Sinmag Equipment Corporation and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies that are required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2019 are all the same as those included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with the International Financial Reporting Standard No. 10, "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Thus, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

SINMAG EQUIPMENT CORPORATION

By:

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HSIEH, SHUN-HO
Chairman

March 26, 2020

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sinmag Equipment Corporation

Opinion

We have audited the accompanying consolidated financial statements of Sinmag Equipment Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (refer to the other matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended 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.

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 Consolidated Financial Statements section of our report. We are independent of the Group 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 based on our audits and the report of other auditors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter of the Group's consolidated financial statements for the year ended December 31, 2019 is stated as follows:

Occurrence of Sales Revenue

The Group has thousands of customers whose overall operating revenue accounted for 24% of the total consolidated operating revenue. Some major customers have higher average change in the growth volatility of operating revenue than the Group's overall consolidated operating revenue, resulting in a significant impact on the financial performance of the Group. Therefore, we deemed the validity of occurrence of sales revenue from major customers with high volatility in operating revenue growth as a key audit matter. The accounting policies related to revenue recognition are referred to in Notes 4(m) and 21 to the consolidated financial statements.

The following audit procedures were performed 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 design and implementation of the Group's internal controls.

2. We selected samples from sales transactions, and reviewed sales orders, bills of lading or signed documents, invoices and receipts, in order to confirm the validity of occurrence of sales revenue.

3. We compared the changes in sales revenue, gross profit margin, trade receivables turnover days and credit conditions of the abovementioned major 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 consolidated financial statements of the Group, but such financial statements were prepared using a different financial reporting framework and audited by other auditors in accordance with auditing standards generally accepted in the United States of America. 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, 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. 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 total assets of LBC Bakery Equipment Inc. constituted 12% (NT$400,460 thousand) and 11% (NT$356,975 thousand), of the consolidated total assets as of December 31, 2019 and 2018, respectively, and total revenue constituted 12% (NT$519,262 thousand) and 12% (NT$501,596 thousand), of the consolidated total revenue for the years then ended, respectively.

We have also audited the parent company only financial statements of Sinmag Equipment Corporation as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion with other matter paragraph.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Group to express an opinion on the consolidated 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 consolidated financial statements for the year ended December 31, 2019 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 Chao-Mei Chen and Chiang-Hsun Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2020

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

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 797,975	24	$ 807,198	25
Notes receivable (Notes 4, 7 and 21)	20,353	1	53,816	2
Trade receivables (Notes 4, 7 and 21)	484,490	15	611,712	19
Trade receivables from related parties (Notes 4, 21 and 29)	168	-	368	-
Other receivables (Notes 4 and 7)	12,507	-	19,892	-
Current tax assets (Notes 4 and 23)	2,460	-	10,616	-
Inventories (Notes 4 and 8)	631,628	19	669,144	21
Prepayments (Notes 3, 14 and 30)	25,066	1	27,833	1
Other financial assets (Notes 4, 15 and 30)	47,679	1	9,237	-
Total current assets	2,022,326	61	2,209,816	68
NON-CURRENT ASSETS				
Right-of-use assets (Notes 3, 4, 11 and 30)	106,040	3	-	-
Property, plant and equipment (Notes 4, 10 and 30)	1,065,760	32	843,929	26
Other intangible assets (Notes 4 and 13)	2,179	-	2,947	-
Goodwill (Notes 4 and 12)	3,254	-	3,254	-
Deferred tax assets (Notes 4 and 23)	43,869	2	26,156	1
Other financial assets - non-current (Notes 4, 15 and 30)	64	-	64	-
Long-term prepayments for leases (Notes 3, 14 and 30)	-	-	85,876	3
Other non-current assets (Notes 4 and 15)	57,955	2	59,925	2
Total non-current assets	1,279,121	39	1,022,151	32
TOTAL	$ 3,301,447	100	$ 3,231,967	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 16 and 30)	$ 113,391	3	$ 150,000	5
Contract liabilities - current (Notes 4 and 21)	85,545	3	82,284	2
Notes payable	20,878	1	27,566	1
Notes payable to related parties (Note 29)	339	-	973	-
Trade payables	243,259	7	257,649	8
Trade payables to related parties (Note 29)	6,976	-	9,579	-
Other payables (Notes 17 and 26)	288,970	9	258,506	8
Current tax liabilities (Notes 4 and 23)	78,527	2	115,731	4
Provisions - current (Notes 4 and 18)	24,875	1	25,261	1
Lease liabilities - current (Notes 3, 4 and 11)	3,330	-	-	-
Current portion of long-term borrowings and bonds payable (Notes 16 and 30)	5,906	-	6,121	-
Total current liabilities	871,996	26	933,670	29
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16 and 30)	81,866	2	89,615	3
Deferred tax liabilities (Notes 4 and 23)	87,888	3	87,298	2
Lease liabilities - non-current (Notes 3, 4 and 11)	19,667	1	-	-
Net defined benefit liabilities - non-current (Notes 4 and 19)	4,652	-	2,909	-
Total non-current liabilities	194,073	6	179,822	5
Total liabilities	1,066,069	32	1,113,492	34
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 20)				
Share capital				
Ordinary shares	502,302	15	502,302	16
Capital surplus	75,738	2	75,738	2
Retained earnings				
Legal reserve	502,418	16	455,057	14
Special reserve	101,655	3	84,646	3
Unappropriated earnings	1,155,573	35	1,046,591	32
Total retained earnings	1,759,646	54	1,586,294	49
Other equity	(160,753)	(5)	(101,655)	(3)
Total equity attributable to owners of the Company	2,176,933	66	2,062,679	64
NON-CONTROLLING INTERESTS (Notes 4 and 20)	58,445	2	55,796	2
Total equity	2,235,378	68	2,118,475	66
TOTAL	$ 3,301,447	100	$ 3,231,967	100

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

(With Deloitte & Touche auditors' report dated March 26, 2020)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 21 and 29)				
Sales	$ 4,144,379	100	$ 4,290,585	100
Service revenue	20,249	-	21,430	-
Total operating revenue	4,164,628	100	4,312,015	100
OPERATING COSTS				
Cost of goods sold (Notes 8, 22 and 29)	(2,456,411)	(59)	(2,591,100)	(60)
Service cost	(2,692)	-	(2,609)	-
Total operating costs	(2,459,103)	(59)	(2,593,709)	(60)
GROSS PROFIT	1,705,525	41	1,718,306	40
OPERATING EXPENSES (Notes 22 and 29)				
Selling and marketing expenses	(599,383)	(14)	(626,705)	(15)
General and administrative expenses	(282,668)	(7)	(277,929)	(6)
Research and development expenses	(161,088)	(4)	(163,455)	(4)
Expected credit loss (gain) (Notes 4 and 7)	(306)	-	7,083	-
Total operating expenses	(1,043,445)	(25)	(1,061,006)	(25)
PROFIT FROM OPERATIONS	662,080	16	657,300	15
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 22)				
Other income	27,298	-	26,822	1
Other gains and losses	5,394	-	13,829	-
Finance costs	(7,221)	-	(8,690)	-
Total non-operating income and expenses	25,471	-	31,961	1
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	687,551	16	689,261	16
INCOME TAX EXPENSE (Notes 4 and 23)	(172,049)	(4)	(204,029)	(5)
NET PROFIT FOR THE YEAR	515,502	12	485,232	11

(Continued)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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

	2019 Amount	2019 %	2018 Amount	2018 %
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 19, 20 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (4,390)	-	$ 6,120	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	878	-	(531)	-
	(3,512)	-	5,589	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(75,529)	(2)	(21,076)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	14,775	1	5,324	-
	(60,754)	(1)	(15,752)	-
Other comprehensive loss for the year, net of income tax	(64,266)	(1)	(10,163)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 451,236	11	$ 475,069	11
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 503,361	12	$ 473,613	11
Non-controlling interests	12,141	-	11,619	-
	$ 515,502	12	$ 485,232	11
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 440,751	11	$ 462,193	11
Non-controlling interests	10,485	-	12,876	-
	$ 451,236	11	$ 475,069	11
EARNINGS PER SHARE (Note 24)				
From continuing operations				
Basic	$ 10.02		$ 9.43	
Diluted	$ 9.98		$ 9.39	

