operations	$ 9.39	$ 10.60

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on July 22, 2018. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2017 are as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	**After Retrospective Adjustment**
Basic earnings per share	$ 11.01	$ 10.63
Diluted earnings per share	$ 10.96	$ 10.60

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

Net profit for the year

	For the Year Ended December 31	
	2018	**2017**
Profit for the year attributable to owners of the Company	$ 473,613	$ 534,153
Effect of potentially dilutive ordinary shares		
Employees' compensation	-	-
Earnings used in the computation of diluted earnings per share	$ 473,613	$ 534,153

Weighted average number of ordinary shares outstanding (in thousands of shares)

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of ordinary shares used in the computation of basic earnings per share	50,230	50,230
Effect of potentially dilutive ordinary shares:		
Employees' compensation	225	183
Weighted average number of ordinary shares used in the computation of diluted earnings per share	50,455	50,413

If the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as 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.

22. PARTIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

The Company's second-tier subsidiary, Sinmag Limited entered into an agreement to liquidate Lipang Mixing Equipment (Wuxi) Co., Ltd., and the liquidation was completed on December 15, 2017. Lipang Mixing Equipment (Wuxi) Co., Ltd. was engaged in the manufacturing and selling of bakery equipment. Refer to Note 25 to the Company's consolidated financial statements for the year ended December 31, 2018 for the details.

In December 2018, the Company acquired outstanding shares of the Company's third-tier subsidiary, LBC Bakery Equipment Inc., increasing the Company's continuing interest from 80% to 82.82%. The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries. For details about the partial acquisition of LBC Bakery Equipment Inc., refer to Note 25 to the Company's consolidated financial statements for the year ended December 31, 2018.

23. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2018

	Opening Balance	Cash Flows	Closing Balance
Short-term borrowings	$ 90,000	$ 60,000	$ 150,000

24. OPERATING LEASE ARRANGEMENTS

The Company as Lessee

Operating leases relate to leases of offices and printers with lease terms between 1 and 5 years. The Company does not have a bargain purchase option to acquire the leased subject matter at the expiration of the lease periods.

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

	December 31	
	2018	2017
Not later than 1 year	$ 272	$ 272
Later than 1 year and not later than 5 years	323	171
	$ 595	$ 443

The lease payments and sublease payments recognized in profit or loss for the current period were as follows:

	For the Year Ended December 31	
	2018	2017
Minimum lease payments	$ 1,052	$ 1,064

25. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

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

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

Key management personnel of the Company 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 Company may adjust the amount of dividends paid to shareholders, and the amount of new debt issued or existing debt redeemed.

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management of the Company considered that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values.

b. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Loans and receivables (1)	$ -	$ 333,349
Financial assets at amortized cost (2)	272,160	-
Financial liabilities		
Financial liabilities at amortized cost (3)	345,246	326,257

1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables and other receivables (excluding tax refund receivables), other financial assets - pledged deposits and refundable deposits

2) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables and other receivables (excluding tax refund receivables), other financial assets - pledged deposits and refundable deposits.

3) The balances include financial liabilities measured at amortized cost, which comprise short-term loans and payables (excluding payables for salaries or bonuses, payables for employees' compensation and remuneration of directors and supervisors and payables for business tax).

c. Financial risk management objectives and policies

The Company's major financial instruments include cash and cash equivalents, notes receivable, trade receivables and other receivables (excluding tax refund receivables), other financial assets - pledged deposits, refundable deposits, payables (excluding payables for salaries or bonuses, payables for employees' compensation and remuneration of directors and supervisors and payables for business tax) and short-term loans. Risks on the financial instruments include market risk (such as currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Company'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).

a) Foreign currency risk

The Company had foreign currency denominated sales and purchases, which exposed the Company to foreign currency risk. The Company assesses the net risk position of non-functional currency denominated sales and purchases periodically and adjusts its non-functional cash position on the basis of its assessment.

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

Sensitivity analysis

The Company was mainly exposed to the exchange movements in the USD.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e. the functional currency) against the relevant foreign currency. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. 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 and other equity associated with the New Taiwan dollar weakening 1% against the relevant currency. For a 1% strengthening of the New Taiwan dollar 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.