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

(With Deloitte & Touche auditors' report dated March 26, 2020) (Concluded)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company								
			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	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2018	$ 485,316	$ 74,943	$ 401,642	$ 70,718	$ 1,039,971	$ (84,646)	$ 1,987,944	$ 56,708	$ 2,044,652
Appropriation of 2017 earnings (Note 20)									
Legal reserve	-	-	53,415	-	(53,415)	-	-	-	-
Special reserve	-	-	-	13,928	(13,928)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(388,253)	-	(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 25)	-	795	-	-	-	-	795	(6,447)	(5,652)
Net profit for the year ended December 31, 2018	-	-	-	-	473,613	-	473,613	11,619	485,232
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	5,589	(17,009)	(11,420)	1,257	(10,163)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	479,202	(17,009)	462,193	12,876	475,069
Cash dividends distributed by subsidiaries (Note 20)	-	-	-	-	-	-	-	(7,341)	(7,341)
BALANCE AT DECEMBER 31, 2018	502,302	75,738	455,057	84,646	1,046,591	(101,655)	2,062,679	55,796	2,118,475
Appropriation of 2018 earnings (Note 20)									
Legal reserve	-	-	47,361	-	(47,361)	-	-	-	-
Special reserve	-	-	-	17,009	(17,009)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(326,497)	-	(326,497)	-	(326,497)
Net profit for the year ended December 31, 2019	-	-	-	-	503,361	-	503,361	12,141	515,502
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	(3,512)	(59,098)	(62,610)	(1,656)	(64,266)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	499,849	(59,098)	440,751	10,485	451,236
Cash dividends distributed by subsidiaries (Note 20)	-	-	-	-	-	-	-	(7,836)	(7,836)
BALANCE AT DECEMBER 31, 2019	$ 502,302	$ 75,738	$ 502,418	$ 101,655	$ 1,155,573	$ (160,753)	$ 2,176,933	$ 58,445	$ 2,235,378

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

(With Deloitte & Touche auditors' report dated March 26, 2020)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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

	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 687,551	$ 689,261
Adjustments for:		
Expected credit loss recognized (reversed) on receivables	306	(7,083)
Depreciation expenses	69,125	64,965
Amortization expenses	1,257	1,563
Amortization of prepayments for leases	-	1,598
Write-downs of inventories	6,326	8,427
Finance costs	7,221	8,690
Recognition of provisions	464	-
Interest income	(16,674)	(16,172)
Loss on disposal of property, plant and equipment	8,256	1,698
Net loss (gain) on foreign currency exchange	4,124	(4,181)
Changes in operating assets and liabilities		
Notes receivable	33,459	(4,301)
Trade receivables	111,627	115,513
Trade receivables from related parties	194	1,307
Other receivables	6,987	(1,590)
Inventories	10,762	19,279
Prepayments	447	12,091
Notes payable	(6,688)	(9,548)
Notes payable from related parties	(634)	80
Trade payables	(5,192)	(34,861)
Trade payables from related parties	(2,421)	(1,034)
Other payables	5,696	5,614
Contract liabilities - current	6,019	10,898
Advance receipts	-	(306)
Net defined benefit liabilities	(2,647)	(10,990)
Cash generated from operations	925,565	850,918
Interest received	16,634	16,172
Income tax paid	(200,172)	(230,171)
Net cash generated from operating activities	742,027	636,919
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash inflow on disposal of associates	-	25,641
Payments for property, plant and equipment	(287,551)	(149,322)
Proceeds from disposal of property, plant and equipment	6,420	1,096
Payments for intangible assets	(564)	(810)
Increase in prepayments for leases	-	(48,918)
Increase in other financial assets	(49,440)	(25)
Decrease in other financial assets	9,144	10,136

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SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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

	2019	2018
Increase in other non-current assets	$ (15,100)	$ (19,899)
Decrease in other non-current assets	456	539
Net cash used in investing activities	(336,635)	(181,562)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	583,391	60,000
Repayments of short-term borrowings	(620,000)	(119,184)
Repayments of long-term borrowings	(6,196)	(6,013)
Repayment of the principal portion of lease liabilities	(2,693)	-
Dividends paid to owners of the Company	(326,497)	(388,253)
Interests paid	(7,213)	(9,334)
Dividends paid to non-controlling interests	(7,836)	(7,341)
Acquisition of subsidiaries	-	(5,652)
Net cash used in financing activities	(387,044)	(475,777)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(27,571)	(509)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,223)	(20,929)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	807,198	828,127
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 797,975	$ 807,198

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

(With Deloitte & Touche auditors' report dated March 26, 2020) (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, 2019. 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 the mainboard of the Taipei Exchange ("TPEx") since December 2007.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 12, 2020.

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), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, 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 did not have any material impact on the Group's accounting policies:

   1) IFRS 16 "Leases"

      IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects 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 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents 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 consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in mainland China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

a) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee’s weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 4.67%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 29,674
Less: Recognition exemption for short-term leases	(3,427)
Less: Recognition exemption for leases of low-value assets	(436)
Undiscounted amounts on January 1, 2019	$ 25,811
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 21,404
Lease liabilities recognized on January 1, 2019	$ 21,404

The impact on assets and liabilities as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Prepayments for leases - current	$ 1,724	$ (1,724)	$ -
Prepayments for leases - non-current	85,876	(85,876)	-
Right-of-use assets	-	109,004	109,004
Total effect on assets	$ 87,600	$ 21,404	$ 109,004
Lease liabilities - current	$ -	$ 1,563	$ 1,563
Lease liabilities - non-current	-	19,841	19,841
Total effect on liabilities	$ -	$ 21,404	$ 21,404

b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Group 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 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

Amendments to IAS 1 and IAS 8 “Definition of material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

Except for the above impacts, as of the date the financial statements were authorized for issue, the Company assesses that the application of other standards and interpretations will not have any material impact on its financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note)
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 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group'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 consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated 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.

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 Group 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. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 9 and Tables 5 and 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity’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 consolidated financial statements, the functional currencies of the Company and its foreign operations (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 (attributed to the owners of the Company and non-controlling interests as appropriate).

f. Inventories

Inventories consist of raw materials, work in progress, finished goods and merchandise 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.

g. Property, plant and equipment

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

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If their respective lease terms are shorter than their useful lives, such assets are depreciated over their lease terms. 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. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

i. 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.

j. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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 on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when a group entity 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

Financial assets are classified as 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, receivables (including related parties and excluding tax refund receivables), other financial assets 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.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

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

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 Group always recognizes lifetime ECLs for trade receivables. For all other financial instruments, the Group 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 Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

i. Internal or external information shows that the debtor is unlikely to pay its creditors.

ii. When a financial asset's aging is more than 300 days (depending on individual circumstances) unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts 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 the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Group 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.

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.

l. 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.

<u>Warranties</u>

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on 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 Group's obligations.

m. Revenue recognition

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

n. Leasing

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

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.

1) The Group as lessee

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

2) Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Lessee. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

o. Borrowing costs

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

p. 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 Group'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.

q. 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 of 5% 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 Group 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 Group 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 Group’s accounting policies, management is required to make judgments, estimates 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.

The management evaluated that major accounting policies, estimates and basic assumptions applied by the Group had no significant uncertainty.

6. CASH AND CASH EQUIVALENTS

	December 31 2019	December 31 2018
Cash on hand	$ 4,541	$ 7,516
Checking accounts	119,847	92,681
Demand deposits	666,535	707,001
Cash equivalents		
Time deposits with original maturities of less than 3 months	7,052	-
	$ 797,975	$ 807,198

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

	December 31 2019	December 31 2018
Bank balance (including time deposits)	0.001%-3.14%	0.001%-4.00%

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

	December 31 2019	December 31 2018
Notes receivable		
At amortized cost	$ 20,446	$ 53,910
Less: Allowance for impairment loss	(93)	(94)
	$ 20,353	$ 53,816
Trade receivables		
At amortized cost	$ 519,323	$ 646,040
Less: Allowance for impairment loss	(34,833)	(34,328)
	$ 484,490	$ 611,712
Overdue receivables		
At amortized cost	$ 3,585	$ 5,112
Less: Allowance for impairment loss	(3,585)	(5,112)
	$ -	$ -
Other receivables		
Tax refund receivables	$ 137	$ 3,541
Others	12,370	16,351
	$ 12,507	$ 19,892

a. Notes receivable

The average credit period for notes receivable is 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 Group 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 Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade 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.

The following table details the loss allowance of notes receivable based on the Group's past default experience of the debtor:

December 31, 2019

	December 31	
	2019	**2018**
Expected credit loss rate	0%-1.49%	0%-1.42%
Gross carrying amount	$ 20,446	$ 53,910
Loss allowance (Lifetime ECLs)	(93)	(94)
Amortized cost	$ 20,353	$ 53,816

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

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ 94	$ 93
Foreign exchange gains and losses	(1)	1
Balance at December 31	$ 93	$ 94

b. Trade receivables

The average credit period of sales of goods was 60-150 days. No interest was charged on trade receivables that were past due. In order to minimize credit risk, the management of the Group 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 Group 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 Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group'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 status is not further distinguished according to the Group's different customer base.

The Group 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 Group 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 Group's provision matrix.