	USD Impact	
	For the Year Ended December 31	
	2018	**2017**
Profit or loss	$ 682	$ 958

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

The Company's sensitivity to foreign currency decreased during the current year mainly due to the decrease in USD denominated bank deposits.

b) Interest rate risk

The Company was exposed to interest rate risk because its deposits and bank loans are at both fixed and floating interest rates.

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

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 64	$ 63
Financial liabilities	150,000	90,000
Cash flow interest rate risk		
Financial assets	42,004	50,337
Financial liabilities	-	-

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point 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.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2018 and 2017 would increase/decrease by $105 thousand and $126 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank deposits.

The Company's sensitivity to interest rates decreased during the current period mainly due to the decrease in floating interest rate financial assets.

2) Credit risk

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

a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

b) The amount of contingent liabilities in relation to financial guarantees issued by the Company.

The Company 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 Company rated its major customers based on the information supplied by independent rating agencies where available and, if not available, other publicly available financial information and its own trading records. The Company's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Company's concentration of credit risk of 91% and 89% in total trade receivables as of December 31, 2018 and 2017, respectively, was related to the Company's ten largest customers.

3) Liquidity risk

On December 31, 2018, the Company's current liabilities exceeded current assets by $18,246 thousand. However, in consideration of the Group's overall cash flow and financial investment operations, the consolidated company's current assets exceeded current liabilities by $1,276,146 thousand, so there was no liquidity risk from an overall perspective.

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Company had available unutilized short-term bank loan facilities set out in (b) below.

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

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes 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 this rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2018

	1-3 Months	**3 Months to 1 Year**	**1-5 Years**
Non-derivative financial liabilities			
Short-term borrowings	$ 150,101	$ -	$ -
Financial guarantee contracts	1,536	4,524	34,185
Non-interest bearing liabilities	193,999	1,247	-
	$ 345,636	$ 5,771	$ 34,185

December 31, 2017

	1-3 Months	**3 Months to 1 Year**	**1-5 Years**
Non-derivative financial liabilities			
Short-term borrowings	$ 90,145	$ -	$ -
Financial guarantee contracts	1,559	4,598	39,794
Non-interest bearing liabilities	235,740	517	-
	$ 327,444	$ 5,115	$ 39,794

The amounts included above for financial guarantee contracts were the maximum amounts the Company could be required to settle under the arrangement if the full guaranteed amount is claimed by the counterparty. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement.

b) Financing facilities

	December 31	
	2018	**2017**
Unsecured bank loan facilities, reviewed annually and payable on demand:		
Amount used	$ 100,000	$ 90,000
Amount unused	90,000	100,000
	$ 190,000	$ 190,000
Secured bank loan facilities:		
Amount used	$ 50,000	$ -
Amount unused	34,250	85,000
	$ 84,250	$ 85,000

27. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and categories

Related Party Name	Related Party Category
Lucky Union Limited	Subsidiaries
Sinmag Equipment (China) Co., Ltd. (Note)	Subsidiaries
Wuxi New Order Control Co., Ltd.	Subsidiaries
LBC Bakery Equipment Inc.	Subsidiaries
Sinmag Bakery Equipment Sdn. Bhd.	Subsidiaries
Tehmag Foods Corporation	Associates
San Neng Bakeware Corporation	Associates
New Order Enterprise Co., Ltd.	Associates
Sinmag Fitting Corporation	Associates

Note: On January 10, 2018, the name was changed to Sinmag Equipment (China) Co., Ltd.

b. Sales of goods

Line Item	Related Party Category/Name	December 31	
		2018	2017
Sales	Subsidiaries		
	LBC Bakery Equipment Inc.	$ 233,511	$ 263,815
	Others	98,568	121,632
		332,079	385,447
	Associates	2	503
		$ 332,081	$ 385,950

The sales prices to related parties were determined based on their costs with a margin, and the collection terms to related parties were 60 days or 180 days within receiving the Bill of Lading. The sales prices to third parties were determined in accordance with mutual agreements, and the collection terms to third parties was 90 days.

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
Subsidiaries		
Sinmag Equipment (China) Co., Ltd.	$ 666,936	$ 778,120
Associates	3,187	3,006
	$ 670,123	$ 781,126

The cost of purchases from related parties was determined based on their costs with a margin. The payment terms to related parties were 30 days to 120 days or 45 days within receiving the Bill of Lading. The cost of purchases from third parties were determined in accordance with mutual agreements, and the payment terms was 90 days.

d. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Category/Name	December 31	
		2018	2017
Trade receivables	Subsidiaries		
	LBC Bakery Equipment Inc.	$ 33,790	$ 69,733
	Others	7,499	23,419
		41,289	93,152
	Associates	2	-
		$ 41,291	$ 93,152

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2018 and 2017, no impairment loss/bad debt expense was recognized for trade receivables from related parties.

e. Payables to related parties (excluding loans from related parties)

Line Item	Related Party Category/Name	December 31 2018	December 31 2017
Notes payable	Associates	$ 973	$ 893
Trade payables	Subsidiaries		
	Sinmag Equipment (China) Co., Ltd.	$ 155,324	$ 186,621
	Associates	219	206
		$ 155,543	$ 186,827

The outstanding trade payables from related parties are unsecured.

f. The Company participated in the issuance of common stock for cash of Lucky Union Limited in the years 2018 and 2017, and increased the amount of its investment by $5,652 thousand and $16,438 thousand, respectively, which did not affect the shareholding ratio.

g. The Company received cash dividends from Lucky Union Limited in the years 2018 and 2017, which amounted to $376,987 thousand and $465,474 thousand, respectively.

h. Endorsements and guarantees

Endorsements and guarantees provided by the Company

Related Party Category/Name	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Subsidiaries		
Sinmag Bakery Equipment Sdn. Bhd.		
Amount endorsed	RM 6,000 thousand	RM 6,000 thousand
Amount utilized	RM 4,980 thousand	RM 4,980 thousand

i. Other transactions from related parties

Line Item	Related Party Category/Name	December 31 2018	December 31 2017
General and administrative expenses - other expenses	Associates	$ 10	$ 9

j. Compensation of key management personnel

	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Short-term employee benefits	$ 25,515	$ 28,717

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and the tariffs of imported raw materials guarantees:

	December 31	
	2018	**2017**
Other financial assets - noncurrent		
Pledged deposits	$ 64	$ 63
Others		
Freehold land	57,755	61,785
Building	28,386	34,324
	$ 86,205	$ 96,172

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2018

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
USD	$ 7,296	30.72 (USD:NTD)	$ 224,094
Non-monetary items			
Investments accounted for using the equity method			
USD	66,097	30.72 (USD:NTD)	$ 2,030,490
Financial liabilities			
Monetary items			
USD	5,077	30.72 (USD:NTD)	$ 155,928

December 31, 2017

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
USD	$ 9,510	29.76 (USD:NTD)	$ 283,025
Non-monetary items			
Investments accounted for using the equity method			
USD	64,892	29.76 (USD:NTD)	$ 1,931,189
Financial liabilities			
Monetary items			
USD	6,291	29.76 (USD:NTD)	$ 187,206

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

	For the Year Ended December 31			
	2018		2017	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	30.149 (USD:NTD)	$ 6,934	30.432 (USD:NTD)	$ (5,119)

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and (b.) investees:

1) Financing provided to others (none)

2) Endorsements/guarantees provided (Table 1)

3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (none)

4) Marketable securities acquired or disposed of at costs or prices of 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 (Table 2)

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 (Table 3)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 4)

9) Trading in derivative instruments (none)

10) Information on investees (Table 5)

c. 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 6)

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 7):

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period

c) The amount of property transactions and the amount of the resultant gains or losses

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

SINMAG EQUIPMENT CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 1)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 4)										
0	Sinmag Equipment Corporation	Sinmag Bakery Equipment Sdn. Bhd.	(b)	Net value 50% $ 1,031,340	$ 42,672 (RM 6,000)	$ 42,672 (RM 6,000)	$ 35,418 (RM 4,980)	$ -	2	Net value 50% $ 1,031,340	Y	-	-

Note 1: The total amount of the guarantees provided by Sinmag Equipment Corporation to subsidiaries shall not exceed 100% of Sinmag Equipment Corporation’s net worth based on its most recent audited financial statements.