December 31, 2019

	Up to 60 Days	61 to 120 Days	121 to 180 Days	181 to 240 Days	241 to 300 Days	301 Days Above	Total
Expected credit loss rate	0.31%-9.8%	0.87%-14.78%	4.6%-27.29%	9.62%-49.61%	12.08%-100%	23.72%-100%	
Gross carrying amount	$ 330,049	$ 127,890	$ 39,186	$ 12,075	$ 4,076	$ 6,047	$ 519,323
Loss allowance (Lifetime ECLs)	(15,828)	(6,242)	(3,251)	(2,022)	(3,042)	(4,448)	(34,833)
Amortized cost	$ 314,221	$ 121,648	$ 35,935	$ 10,053	$ 1,034	$ 1,599	$ 484,490

December 31, 2018

	Up to 60 Days	61 to 120 Days	121 to 180 Days	181 to 240 Days	241 to 300 Days	301 Days Above	Total
Expected credit loss rate	0.11%-11.39%	0.29%-13.11%	1.11%-36.17%	3.06%-100%	5.59%-100%	10.18%-100%	
Gross carrying amount	$ 369,946	$ 171,147	$ 57,847	$ 20,385	$ 7,380	$ 19,335	$ 646,040
Loss allowance (Lifetime ECLs)	(13,229)	(6,961)	(3,247)	(2,850)	(512)	(7,529)	(34,328)
Amortized cost	$ 356,717	$ 164,186	$ 54,600	$ 17,535	$ 6,868	$ 11,806	$ 611,712

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

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ 34,328	$ 43,539
Add: Net remeasurement of loss allowance	1,709	-
Add: Amounts recovered	388	-
Less: Net remeasurement of loss allowance	-	(7,538)
Less: Amounts written off	(757)	(1,304)
Foreign exchange gains and losses	(835)	(369)
Balance at December 31	$ 34,833	$ 34,328

c. Overdue receivables

The Group measures the loss allowance for overdue receivables at an amount equal to lifetime ECLs. 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, 2019 and 2018, the rate of expected credit loss of overdue receivables was 100%.

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

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ 5,112	$ 4,738
Add: Net remeasurement of loss allowance	-	455
Less: Net remeasurement of loss allowance	(1,403)	-
Foreign exchange gains and losses	(124)	(81)
Balance at December 31	$ 3,585	$ 5,112

d. Other receivables

Other receivables consist of tax refund receivables, advances to employees, etc. The Group 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 Group's exposure and the credit ratings of its counterparties are continuously monitored.

The Group 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, 2019 and 2018, the rate of expected credit loss of other receivables was 0%.

8. INVENTORIES

	December 31	
	2019	**2018**
Merchandise	$ 117,648	$ 125,133
Finished goods	127,879	147,638
Work in progress	161,877	161,675
Raw materials	206,661	214,066
Inventory in transit	17,563	20,632
	$ 631,628	$ 669,144

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was $2,456,411 thousand and $2,591,100 thousand, respectively. The cost of goods sold included inventory write-downs of $6,326 thousand and $8,427 thousand, respectively.

9. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

			Proportion of Ownership (%) December 31		
Investor	**Investee**	**Nature of Activities**	**2019**	**2018**	**Remark**
Sinmag Equipment Corporation	Lucky Union Limited	Holding company	100.00	100.00	-
Lucky Union Limited	Sinmag Limited	Holding company	100.00	100.00	-
Sinmag Limited	Sinmag Equipment (China) Co., Ltd. (Note 1)	Manufacturing and selling of bakery equipment	100.00	100.00	Main operating risk is political risk, exchange rate risk and interest rate risk
	Wuxi New Order Control Co., Ltd.	Manufacturing and selling of control panel and electromechanical control system	50.00	50.00	Main operating risk is political risk, exchange rate risk and interest rate risk
	Sinmag Bakery Equipment Sdn. Bhd.	Selling of bakery equipment	100.00	100.00	Main operating risk is exchange rate risk
	LBC Bakery Equipment Inc. (Note 2)	Selling of bakery equipment	82.82	82.82	Main operating risk is exchange rate risk
	Sinmag Bakery Machine India Private Limited	Manufacturing and selling of bakery equipment	100.00	100.00	Main operating risk is exchange rate risk
	Sinmag Equipment (Thailand) Co., Ltd.	Selling of bakery equipment	100.00	100.00	Main operating risk is exchange rate risk

Note 1: The name was changed from Sinmag Equipment (Wuxi) Co., Ltd. to Sinmag Equipment (China) Co., Ltd. on January 10, 2018.

Note 2: On November 9, 2018, the board of directors of the Company resolved to purchase 30,000 outstanding shares of LBC Bakery Equipment Inc., and set December 5, 2018 as the record date for shares transfer. After the completion of the shares transfer, the Company's shareholding percentage of LBC Bakery Equipment Inc. increased from 80% to 82.82%. Refer to Note 25 for information on equity transactions with non-controlling interests.

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Property under Construction	Total
Cost								
Balance at January 1, 2019	$ 99,375	$ 606,420	$ 378,308	$ 14,766	$ 57,005	$ 84,788	$ 124,599	$ 1,365,261
Additions	-	1,260	12,599	571	9,798	11,978	283,721	319,927
Disposals	(3,070)	(4,408)	(30,908)	-	(5,822)	(2,244)	-	(46,452)
Effects of foreign currency exchange differences	(584)	(33,494)	(12,630)	(421)	(1,571)	(3,689)	-	(52,389)
Reclassification (Notes 1 and 2)	-	416,931	485	-	93	5,799	(408,320)	14,988
Balance at December 31, 2019	$ 95,721	$ 986,709	$ 347,854	$ 14,916	$ 59,503	$ 96,632	$ -	$ 1,601,335
Accumulated depreciation and impairment								
Balance at January 1, 2019	$ -	$ 177,437	$ 228,427	$ 9,639	$ 42,184	$ 63,645	$ -	$ 521,332
Disposals	-	(3,362)	(20,834)	-	(5,611)	(1,969)	-	(31,776)
Depreciation expenses	-	21,878	27,264	1,421	7,700	6,269	-	64,532
Effect of foreign currency exchange differences	-	(6,269)	(8,122)	(292)	(1,206)	(2,624)	-	(18,513)
Balance at December 31, 2019	$ -	$ 189,684	$ 226,735	$ 10,768	$ 43,067	$ 65,321	$ -	$ 535,575
Carrying amounts at December 31, 2019	$ 95,721	$ 797,025	$ 121,119	$ 4,148	$ 16,436	$ 31,311	$ -	$ 1,065,760

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Property under Construction	Total
Cost								
Balance at January 1, 2018	$ 98,616	$ 587,575	$ 376,373	$ 12,953	$ 52,095	$ 81,497	$ -	$ 1,209,109
Additions	-	2,683	8,734	2,291	5,760	3,198	127,051	149,717
Disposals	-	-	(7,703)	(265)	(1,032)	(1,541)	-	(10,541)
Effects of foreign currency exchange differences	759	(5,443)	(6,850)	(213)	182	(1,795)	(2,452)	(15,812)
Reclassification (Note 1)	-	21,605	7,754	-	-	3,429	-	32,788
Balance at December 31, 2018	$ 99,375	$ 606,420	$ 378,308	$ 14,766	$ 57,005	$ 84,788	$ 124,599	$ 1,365,261
Accumulated depreciation and impairment								
Balance at January 1, 2018	$ -	$ 159,310	$ 206,553	$ 8,287	$ 36,745	$ 61,514	$ -	$ 472,409
Disposals	-	-	(5,266)	(239)	(923)	(1,319)	-	(7,747)
Depreciation expenses	-	20,874	31,258	1,728	6,292	4,813	-	64,965
Effect of foreign currency exchange differences	-	(2,747)	(4,118)	(137)	70	(1,363)	-	(8,295)
Balance at December 31, 2018	-	177,437	228,427	9,639	42,184	63,645	-	521,332
Carrying amounts at December 31, 2018	$ 99,375	$ 428,983	$ 149,881	$ 5,127	$ 14,821	$ 21,143	$ 124,599	$ 843,929

(Concluded)

Note 1: Reclassified from other non-current assets - prepayments for equipment and inventories to property, plant and equipment.

Note 2: Reclassified from property under construction to buildings.

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

Buildings	3-50 years
Machinery and equipment	5-10 years
Transportation equipment	4-5 years
Office equipment	3-10 years
Other equipment	3-10 years

The property, plant and equipment used by the Group is not leased under operating leases.

No impairment assessment was performed for the year ended December 31, 2019 as there was no indication of impairment.

The significant part of the Group’s buildings include main buildings, mechanical and electrical power equipment and construction system etc., and are depreciated over their estimated useful lives of 3 to 50 years, 5 to 15 years and 5 to 20 years, respectively.

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 30.

11. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land	$ 88,591
Buildings	17,449
	$ 106,040

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 4,774
Depreciation charge for right-of-use assets	
Land	$ 1,901
Buildings	2,692
	$ 4,593

Right-of-use assets pledged as collateral for bank borrowings are set out in Note 30.