Note 2: The total amount of the guarantees provided by Sinmag Equipment Corporation to individual subsidiaries shall not exceed 100% of Sinmag Equipment Corporation’s net worth.

Note 3: The maximum amount endorsed/guaranteed during the period, limits on endorsement/guarantee given on behalf of each party and actual amount borrowed converted at the spot exchange rate as of December 31, 2018.

Note 4: Relationships between the endorser/guarantor and the party being endorsed/guaranteed are as follows:

a. A company that the Company has business relationship with.
b. The Company directly or indirectly holds over 50% ownership of the investee company.
c. A Company that directly or indirectly holds over 50% ownership of the Company.
d. In between companies where over 90% of voting shares are directly or indirectly held by the Company.
e. The Company is required to provide guarantees or endorsements for the construction project based on the construction contract.
f. Shareholder of the investee provides endorsements/guarantees to the company in proportion to their shareholding percentages.
g. Collateral performance guarantees from companies in the same industry that entered into pre-construction home sales agreements in accordance with the Consumer Protection Act.

TABLE 2

SINMAG EQUIPMENT CORPORATION

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Sinmag Equipment (China) Co., Ltd.	Building and land use rights	2018.06.28	$ 433,729 (RMB 94,433 thousand)	As of December 31, 2018, $252,833 thousand has not been paid	Note	No	-	-	-	$ -	-	For operational use	-

Note: Counterparty is a non-related party.

SINMAG EQUIPMENT CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transactions		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Sinmag Equipment Corporation	Sinmag Equipment (China) Co., Ltd.	Subsidiary	Purchase	$ 666,936	85	B/L 45 day	Note 1	Note 2	$ (155,324)	(82)	-
Sinmag Equipment (China) Co., Ltd.	Sinmag Equipment Corporation	Parent company	(Sale)	(666,936)	(18)	B/L 45 day	〃	〃	155,324	28	-
LBC Bakery Equipment Inc.	Sinmag Equipment Corporation	Parent company	Purchase	233,511	88	B/L 180 day	〃	〃	(33,790)	(80)	-
Sinmag Equipment Corporation	LBC Bakery Equipment Inc.	Subsidiary	(Sale)	(233,511)	(25)	B/L 180 day	〃	〃	33,790	16	-

Note 1: Unit prices for related parties were determined based on their costs with a margin, unit prices for non-related parties were determined in accordance with mutual agreements.

Note 2: Open account of 90 days for non-related parties.

TABLE 4

SINMAG EQUIPMENT CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance (Note 2)	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note)	Allowance for Impairment Loss
					Amount	Actions Taken		
Sinmag Equipment (China) Co., Ltd.	Sinmag Equipment Corporation	Parent company	Trade receivables $155,324	3.90	$ -	-	$94,938	$ -

Note: The amount recovered from January 1, 2019 to February 19, 2019.

TABLE 5

SINMAG EQUIPMENT CORPORATION

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 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 December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
Sinmag Equipment Corporation	Lucky Union Limited	Samoa	Holding Company	$ 454,955	$ 449,303	-	100.00	$ 2,030,490	$ 490,610	$ 490,610	Notes 1 and 2
Lucky Union Limited	Sinmag Limited	Samoa	Holding Company	470,207	464,555	-	100.00	2,037,652	490,557	490,557	Notes 1 and 2
Sinmag Limited	Sinmag Bakery Equipment Sdn. Bhd.	Malaysia	Selling of bakery equipment.	12,340	12,340	300,000	100.00	86,637	3,265	3,265	Notes 1 and 2
	LBC Bakery Equipment Inc.	United States	Selling of bakery equipment.	17,241	11,589	882,000	82.82	188,743	28,039	22,467	Notes 1 and 2
	Sinmag Bakery Machine India Private Limited	India	Manufacturing and selling of bakery equipment.	54,748	54,748	-	100.00	9,321	(4,121)	(4,121)	Notes 1 and 2
	Sinmag Equipment (Thailand) Co., Ltd.	Thailand	Selling of bakery equipment.	18,199	18,199	-	100.00	30,915	9,276	9,276	Notes 1 and 2

Note 1: The share of profits (losses) of the investee includes the effect of unrealized gross profit on intercompany transaction.

Note 2: The share of profit (loss) was recognized according to the financial statements of investees for the same year.

Note 3: For information on investments in mainland China, refer to Table 6.

SINMAG EQUIPMENT CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds: Outward	Remittance of Funds: Inward	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
Sinmag Equipment (China) Co., Ltd. (Note 3)	Manufacturing and selling of bakery equipment	$ 905,212 (US$ 28,850)	b	$ 349,938 (US$ 10,594)	$ -	$ -	$ 349,938 (US$ 10,594)	$ 515,087	100	$ 509,628 (Note 2 b.(2))	$ 1,695,368	$ 3,200,767 (US$ 104,220)
Wuxi New Order Control Co., Ltd.	Manufacturing and selling of control panel and electromechanical control system	4,961 (US$ 150)	b	3,348 (US$ 104)	-	-	3,348 (US$ 104)	12,083	50	6,509 (Note 2 b.(2))	13,710	42,462 (US$ 1,385)

Upper Limit on the amount of investments in mainland China:

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA (Note)
$353,286 (Note 4)	$1,021,153	$1,271,085

Note 1: The three methods of investing in mainland China are as follows:

a. Direct investments in mainland China.
b. Investment in mainland China through an existing company established in a third region (LUCKY UNION LIMITED and SINMAG LIMITED)
c. Others.

Note 2: In the column of investment gain (loss)

a. If the investment is still in preparation and there is no investment gain (loss), it will be specified.

b. The basis for recognizing investment gain (loss) is as follows:

1) Based on financial statements audited by an international accounting firm that has a business relationship with an accounting firm in the ROC.
2) Based on financial statements audited by the accounting firm of the parent company in Taiwan.
3) Others.

Note 3: Part of the amount reinvested in a third region.

Note 4: Repatriation of investments of $3,243,229 thousand was not deducted from the amount.

TABLE 7

SINMAG EQUIPMENT CORPORATION

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
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

2. The amount and percentage of sales and the balance and percentage of the related payables at the end of the period:

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with General Transactions	Ending Balance	%		
Sinmag Equipment (China) Co., Ltd.	Sales	$ (52,276)	(6)	Cost with a margin	B/L 90 days	Note	$ 5,244	2	$ 4,215	-
	Purchase	666,936	85	Cost with a margin	B/L 45 days	〃	(155,324)	(82)	22,381	-

Note: The payment terms for non-related parties are negotiated on a case-by-case basis, which is 90 days from end of the month of sale or purchase of goods.

3. The amount of property transactions and the amount of the resultant gains or losses: None.

4. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.

5. The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.

6. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services: None.

SINMAG EQUIPMENT CORPORATION

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

STATEMENT 1

SINMAG EQUIPMENT CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Description	Amount
Cash		
Petty cash		$ 241
Cash in banks		
Checking accounts		13,939
Demand deposits		3,259
Foreign currency deposits	Including US$1,227 thousand @30.72, JPY3,740 thousand @0.28	38,745
		$ 56,184

STATEMENT 2

SINMAG EQUIPMENT CORPORATION

STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount
Unrelated parties		
American Baking Systems, Inc.	Payments	$ 27,219
Yusheng Food Co., Ltd.	Payments	4,860
Others (Note)	Payments	14,060
Less: Allowance for impairment loss		-
		$ 46,139

Note: The amount from each individual client included in others does not exceed 5% of the account balance.