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 3,330
Non-current	$ 19,667

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	4.57%
Buildings	1.15%-5.30%

c. Material lease-in activities and terms

The Group leases certain land use rights and buildings for the use of offices, dormitories, warehouses and parking lots with lease terms of 2 to 99 years. The Group does not have bargain purchase options to acquire the land use rights and buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor’s consent.

d. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 13,235
Expenses relating to low-value asset leases	$ 329
Total cash outflow for leases	$ (17,682)

The Group leases certain buildings which qualify as short-term leases, and transportation equipment and certain office equipment which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

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

	December 31, 2018
Not later than 1 year	$ 5,431
Later than 1 year and not later than 5 years	6,760
Later than 5 years	17,483
	$ 29,674

The lease payments and sublease payments recognized in profit or loss were as follows:

	For the Year Ended December 31, 2018
Minimum lease payments	$ 19,236

12. GOODWILL

	For the Year Ended December 31	
	2019	2018
Cost		
Balance at January 1	$ 3,254	$ 3,254
Additions (deductions)	-	-
Balance at December 31	$ 3,254	$ 3,254

13. OTHER INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2019	$ 15,723
Additions	564
Effect of foreign currency exchange differences	(508)
Balance at December 31, 2019	$ 15,779
Accumulated amortization and impairment	
Balance at January 1, 2019	$ 12,776
Amortization expenses	1,257
Effect of foreign currency exchange differences	(433)
Balance at December 31, 2019	$ 13,600
Carrying amount at December 31, 2019	$ 2,179
Cost	
Balance at January 1, 2018	$ 15,321
Additions	810
Disposals	(139)
Effect of foreign currency exchange differences	(269)
Balance at December 31, 2018	$ 15,723
Accumulated amortization and impairment	
Balance at January 1, 2018	$ 11,569
Amortization expenses	1,563
Disposals	(139)
Effect of foreign currency exchange differences	(217)
Balance at December 31, 2018	$ 12,776
Carrying amount at December 31, 2018	$ 2,947

Computer software is amortized on a straight-line basis over its estimated useful life of 3 to 5 years.

14. REPAYMENTS FOR LEASES

	December 31, 2018
Current assets (included in prepayments)	$ 1,724
Non-current assets	85,876
	$ 87,600

a. As of December 31, 2018, prepaid lease payments consist of land use rights, which are for land located in mainland China and Malaysia with a period of 50 years and 99 years, respectively.

b. The land use rights pledged to financial institution as collateral for borrowings are set out in Note 30.

15. OTHER ASSETS

	December 31	
	2019	2018
Current		
Other financial assets		
Time deposits with original maturities over 3 months from the date of acquisition (Note 1)	$ 4,402	$ 8,944
Other financial assets - restricted assets (Note 1)	226	293
Other financial assets - financial products (Notes 1 and 2)	43,051	-
	$ 47,679	$ 9,237
Non-current		
Other financial assets - restricted assets (Note 1)	$ 64	$ 64
Other assets		
Refundable deposits (Note 1)	$ 14,292	$ 17,033
Prepayments for equipment	30,446	21,392
Prepayments - non-current	13,217	21,500
	$ 57,955	$ 59,925

Note 1: The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored. The Group reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

In order to minimize credit risk, the Group has tasked its credit management committee to develop and maintain a credit risk grading framework to categorize exposures according to degree of risk of default. The credit rating information may be obtained from independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information to rate the debtors.

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. As of December 31, 2019 and 2018, the Group evaluated the expected credit loss rates of its debt instrument investments as 0%.

Other financial assets of the Group pledged as collateral for contracts are set out in Note 30.

Note 2: A contract for the short-term financial products was signed between the Group and the bank. The financial products are mainly linked to the three-month Shanghai Interbank Offered Rate. According to the terms of the contract, such financial products are redeemable at any time.

16. BORROWINGS

a. Short-term borrowings

	December 31 2019	December 31 2018
Secured borrowings (see Note 30)		
Bank loans	$ -	$ 50,000
Unsecured borrowings		
Line of credit borrowings	113,391	100,000
	$ 113,391	$ 150,000

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

2) The range of weighted average effective interest rates on line of credit borrowings was 1.15%-2.64% and 1.15% per annum as of December 31, 2019 and 2018, respectively.

b. Long-term borrowings

	December 31 2019	December 31 2018
Secured borrowings (see Note 30)		
Bank loans - Banner Bank	$ 57,052	$ 60,022
Bank loans - UOB	30,720	35,418
Bank loans - Tisco Bank	-	296
Less: Current portions	(5,906)	(6,121)
Long-term borrowings	$ 81,866	$ 89,615

The long-term borrowings from Banner Bank in the amount of $68,933 thousand (US$2,100 thousand) are secured by the Group's freehold land and buildings (see Note 30) and will be repayable on September 1, 2025. As of December 31, 2019 and 2018, the Group used $57,052 thousand (US$1,903 thousand) and $60,022 thousand (US$1,954 thousand) of its long-term borrowing facilities, with an annual effective interest rate of 4.82%. On October 1, 2015, the Group started to pay interests and principal monthly, in a total of 120 installments, consisting of US$12 thousand for each of the first 119 installments and the remaining US$1,569 thousand for the 120th installment. The purpose of this bank borrowing facility was for the acquisition of land, plant and equipment.

The long-term borrowings from UOB in the amount of $39,435 thousand (RM6,000 thousand) are secured by the Group's right-of-use assets and buildings (see Note 30) and will be repayable on May 5, 2022. As of December 31, 2019 and 2018, the Group used $30,720 thousand (RM4,368 thousand) and $35,418 thousand (RM4,980 thousand) of its long-term borrowing facilities, with an interest rate equivalent to the bank's effective interest rate of 4.86%-5.12%. On June 5, 2017, the Group started to pay interests and principal monthly, in a total of 60 installments. The purpose of this bank borrowing facility was for the acquisition of land use right and plant.

The long-term borrowings from Tisco in the amount of $753 thousand (THB829 thousand) are secured by the Group's transportation equipment (see Note 30) and will be repayable on July 20, 2020. On July 20, 2016, the Group started to pay interests and principal monthly in an amount of THB21 thousand, in a total of 48 installments. Only the Group early repaid full amount of its debt in April 2019. As of December 31, 2019 and 2018, the outstanding balance of the long-term borrowing facilities is $0 thousand (THB0 thousand) and $$296 thousand (THB311 thousand), respectively, with an interest rate of 5.3%. The purpose of this bank borrowing facility was for the acquisition of transportation equipment.

17. OTHER LIABILITIES

	December 31	
	2019	**2018**
Current		
Other payables		
Payables for salaries or bonuses	$ 159,537	$ 168,881
Payables for professional service fees	2,731	3,193
Payables for employee welfare fund	8,261	3,798
Accrued interest payable	85	77
Payables for business tax	21,499	27,779
Prepayments for equipment (see Note 26)	32,771	395
Others	64,086	54,383
	$ 288,970	$ 258,506

18. PROVISIONS

	December 31	
	2019	**2018**
Current		
Warranties	$ 24,875	$ 25,261

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ 25,261	$ 25,385
Additional provisions recognized	23,996	32,556
Amount used	(23,532)	(32,556)
Effect of foreign currency exchange differences	(850)	(124)
Balance at December 31	$ 24,875	$ 25,261

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 Group'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.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the Group's subsidiaries in mainland China, Malaysia, U.S.A., India and Thailand are members of a state-managed retirement benefit plan operated by the local governments. The subsidiaries are required to contribute specified percentages of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plans adopted by the Company of the Group 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 6.57% 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 Group 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 Group 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 Group has no right to influence the investment policy and strategy.

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

	December 31	
	2019	**2018**
Present value of defined benefit obligation	$ 57,029	$ 56,195
Fair value of plan assets	(52,377)	(53,286)
Deficit (surplus)	4,652	2,909
Asset ceiling	-	-
Net defined benefit liabilities	$ 4,652	$ 2,909

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, 2018	$ 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)
Benefits paid	-	-	-
Balance at December 31, 2018	$ 56,195	$ (53,286)	$ 2,909
Balance at January 1, 2019	$ 56,195	$ (53,286)	$ 2,909
Service cost			
Current service cost	329	-	329
Net interest expense (income)	514	(500)	14
Recognized in profit or loss	843	(500)	343
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,774)	(1,774)
Actuarial loss - changes in demographic assumptions	500	-	500
Actuarial loss - changes in financial assumptions	1,414	-	1,414
Actuarial loss - experience adjustments	4,250	-	4,250
Recognized in other comprehensive income	6,164	(1,774)	4,390
Contributions from the employer	-	(2,990)	(2,990)
Benefits paid	(6,173)	6,173	-
Balance at December 31, 2019	$ 57,029	$ (52,377)	$ 4,652

Through the defined benefit plans under the Labor Standards Law, the Group 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	
	2019	**2018**
Discount rate(s)	0.750%	1.000%
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	
	2019	**2018**
Discount rate(s)		
0.25% increase	$ (1,421)	$ (1,401)
0.25% decrease	$ 1,475	$ 1,455
Expected rate(s) of salary increase		
0.25% increase	$ 1,426	$ 1,409
0.25% decrease	$ (1,381)	$ (1,364)

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	
	2019	**2018**
Expected contributions to the plans for the next year	$ 2,856	$ 3,000
Average duration of the defined benefit obligation	10 years	10.1 years

20. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2019	**2018**
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	50,230
Shares issued	$ 502,302	$ 502,302

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 the FSC on June 22, 2018, and July 22, 2018 was set as the subscription base date. The new issuance was approved by the Ministry of Economic Affairs on August 6, 2018 under Business Negotiation Letter No. 10701094900.

b. Capital surplus

	December 31	
	2019	**2018**
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	927
	$ 75,738	$ 75,738

* 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 Articles, where the Company made a profit after considering taxes expenses in a fiscal year, the profit shall be first utilized for offsetting losses of previous years (including the adjustment of unappropriated profit), 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 beginning undistributed retained earnings (including the adjustment of unappropriated profit) 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, refer to employees' compensation and remuneration of directors in Note 22(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 2018 and 2017 which were approved in the shareholders’ meetings on June 14, 2019 and June 13, 2018, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2018	2017
Legal reserve	$ 47,361	$ 53,415
Special reserve	$ 17,009	$ 13,928
Cash dividends	$ 326,497	$ 388,253
Share dividends	$ -	$ 16,986
Cash dividends per share (NT$)	$ 6.5	$ 8.00
Share dividends per share (NT$)	$ -	$ 0.35

As of the date the consolidated financial statements were authorized for issue, the appropriation of earnings for 2019 had not been resolved by the Company’s board of directors.

d. Special reserve

	For the Year Ended December 31	
	2019	2018
Appropriation in respect of:		
Debit to other equity items	$ 47,322	$ 30,313
First-time adoption of IFRSs	54,333	54,333
	$ 101,655	$ 84,646

e. Other equity items

Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (101,655)	$ (84,646)
Effect of change in tax rate	-	858
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(73,873)	(22,333)
Related income tax	14,775	4,466
Other comprehensive income recognized for the year	(59,098)	(17,009)
Balance at December 31	$ (160,753)	$ (101,655)

f. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 55,796	$ 56,708
Share in profit for the year	12,141	11,619
Other comprehensive income during the year		
Cash dividend	(7,836)	(7,341)
Exchange differences on translating the financial statements of foreign operations	(1,656)	1,257
Acquisition of non-controlling interests in subsidiaries (see Note 25)	-	(6,447)
Balance at December 31	$ 58,445	$ 55,796

21. REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from contracts with customers		
Revenue from the sale of goods	$ 4,144,379	$ 4,290,585
Revenue from the rendering of services	20,249	21,430
	$ 4,164,628	$ 4,312,015

a. Contract information

1) Revenue from the sale of goods

The main operating revenue of the Group 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, 2019	December 31, 2018	January 1, 2018
Notes receivable (see Note 7)	$ 20,353	$ 53,816	$ 49,410
Trade receivables (see Note 7)	484,490	611,712	727,270
Trade receivables from related parties (see Note 29)	168	368	1,685
	$ 505,011	$ 665,896	$ 778,365
Contract liabilities - advance receipts			
Sale of goods	$ 85,545	$ 82,284	$ 73,187

Revenue recognized in the current year that was included in the contract liability balance at the beginning of the year is as follows:

	For the Year Ended December 31	
	2019	**2018**
From contract liabilities at the start of the year		
Sale of goods	$ 67,924	$ 64,662

c. Disaggregation of revenue

Refer to Note 35 for information about disaggregation of revenue.

22. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2019	**2018**
Interest income		
Bank deposits	$ 2,414	$ 2,240
Financial products	14,260	13,932
Others	10,624	10,650
	$ 27,298	$ 26,822

b. Other gains and losses

	For the Year Ended December 31	
	2019	**2018**
Loss on disposal of property, plant and equipment	$ (8,256)	$ (1,698)
Net foreign exchange gains	14,601	17,499
Others	(951)	(1,972)
	$ 5,394	$ 13,829

c. Finance costs

	For the Year Ended December 31	
	2019	**2018**
Interest on bank loans	$ 6,237	$ 8,690
Interest on lease liabilities	984	-
	$ 7,221	$ 8,690

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
An analysis of depreciation by function		
Operating costs	$ 37,070	$ 39,917
Operating expenses	32,055	25,048
	$ 69,125	$ 64,965
An analysis of amortization by function		
Operating costs	$ 53	$ 182
Selling and marketing expenses	265	276
General and administrative expenses	404	659
Research and development expenses	535	446
	$ 1,257	$ 1,563

e. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term benefits	$ 939,246	$ 967,562
Post-employment benefits		
Defined contribution plans	85,720	91,351
Defined benefit plans (see Note 19)	343	665
	86,063	92,016
Total employee benefits expense	$ 1,025,309	$ 1,059,578
An analysis of employee benefits expense by function		
Operating costs	$ 399,487	$ 426,466
Operating expenses	625,822	633,112
	$ 1,025,309	$ 1,059,578

f. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of 2%-10% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2019 and 2018, which have been approved by the Company's board of directors on March 12, 2020 and March 14, 2019, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2019	2018
Employees' compensation	3.00%	4.00%
Remuneration of directors	1.37%	1.56%

Amount

	For the Year Ended December 31	
	2019	2018
	Cash	Cash
Employees' compensation	$ 17,052	$ 21,847
Remuneration of directors	7,758	8,539

If there is a change in the amounts after the annual consolidated 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 paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 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	
	2019	2018
Foreign exchange gains	$ 45,703	$ 57,033
Foreign exchange losses	(31,102)	(39,534)
Net foreign exchange gains	$ 14,601	$ 17,499

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 279,741	$ 307,655
Income tax on unappropriated earnings	4,417	5,952
Adjustments for prior years	(6,841)	(6,530)
Withholding tax credits from overseas profits of the current year	(30,511)	(38,783)
Tax deduction	(73,131)	(60,365)
	173,675	207,929
Deferred tax		
In respect of the current year	(1,626)	(18,658)
Adjustments to deferred tax attributable to changes in tax rates and laws	-	14,758
	(1,626)	(3,900)
Income tax expense recognized in profit or loss	$ 172,049	$ 204,029

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

	For the Year Ended December 31	
	2019	**2018**
Profit before tax from continuing operations	$ 687,551	$ 689,261
Income tax expense calculated at the statutory rate (20%)	$ 137,510	$ 137,852
Unrecognized deductible temporary differences - share of (profit) loss of subsidiaries accounted for equity method	(45,243)	(41,981)
Nondeductible expenses in determining taxable income	2,388	3,899
Tax-exempt income	(149)	-
Repatriation of subsidiary's tax earnings	47,576	56,404
Income tax on unappropriated earnings	4,417	5,952
Withholding tax credits from overseas profits	(30,511)	(38,783)
Effect of different tax rates of group entities operating in other jurisdictions	62,902	87,216
Adjustments for prior years' tax	(6,841)	(6,530)
Income tax expense recognized in profit or loss	$ 172,049	$ 204,029

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

Under the PRC corporate income tax law, Sinmag Equipment (China) Co., Ltd. had been qualified as a High Tech Enterprise from November 2018 to 2020, resulting in a 15% corporate income tax rate.

Under the PRC Preferential Income Tax Policies for Small Low-Profit Enterprises, Wuxi New Order Control Co., Ltd. applied an income tax rate of 20% on taxable income that constituted 25% of its revenue at less than RMB1,000 thousand, and 50% of its revenue at more than RMB1,000 thousand but less than RMB3,000 thousand.

The applicable corporate income tax rate used by LBC Bakery Equipment Inc. in the U.S.A., resulted from the Tax Cuts and Jobs Act of 2018 which reduced the U.S. Federal corporate tax rate from 34% to 21%.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	**2018**
Current tax	$ -	$ -
Deferred tax		
Effect of change in tax rate	-	(1,550)
In respect of the current year		
Translation of foreign operations	(14,775)	(4,466)
Remeasurement of defined benefit plans	(878)	1,223
Total income tax recognized in other comprehensive income	$ (15,653)	$ (4,793)

c. Current tax assets and liabilities

	December 31	
	2019	**2018**
Current tax assets		
Tax refund receivable	$ 2,460	$ 10,616
Current tax liabilities		
Income tax payable	$ 78,527	$ 115,731

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, 2019

	Opening Balance	**Recognized in Profit or Loss**	**Recognized in Other Comprehen-sive Income**	**Exchange Differences**	**Closing Balance**
Deferred tax assets					
Temporary differences					
Allowance for impairment loss	$ 1,478	$ (114)	$ -	$ (6)	$ 1,358
Unrealized loss on inventories	4,622	781	-	(31)	5,372
Unrealized gain on transactions with subsidiaries	2,286	311	-	-	2,597
Provisions	2,136	43	-	(51)	2,128
Defined benefit obligations	3,387	-	878	-	4,265
Exchange differences on translating the financial statements of foreign operations	10,194	-	14,775	-	24,969
Others	2,053	1,195	-	(68)	3,180
	$ 26,156	$ 2,216	$ 15,653	$ (156)	$ 43,869
Deferred tax liabilities					
Temporary differences					
Share of profit or loss of subsidiaries accounted for using the equity method	$ 83,373	$ (900)	$ -	$ -	$ 82,473
Pensions	3,722	529	-	-	4,251
Others	203	961	-	-	1,164
	$ 87,298	$ 590	$ -	$ -	$ 87,888