STATEMENT 3

SINMAG EQUIPMENT CORPORATION

STATEMENT OF TRADE RECEIVABLES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount
Related parties		
LBC Bakery Equipment Inc.	Payments	$ 33,790
Sinmag Equipment (China) Co., Ltd.	Payments	5,244
Sinmag Bakery Equipment Sdn. Bhd.	Payments	2,255
Tehmag Foods Corporation	Payments	2
		$ 41,291
Unrelated parties		
Macadams International (PTY) Ltd.	Payments	$ 49,752
Europan S.A.DE C.V.	Payments	38,201
Food Company HK Procurement PTY. Ltd	Payments	11,534
PT. Sinar Himalaya	Payments	11,089
Others (Note)	Payments	23,193
		133,769
Less: Allowance for impairment loss		(7,052)
		$ 126,717

Note: The amount from each individual client included in others does not exceed 5% of the account balance.

SINMAG EQUIPMENT CORPORATION

STATEMENT OF OTHER RECEIVABLES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Unrelated parties		
Advances to employees	Advances to employees	$ 525
Others		916
		$ 1,441

SINMAG EQUIPMENT CORPORATION

STATEMENT OF INVENTORIES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value
Raw materials	$ 40,722	$ 28,229
Work in progress	22,457	21,357
Finished goods	18,820	16,991
Merchandise	33,770	31,472
Inventory in transit	2,408	2,408
	$ 118,177	$ 100,457

Note: Allowance for loss on inventory value decline of supplies is recognized according to the extent of idleness and valuation at net realizable value.

SINMAG EQUIPMENT CORPORATION

STATEMENT OF PREPAYMENTS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Prepayments	Exhibition booth fees	$ 492
	Maintenance expense	260
	Professional service expense	403
	Insurance expense	240
	Others	333
		$ 1,728

SINMAG EQUIPMENT CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investees	Balance, January 1, 2018		Additions in Investment		Decrease in Investment		Gain (Losses) on Investments Accounted for Using the Equity Method	Exchange Differences on Translating Foreign Operations	Balance, December 31, 2018			Market Value or Net Asset Value (Note 1)		Collateral
	Shares	Amount	Shares	Amount (Note 3)	Shares	Amount (Note 2)			Shares	%	Amount	Unit Price (NT$)	Total Amount	
Lucky Union Limited	-	$ 1,944,186	-	$ 6,447	-	$ (376,987)	$ 490,610	$ (22,333)	-	100	$ 2,041,923	-	$ 2,041,923	
Less: Unrealized gain on transactions with subsidiaries		(12,997)		(11,433)		12,997	-	-			(11,433)		-	Nil
		$ 1,931,189		$ (4,986)		$ (363,990)	$ 490,610	$ (22,333)			$ 2,030,490		$ 2,041,923	

Note 1: Amount was calculated based on the audited financial statements for the year ended December 31, 2018.

Note 2: The decrease was due to cash dividends distributed by investees of $(376,987) thousand.

Note 3: The investee’s capital increase in cash was $5,652 thousand and the Company recognized $795 thousand as the change in capital surplus of the investee according to its shareholding ratio.

SINMAG EQUIPMENT CORPORATION

STATEMENT OF OTHER NON-CURRENT ASSETS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Refundable deposits	Deposits for office rental, phone bills and securing deposits on performance bonds	$ 324
Others		67
Overdue receivables		1,018
Less: Allowance for impairment loss		(1,018)
		$ 391

SINMAG EQUIPMENT CORPORATION

STATEMENT OF SHORT-TERM LOANS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Type	Balance, End of Year	Contract Period	Range of Interest Rates (%)	Loan Commitments	Collateral	Remark
Secured loans						
Chang Hwa Bank	$ 50,000	2018.11.15-2019.1.14	1.19	$ 84,250	Note 28	The Company's short-term financing loan limit (guarantee and credit) totaled $274,250 thousand. As of December 31, 2018, the Company's unused balance of its short-term borrowing loans totaled $124,250 thousand.
Unsecured loans						
Chang Hwa Bank	-	-	-	90,000	Nil	
E.SUN Bank	100,000	2018.10.19-2019.3.5	1.15	100,000	Nil	
	$ 150,000					