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Allowance for impairment loss	$ 2,804	$ (1,334)	$ -	$ 8	$ 1,478
Unrealized loss on inventories	3,352	1,236	-	34	4,622
Unrealized gain on transactions with subsidiaries	2,209	77	-	-	2,286
Provisions	1,987	84	-	65	2,136
Defined benefit obligations	3,918	-	(531)	-	3,387
Exchange differences on translating the financial statements of foreign operations	4,870	-	5,324	-	10,194
Others	2,100	(105)	-	58	2,053
	$ 21,240	$ (42)	$ 4,793	$ 165	$ 26,156
Deferred tax liabilities					
Temporary differences					
Share of profit or loss of subsidiaries accounted for using the equity method	$ 89,470	$ (6,097)	$ -	$ -	$ 83,373
Pensions	1,295	2,427	-	-	3,722
Others	475	(272)	-	-	203
	$ 91,240	$ (3,942)	$ -	$ -	$ 87,298

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

As of December 31, 2019 and 2018, the taxable temporary differences associated with investments in subsidiaries and branches for which no deferred tax liabilities have been recognized were $967,157 thousand and $793,955 thousand, respectively.

f. Income tax assessments

The tax returns through 2017 have been assessed by the tax authorities, and there is no litigation or claim regarding tax assessments against the Company.

24. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	**2018**
Basic earnings per share		
From continuing operations	$ 10.02	$ 9.43
Diluted earnings per share		
From continuing operations	$ 9.98	$ 9.39

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	
	2019	**2018**
Profit for the year attributable to owners of the Company	$ 503,361	$ 473,613
Effect of potentially dilutive ordinary shares		
Employees' compensation	-	-
Earnings used in the computation of diluted earnings per share	$ 503,361	$ 473,613

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

	For the Year Ended December 31	
	2019	**2018**
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	182	225
Weighted average number of ordinary shares used in the computation of diluted earnings per share	50,412	50,455

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or 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.

25. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The Group acquired 30,000 outstanding shares of LBC Bakery Equipment Inc. on December 5, 2018. After the completion of equity transfer, the Company's shareholding percentage in LBC Bakery Equipment Inc. increased from 80% to 82.82%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

	LBC Bakery Equipment Inc.
Cash consideration paid	$ 5,652
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	(6,447)
Differences recognized from equity transactions	$ (795)

26. CASH FLOW INFORMATION

a. Non-cash transactions

For the years ended December 31, 2019 and 2018, the Group entered into the following non-cash investing which were not reflected in the consolidated statements of cash flows:

The Group acquired property, plant and equipment that had not yet paid in the amounts of $32,771 thousand and $395 thousand, which were recorded as other payables during the years ended December 31, 2019 and 2018, respectively.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2019

			Non-cash Changes			
	Opening Balance	Cash Flows	New Leases	Interest Expenses	Exchange Differences on Translating the Financial Statements	Closing Balance
Long-term borrowings and current portion of long-term borrowings	$ 95,736	$ (6,196)	$ -	$ -	$ (1,768)	$ 87,772
Short-term borrowings	150,000	(36,609)	-	-	-	113,391
Lease liabilities (see Note 3)	21,404	(3,677)	4,774	984	(488)	22,997
	$ 267,140	$ (46,482)	$ 4,774	$ 984	$ (2,256)	$ 224,160

For the year ended December 31, 2018

			Non-cash Changes		
	Opening Balance	Cash Flows	Interest Expenses	Exchange Differences on Translating the Financial Statements	Closing Balance
Long-term borrowings and current portion of long-term borrowings	$ 99,627	$ (6,013)	$ -	$ 2,122	$ 95,736
Short-term borrowings	209,314	(59,184)	-	(130)	150,000
	$ 308,941	$ (65,197)	$ -	$ 1,992	$ 245,736

27. CAPITAL MANAGEMENT

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

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

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

28. FINANCIAL INSTRUMENTS

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

The management of the Group 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	
	2019	**2018**
Financial assets		
Amortized cost (1)	$ 1,377,391	$ 1,515,779
Financial liabilities		
Amortized cost (2)	572,288	599,551

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, receivables (including related parties and excluding tax refund receivables), other financial assets and refundable deposits.

2) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, long-term borrowings and payables (including related parties and excluding payables for salaries or bonuses, payables for employees' welfare fund and payables for business tax).

c. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, receivables, debt instruments, payables and short-term, long-term borrowings and lease liabilities. 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 Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The Group had foreign currency denominated sales and purchases, which exposed the Group to foreign currency risk. The Group 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 Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 33.

Sensitivity analysis

The Group was mainly exposed to exchange fluctuations of the USD.

The following table details the Group's sensitivity to a 1% increase and decrease in 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 associated with the functional currency weakening 1% against the relevant currency. For a 1% strengthening of the functional currency against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2019	**2018**
Profit or loss	$ 2,416	$ 3,800

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

The Group's sensitivity to the USD decreased during the current year mainly due to a decrease in USD denominated cash and cash equivalents, and an increase in USD denominated payables and short-term borrowings.

b) Interest rate risk

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

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 54,569	$ 9,199
Financial liabilities	193,440	210,318
Cash flow interest rate risk		
Financial assets	666,761	707,103
Financial liabilities	30,720	35,418

Sensitivity analysis

The sensitivity analysis below was determined based on the Group'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 points 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 Group's pre-tax profit for the years ended December 31, 2019 and 2018 would increase/decrease by $1,590 thousand and $1,679 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and bank deposits.

The Group's sensitivity to interest rates did not have significant change during the current period

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group 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 Group'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 Group continually evaluated its counterparties' financial status, and, if necessary, requested a guarantee deposit as a term of transaction to lower its exposure to the credit risk.

The Group's concentration of credit risk by geographical locations was mainly in mainland China, which accounted for 39% and 52% of the total trade receivables as of December 31, 2019 and 2018, respectively.

3) Liquidity risk

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

For the Group, bank loans are an important resource of liquidity to the Group. Refer to section (b) below for more information about unused amounts of financing facilities at December 31, 2019 and 2018.

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

The following table shows the Group'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 Group 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 their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2019

	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Short-term borrowings	$ 113,397	$ -	$ -	$ -
Non-interest bearing liabilities	357,384	13,741	-	-
Lease liabilities	1,771	2,483	6,567	27,199
Long-term borrowings	2,535	7,527	45,400	49,916
	$ 475,087	$ 23,751	$ 51,967	$ 77,115

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	$ 4,254	$ 6,567	$ 5,037	$ 5,037	$ 5,037	$ 12,088

December 31, 2018

	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Short-term borrowings	$ 150,101	$ -	$ -	$ -
Non-interest bearing liabilities	347,405	6,410	-	-
Long-term borrowings	2,713	8,056	52,181	55,609
	$ 500,219	$ 14,466	$ 52,181	$ 55,609

b) Financing facilities

	December 31	
	2019	2018
Unsecured bank loan facilities, reviewed annually and payable on demand:		
Amount used	$ 113,391	$ 100,000
Amount unused	516,709	693,480
	$ 630,100	$ 793,480
Secured bank loan facilities:		
Amount used	$ 87,772	$ 145,736
Amount unused	204,575	101,330
	$ 292,347	$ 247,066

29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party name and categories

Related Party Name	Related Party Category
Zeelandia Bakery Ingredients (Wuxi) Co., Ltd.	Associates
Tehmag Foods Corporation	Associates
San Neng Bake Ware (Wuxi) Co., Ltd.	Associates
San Neng Bakeware Corporation	Associates
New Order Enterprise Co., Ltd.	Associates
Wuxi Champs Food Co., Ltd. (Note)	Associates
Auto Control Co., Ltd.	Associates
Wuxi Temma Paper Cup Co., Ltd.	Associates
Sinmag Fitting Corporation	Associates
Tehmag Foods Corporation Sdn. Bhd.	Associates

Note: Since July 2019, it was no longer a related party; therefore, the amount of profit or loss is disclosed based on transactions between January 2019 and June 2019.

b. Sales of goods

		For the Year Ended December 31	
Line Item	Related Party Category/Name	2019	2018
Sales	Associates	$ 1,457	$ 1,158

The sales prices to related parties were negotiated case by case, and the collection terms to related parties were 60 days or 90 days within receiving the bills 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 2019	2018
Associates	$ 48,518	$ 55,793

The purchases prices 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 prices and payment terms were determined in accordance with mutual agreements, and the payment terms to third parties was 90 days.