SINMAG EQUIPMENT CORPORATION

STATEMENT OF NOTES PAYABLE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Vendor Name	Description	Amount
Related parties		
New Order Enterprise Co., Ltd.	Payments	$ 811
San Neng Bakeware Corporation	Payments	131
Sinmag Fitting Corporation	Payments	31
		$ 973
Unrelated parties		
Ting An Food Machinery	Payments	$ 1,645
Jong Dah Special Steel Corp.	Payments	1,839
Leader Baker Machinery Industry Co., Ltd.	Payments	1,462
Chao Sheng Elect & Mach. Co., Ltd.	Payments	3,050
Lian Jui Steel Co., Ltd.	Payments	1,877
Others (Note)	Payments	17,693
		$ 27,566

Note: The amount of each individual vendor in others does not exceed 5% of the account balance.

SINMAG EQUIPMENT CORPORATION

STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Vendor Name	Description	Amount
Related parties		
Sinmag Equipment (China) Co., Ltd.	Payments	$ 155,324
New Order Enterprise Co., Ltd.	Payments	81
San Neng Bakeware Corporation	Payments	138
		$ 155,543
Unrelated parties		
Jong Dah Special Steel Corp.	Payments	$ 986
Shanghai Triplan International Co., Ltd.	Payments	396
Lian Jui Steel Co., Ltd.	Payments	626
Others (Note)	Payments	3,209
		$ 5,217

Note: The amount of each individual vendor in others does not exceed 5% of the account balance.

STATEMENT 12

SINMAG EQUIPMENT CORPORATION

STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Quantity (Pieces)	Amount
Sale of goods	913 thousand	$ 931,680
Sales returns		(4,727)
Sales allowances		(1,057)
		925,896
Rendering of services		21,430
		$ 947,326

STATEMENT 13

SINMAG EQUIPMENT CORPORATION

STATEMENT OF COST OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials, beginning of year	$ 35,445
Add: Raw material purchased	92,775
Transferred from work in progress	90,847
Transferred from finished goods	8,988
Transferred from merchandise	10,686
Gain from physical count	8
Less: Cost of raw materials sold	(36,293)
Transferred to expenses	(3,521)
Scrapped	(274)
Raw materials, end of year	(40,722)
Raw materials used	157,939
Direct labor	19,581
Manufacturing expenses	34,241
Manufacturing cost	211,761
Work in process, beginning of year	25,858
Add: Work in progress purchased	8,079
Less: Transferred to raw materials	(90,847)
Cost of work in progress sold	(2,702)
Loss from physical count	(72)
Work in progress, end of year	(22,457)
Cost of finished goods	129,620
Finished goods, beginning of year	10,025
Less: Transferred to raw materials	(8,988)
Transferred to merchandise	(15,888)
Transferred to expenses	(611)
Finished goods, end of year	(18,820)
Cost of goods sold - finished goods	95,338
Merchandise, beginning of year	11,392
Add: Merchandise purchased	679,590
Transferred from finished goods	15,888
Less: Merchandise (including inventory in transit), end of year	(36,178)
Transferred to raw materials	(10,686)
Loss from physical count	(160)
Transferred to expenses	(1)
Scrapped	(1)
Cost of merchandise sold	659,844

(Continued)

Item	Amount
Cost of raw of materials and work in progress sold	$ 38,995
Under-applied manufacturing overhead	325
Scrapped	275
Loss from physical count	224
Inventory write-downs	3,914
Revenue from sale of scraps	(158)
	43,575
Cost of goods sold	798,757
Service cost	2,609
Operating cost	$ 801,366

(Concluded)

SINMAG EQUIPMENT CORPORATION

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Gain on Reversal of Expected Credit Loss
Payroll and related expense	$ 33,362	$ 45,138	$ 6,375	$ -
Remuneration of directors	-	8,539	-	-
Shipping fees	4,969	13	8	-
Insurance expense	3,138	2,608	463	-
Professional service fees	54	6,760	60	-
Gain on reversal of expected credit loss	-	-	-	(9,564)
Others (Note)	17,066	8,217	2,188	-
	$ 58,589	$ 71,275	$ 9,094	$ (9,564)

Note: The amount of each item in others does not exceed 5% of the account balance.