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

Line Item	Related Party Category/Name	December 31 2019	2018
Trade receivables	Associates	$ 168	$ 368

The outstanding trade receivables from related parties are unsecured. As of December 31, 2019 and 2018, all receivables from related parties were not past due. And for the years ended December 31, 2019 and 2018, no impairment losses were 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 2019	2018
Trade payables	Associates	$ 339	$ 973
Notes payable	Associates	$ 6,976	$ 9,579

The outstanding trade payables from related parties are unsecured.

f. Other transactions with related parties

Line Item	Related Party Category/Name	For the Year Ended December 31 2019	2018
Selling and marketing expenses - other expenses	Associates	$ 7	$ -
General and administrative expenses - other expenses	Associates	$ 1	$ 10
Research and development expenses - other expenses	Associates	$ 6	$ -

g. Compensation of key management personnel

	For the Year Ended December 31 2019	2018
Short-term employee benefits	$ 57,629	$ 57,832
Post-employment benefits	997	1,023
	$ 58,626	$ 58,855

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

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank loans, taxpayer accounts and the tariffs of imported raw materials guarantees:

	December 31	
	2019	2018
Other financial assets - current		
Pledged time deposits	$ -	$ 191
Taxpayer accounts	226	102
	$ 226	$ 293
Other financial assets - non-current		
Pledged time deposits	$ 64	$ 64
Others		
Right-of-use assets	20,478	-
Land use rights	-	20,933
Freehold land	82,521	82,145
Buildings, net	152,577	154,987
Transportation equipment, net	-	296
	$ 255,576	$ 258,361

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Unrecognized commitments were as follows:

	December 31	
	2019	2018
Acquisition of property, plant and equipment	$ 7,687	$ 258,660

32. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The outbreak of novel coronavirus pneumonia in January 2020 caused the operation of subsidiary, Sinmag Equipment (China) Co., Ltd., to be temporarily suspended for compliance with local government's regulations. As of the date the consolidated financial statements were authorized for issue, Sinmag Equipment (China) Co., Ltd. had resumed its operation on February 11, 2020. Due to the inability to assess the outbreak control situation, the Group could not reasonably estimate the extent of the impact on its operation.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group'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, 2019

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 7,437	29.98 (USD:NTD)	$ 222,967
USD	9,565	6.96 (USD:RMB)	286,745
USD	47	4.26 (USD:MYR)	1,420
			$ 511,132
Financial liabilities			
Monetary items			
USD	7,853	29.98 (USD:NTD)	$ 235,447
USD	598	6.96 (USD:RMB)	17,930
USD	233	4.26 (USD:MYR)	6,993
USD	307	29.69 (USD:THB)	9,204
			$ 269,574

December 31, 2018

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 7,535	30.72 (USD:NTD)	$ 231,429
USD	11,085	6.87 (USD:RMB)	340,469
USD	47	4.32 (USD:MYR)	1,454
			$ 573,352
Financial liabilities			
Monetary items			
USD	5,077	30.72 (USD:NTD)	$ 155,928
USD	465	6.87 (USD:RMB)	14,286
USD	82	4.32 (USD:MYR)	2,508
USD	672	32.22 (USD:THB)	20,648
			$ 193,370

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange gains (losses) were $14,601 thousand and $17,499 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

34. 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 (none)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (none)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 2)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 3)

9) Trading in derivative instruments (none)

10) Intercompany relationships and significant intercompany transactions (Table 4)

11) 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 ending 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

d. When subsidiaries hold shares of the parent, the names of the subsidiaries and the shareholdings, amounts, and reasons shall be separately presented: None

e. Disclosure of the affiliates

1) Disclosures on the notes appended to the consolidated financial statements of the affiliates are as follows:

No.	Items	Reference
1	The names of subordinate companies, a description of their relationship with the controlling company, the nature of their business, and the controlling company's shareholding or capital contribution ratio in each company.	Note 9, Tables 5 and 6
2	Increases, decreases, or changes in the subordinate companies included in the current consolidated financial statements of the affiliates.	None
3	The names and shareholding or capital contribution ratios of subordinate companies not listed in the current consolidated financial statements for affiliates and the reasons why they are not included in the consolidated statements.	None
4	The adjustment method and treatment adopted if the opening and closing dates of the subordinate company's accounting year are different from those of the controlling company.	None
5	An explanation of any differences in accounting policies between the subordinate companies and the controlling company. The method and substance of adjustments adopted in the event of any non-conformity with the Generally Accepted Accounting Principles of the Republic of China.	None
6	Special operational risks of overseas subordinate companies, such as exchange rate fluctuations.	Note 9
7	Statutory or contractual restrictions on distribution of earnings by the various affiliates.	Note
8	Amortization methods and period for consolidated borrowings (loans).	None
9	Other matters of significance or explanations that would contribute to the fair presentation of the consolidated financial statements of the affiliates.	Note 25

2) Disclosures on the notes for subordinate company affiliates are as follows:

No.	Items	Reference
1	Transactions that have been eliminated between the controlling company and subordinate companies or between subordinate companies.	Table 4
2	Information regarding financing, endorsements, and guarantees.	Table 1
3	Information regarding trading in derivative products.	None
4	Significant contingent matters.	None
5	Significant subsequent events.	Note 32
6	Names of bills and securities held, and their quantities, cost, market value (or net par value if a bill or security does not have a market value), shareholding or capital contribution ratio, description of any pledges, and the highest amount of shareholding or capital contribution during the period.	Tables 5 and 6
7	Other matters of significance or explanations that would contribute to a fair presentation of the consolidated financial statements of the affiliates.	Note 25

Note: As set forth in the Articles, Sinmag Equipment (China) Co., Ltd. and Wuxi New Order Control Co., Ltd. shall allocate reserve funds, expansion funds and welfare funds for employees after payment of taxes, respectively. Accruing the reserve funds is at rates of no less than 10% of net profit before income tax. When the accumulated withdrawal amount reaches 50% of the registered capital, it could keep to withdrawn or not. The proportion of allocation shall be decided by the board of directors.

35. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group’s reportable segments under IFRS 8 “Operating Segments” were as follows:

Manufacturing and selling of bakery equipment segment

Manufacturing and selling of control panels and electromechanical control system segment

The manufacturing and selling of bakery equipment segment includes a number of direct sales operations in various cities, each of which is considered a separate operating segment by the chief operating decision maker. For financial statement presentation purposes, these individual operating segments have been aggregated into a single operating segment taking into account the following factors:

- The nature of the products and production processes is similar;

- The pricing strategy of the products is similar;

a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

	Segment Revenue		Segment Profit or Loss	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Manufacturing and selling of bakery equipment segment	$ 5,219,579	$ 5,382,621	$ 811,197	$ 792,578
Manufacturing and selling of control panel and electromechanical control system segment	109,898	96,113	(90,491)	(76,423)
Eliminations	(1,164,849)	(1,166,719)	-	-
Continuing operations	$ 4,164,628	$ 4,312,015	720,706	716,155
Other income			27,298	26,822
Other gains and losses			5,394	13,829
Compensation of key management personnel			(58,626)	(58,855)
Finance costs			(7,221)	(8,690)
Profit before tax (continuing operations			$ 687,551	$ 689,261

Segment profit represents the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, other income, other gains and losses, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	December 31	
	2019	2018
Segment assets		
Continuing operations		
Manufacturing and selling of bakery equipment segment	$ 3,179,569	$ 3,152,406
Manufacturing and selling of control panel and electromechanical control system segment	27,806	33,488
Unallocated	94,072	46,073
Consolidated total assets	$ 3,301,447	$ 3,231,967
Segment liabilities		
Continuing operations		
Manufacturing and selling of bakery equipment segment	$ 679,849	$ 654,181
Manufacturing and selling of control panel and electromechanical control system segment	18,642	10,546
Unallocated	367,578	448,765
Consolidated total liabilities	$ 1,066,069	$ 1,113,492

For the purpose of monitoring segment performance and allocating resources between segments:

1) All assets were allocated to reportable segments other than other financial assets, and current and deferred tax assets. Goodwill was allocated to reportable segments. Assets used jointly by reportable segments were allocated on the basis of the revenue earned by individual reportable segments; and

2) All liabilities were allocated to reportable segments other than borrowings, other financial liabilities, current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable were allocated in proportion to segment assets.

c. Other segment information

	Depreciation and amortization For the Year Ended December 31		**Non-current Assets (Note) For the Year Ended December 31**	
	2019	**2018**	**2019**	**2018**
Manufacturing and selling of bakery equipment segment	$ 67,646	$ 66,263	$ 322,755	$ 150,266
Manufacturing and selling of control panel and electromechanical control system segment	2,736	265	2,510	261
	$ 70,382	$ 66,528	$ 325,265	$ 150,527

Note: Non-current assets include property, plant and equipment, other intangible assets and right-of-use assets.

d. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2019	**2018**
Bakery equipment products	$ 4,144,379	$ 4,290,585
Services	20,249	21,430
	$ 4,164,628	$ 4,312,015

e. Geographical information

The Group operates in three principal geographical areas - Taiwan, China and the United States.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2019	2018	2019	2018
Taiwan	$ 599,769	$ 615,245	$ 112,944	$ 119,929
China	2,818,849	2,980,431	930,553	683,065
United States	519,262	501,596	113,127	117,736
Others	226,748	214,743	78,628	75,265
	$ 4,164,628	$ 4,312,015	$ 1,235,252	$ 995,995

Non-current assets exclude deferred tax assets.

f. Information about major customers

No single customer contributed 10% or more to the Group's revenue for both 2019 and 2018.

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(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 (Note 3)	Actual Borrowing Amount	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	Note
		Name	Relationship (Note 5)											
0	Sinmag Equipment Corporation	Sinmag Bakery Equipment Sdn. Bhd.	(b)	Net value 50% $ 1,088,467	$ 42,198 (RM 6,000)	$ 42,198 (RM 6,000)	$ 30,720 (RM 4,368)	$ -	2	Net value 50% $ 1,088,467	Y	-	-	-

Note 1: The total amount of the guarantees provided by Sinmag Equipment Corporation to subsidiaries shall not exceed 50% 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 50% of Sinmag Equipment Corporation's net worth based on its most recent audited financial statements.

Note 3: Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

Note 4: 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, 2019.

Note 5: 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.

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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, 2019
(In Thousands of New Taiwan Dollars)

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	$ 655,146	88	B/L 45 Day	Note 1	Note 2	$ (221,649)	(89)	Note 3
Sinmag Equipment (China) Co., Ltd.	Sinmag Equipment Corporation	Parent company	(Sale)	(655,146)	(19)	B/L 45 Day	〃	〃	221,649	47	〃
LBC Bakery Equipment Inc.	Sinmag Equipment Corporation	Parent company	Purchase	229,266	89	B/L 180 Day	〃	〃	(38,734)	(93)	〃
Sinmag Equipment Corporation	LBC Bakery Equipment Inc.	Subsidiary	(Sale)	(229,266)	(23)	B/L 180 Day	〃	〃	38,734	19	〃
Sinmag Equipment (China) Co., Ltd.	Wuxi New Order Control Co., Ltd	Same ultimate parent company	Purchase	109,898	6	Monthly payment: 30 days	〃	〃	(18,890)	(7)	-
Wuxi New Order Control Co., Ltd	Sinmag Equipment (China) Co., Ltd.	Same ultimate parent company	(Sale)	(109,898)	(100)	Monthly payment: 30 days	〃	〃	18,890	100	-

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.

Note 3: Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note 2)	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note 1)	Allowance for Impairment Loss
					Amount	Actions Taken		
Sinmag Equipment (China) Co., Ltd.	Sinmag Equipment Corporation	Parent company	Trade receivables $ 221,649	3.48	$ -	-	$ 108,552	$ -

Note 1: The amount recovered from January 1, 2020 to February 29, 2020.

Note 2: Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Account	Amount (Note 1)	Payment Terms	% of Total Sales or Assets (Note 2)
0	Sinmag Equipment Corporation	Sinmag Equipment (China) Co., Ltd.	From parent to subsidiary	Sales	$ 46,423	Cost with a margin, B/L 90 days	1
				Trade receivables	8,711	-	-
		Sinmag Bakery Equipment Sdn. Bhd.	From parent to subsidiary	Sales	53,488	Cost with a margin, B/L 60 days	1
				Guarantees provided	42,198	-	1
				Trade receivables	6,993	-	-
		Sinmag Equipment (Thailand) Co., Ltd.	From parent to subsidiary	Sales	52,156	Cost with a margin, B/L 90 days	1
				Trade receivables	8,911	-	-
		LBC Bakery Equipment Inc.	From parent to subsidiary	Sales	229,266	Cost with a margin, B/L 180 days	6
				Trade receivables	38,734	-	1
1	Lucky Union Limited	Sinmag Equipment Corporation	From subsidiary to parent	Surplus repatriation	275,245	-	8
2	Sinmag Limited	Lucky Union Limited	Between subsidiaries	Surplus repatriation	275,245	-	8
		Sinmag Equipment (China) Co., Ltd.	Between subsidiaries	Capitalization of profits	152,896	-	5
3	Sinmag Equipment (China) Co., Ltd.	Sinmag Limited	Between subsidiaries	Surplus repatriation	298,037	-	9
		Sinmag Equipment Corporation	From subsidiary to parent	Sales	655,146	Cost with a margin, B/L 45 days	16
				Trade receivables	221,649	-	7
4	Wuxi New Order Control Co., Ltd.	Sinmag Equipment (China) Co., Ltd.	Between subsidiaries	Sales	109,898	Negotiated case by case, monthly payment: 30 days	3
				Trade receivables	18,890	-	1
		Sinmag Limited	Between subsidiaries	Surplus repatriation	7,836	-	-
5	LBC Bakery Equipment Inc.	Sinmag Equipment (China) Co., Ltd.	Between subsidiaries	Sales	14,551	Negotiated case by case, monthly payment: 60 days	-
				Trade receivables	6,613	-	-

Business relationships between parent and subsidiaries:

Sinmag Equipment Corporation, Sinmag Equipment (China) Co., Ltd., Sinmag Bakery Equipment Sdn. Bhd., Wuxi New Order Control Co., Ltd., LBC Bakery Equipment Inc., Sinmag Bakery Machine India Private Limited and Sinmag Equipment (Thailand) Co., Ltd. are mainly engaged in the manufacturing and selling of bakery equipment, control panels and electromechanical control systems. Lucky Union Limited and Sinmag Limited are holding companies.

Note 1: The above table discloses only one-way transaction information. Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

Note 2: The calculation of the percentage of the transaction accounts for total consolidated revenues or total assets. For the assets and liabilities, they are calculated by the ending balance divided by the consolidated total assets. For profit or loss, they are calculated by the accumulated amount at the end of period divided by the consolidated total revenue.

Note 3: The above table discloses only the amounts of important transactions that exceed NT$5,000 thousand.

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019				Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares	%	Carrying Amount	Net worth per share			
Sinmag Equipment Corporation	Lucky Union Limited	Samoa	Holding Company	$ 429,314	$ 429,314	-	100.00	$ 2,207,286	$ -	$ 527,468	$ 527,468	Notes 2, 3 and 4
Lucky Union Limited	Sinmag Limited	Samoa	Holding Company	444,566	444,566	-	100.00	2,216,180	-	527,647	527,647	〃
Sinmag Limited	Sinmag Bakery Equipment Sdn. Bhd.	Malaysia	Selling of bakery equipment.	12,340	12,340	300,000	100.00	94,539	315.13	9,044	9,044	Notes 1, 2, 3 and 4
	LBC Bakery Equipment Inc.	United States	Selling of bakery equipment.	17,241	17,241	882,000	82.82	213,039	241.54	35,943	29,929	〃
	Sinmag Bakery Machine India Private Limited	India	Manufacturing and selling of bakery equipment.	54,748	54,748	-	100.00	5,432	-	(3,631)	(3,631)	Notes 2, 3 and 4
	Sinmag Equipment (Thailand) Co., Ltd.	Thailand	Selling of bakery equipment.	18,199	18,199	-	100.00	37,893	-	5,096	5,096	Notes 1, 2, 3 and 4

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

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

Note 3: Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

Note 4: The table above shows that the highest amount of shareholding or capital contribution ratio is equal to the shareholding or capital contribution ratio at the end of the year. No collateral was held on these investments.

Note 5: For information on investments in mainland China, refer to Table 6.

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
Sinmag Equipment (China) Co., Ltd. (Note 3)	Manufacturing and selling of bakery equipment	$ 1,058,108 (US$ 33,850)	b	$ 349,938 (US$ 10,594)	$ -	$ -	$ 349,938 (US$ 10,594)	$ 517,927	100	$ 529,158 (Note 2 b.(2))	$ 1,841,267	$ 3,498,804 (US$ 113,753)
Wuxi New Order Control Co., Ltd.	Manufacturing and selling of control panels and electromechanical control system	4,961 (US$ 150)	〃	3,348 (US$ 104)	-	-	3,348 (US$ 104)	11,931	50	5,712 (Note 2 b.(2))	11,099	50,298 (US$ 1,637)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$353,286 (Note 4)	$1,174,049	$1,341,227

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) The investees' financial statements have not been audited for the same year.

(Continued)

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

Note 4: Repatriation of investments of $3,549,102 thousand was not deducted from the amount.

Note 5: The share of profits (losses) of the investee includes the effect of unrealized gross profit on intercompany transactions. Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

Note 6: The table above shows that the highest amount of shareholding or capital contribution ratio is equal to the shareholding or capital contribution ratio at the end of the year. No collateral was held on these investments.

(Concluded)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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, 2019
(In Thousands of New Taiwan Dollars)

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	$ (46,423)	(3)	Cost with a margin	B/L 90 days	Note 1	$ 8,711	2	$ 3,400	Note 2
	Purchase	655,146	88	Cost with a margin	B/L 45 days	〃	(221,649)	(89)	18,301	〃

Note 1: 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.

Note 2: Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

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.