Securities Code: 1580

SINMAG EQUIPMENT CORPORATION

2018
Annual Report

May 15th, 2019

This Annual Report is available at: http://mops.twse.com.tw

Corporate website: http://www.sinmag.com.tw/

I. Name, Title, Phone Number and Email of Spokesperson and Deputy Spokesperson

Spokesperson	Deputy Spokesperson
Name: Yu-Tung Huang	Name: Li-Mien Weng
Title: CFO	Title: Chief Accountant
Tel: (02)2298-1148	Tel: (02)2298-1148
Email: sinmag.tw@sinmag.com.tw	

II. Address and Number of the Headquarters, Branch Office and Factory

1. Headquarters
   Address: No.23, Wuquan 6th Rd., Wugu Dist. New Taipei City, Taiwan (R.O.C.)
   Tel: (02)2298-1148
2. Branch: None.
3. Plant
   Address: No.23, Wuquan 6th Rd., Wugu Dist. New Taipei City, Taiwan (R.O.C.)
   Tel: (02)2298-1148

III. Name, Address, Website and Phone Number of Stock Transfer Agency:

Name: Taishin International Bank Stock-Affairs Dept.
Website: http://www.taishinbank.com.tw
Address: B1, No. 96, Section 1, Jianguo North Road, Zhongshan District, Taipei City
Tel: (02)2504-8125

IV. Name of CPA, name, address, website and telephone number of CPA firm for the financial statements for the most recent fiscal year:

Auditors: Chiang- Hsun Chen and Chao- Mei Chen
Website: https://www2.deloitte.com/tw/tc.html
Name of CPA Firm: Deloitte & Touche Tel: (02)2725-9988
Address: 20F, Taipei Nan Shan Plaza No.100, Songren Rd. Xinyi Dist. Taipei Taiwan

V. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: None.

VI. Corporate Website:

http://www.sinmag.com.tw/

Contents

Chapter 1 Letter to Shareholders

I. 2018 Business Report

(I) Implementation of Business Plan

After the financial crisis, governments from all over the world had to rely on global economy recovery caused by easing monetary policies to bring back their economies to a reasonable shape. In 2018, the global economy has finally experienced significant pressure. Not only was the interest rate rising cycle in the US was about to come to an end, but China's economic reforms and adjustments also had a significant impact. Trade disputes between these two powers may continue to weaken the subsequent economic momentum. Although the baking industry in China has a significant growth potential, the market has been significantly affected by the slow economic recovery. Moreover, the global market continues to experience increasingly fierce competition and challenges. The consolidated sales of the company for 2018 was NT$4,312,015 thousand, a decrease of approximately 6.55%, from NT$ 4,614,233 thousand for 2017. The consolidated net profit after tax was NT$473,613 thousand, and the earnings per share after tax NT$9.43. The company will continue to maintain a stable operational strategy in response to changes in the external environment. In addition to maintaining the market share of the Chinese market, the company will also dedicate more efforts in emerging markets and innovative products. It is our hope to achieve stable growth and excellent results in 2019.

1. The company's operating results are as follows:

(1) Comparison of operating results (consolidated profit and loss)

Unit: NT$ thousands

	2018	2017	Percent Change (%)
Gross Sales	4,312,015	4,614,233	(6.55%)
Operating costs	2,593,709	2,716,488	(4.52%)
Gross profit	1,718,306	1,897,745	(9.46%)
Operating expenses	1,061,006	1,069,547	(0.80%)
Operating income	657,300	828,198	(20.63%)
Non-operating income and expenses	31,961	(37,962)	(184.19%)
Pre-tax income	689,261	790,236	(12.78%)
Net income	473,613	534,153	(11.33%)

(2) Budget implementation

The company did not make a public financial forecast for 2018.

(3) Financial income and expenses (structure) and profitability analysis (consolidated financial statements)

Item			2018	2017
Financial Structure Analysis	Debt-to-asset ratio		34.45%	38.13%
	Long-term capital to property, plant and equipment		262.36%	291.06%
Liquidity analysis	Current ratio		236.68%	229.87%
	Quick ratio		162.03%	159.31%
Profitability Analysis	Return on Assets		15.05%	17.21%
	Return on Shareholders' Equity		23.31%	27.48%
	Ratio to issued capital (	Operating inco	130.85%	170.65%
		Pre-tax income	137.22%	162.82%
	Profit ratio		11.25%	11.85%
	Earnings per share (NT$)		9.43	11.01

II. Research and Development

To maintain the competitive edge in the food equipment industry, the Group is dedicated to baking-related product design and process improvement as well as invest in research and development of kitchen equipment. In 2018, the Group invested a total of NT$163,455 thousand toward research and development to carry out varied process and technology developments, develop more diverse and innovative quality products. Besides satisfying customers' needs, the company continues to expand the market share and looks forward to capture new opportunities.

III. Business Plan Summary for 2019:

(I) Operating Strategies

Using the Internet, the China's baking industry continues to develop in many new forms and aspects. Bakeries of different sizes that specialize in pastries, bread and cake have come up one after another, but chain stores, hypermarkets and composite stores have made things difficult for traditional bakeries. The current trend is combining baking with general food service. In addition to holding on to the market share of the Chinese baking industry, the company has continued to expand its market and business activities by leveraging its advantages in technology and sales channels. Kitchen equipment will be one of the directions for future development. Although it is not easy to enter the mature market of kitchen equipment, the company's reputation in baking equipment is expected to boost its prospects. It will continue to pay attention to changes in the market, formulate contingency measures, strive to achieve breakthroughs at each step, and combine the strength in baking industry to derive more fruitful results in the food equipment industry.

Market Development Plan

1. Expand the market share in the new supermarket retail model, develop new customers, promote baking and cooling equipment.
2. Promote one-step solution for stores by combining baking and cooling equipment in line with the equipment upgrade trend, promote the new product portfolio and high-end ovens.
3. Follow the trend of shortening product shelf life by integrating equipment manufacturers for strategic cooperation, establish automated production lines for various products, and drive the sales of automated equipment and production line to customers.

4. Collaborate with various local baking training institutions, explore price inquiries from new stores, increase sales in developing markets of personal baking studios, DIY classrooms and training institutions.
5. Continue to drive the sales of washing and cooling equipment.

(II) Expected Sales Volume and Its Basis

The company's main products are food equipment. Based on expected growth rate and the production capacity of the food industry, the company will continue to expand new markets and customers. Aside from maintaining the existing market share and sales volume, the company will expand into India, southeast Asia, Japan, Brazil and Africa. The sales volume is expected to grow.

(III) Production and Sales Strategies

1. Strengthen production process and quality management, adjust cost structure, control material consumption and improve internal processes to increase production efficiency and capacity, and reduce production costs.
2. In addition to providing equipment, the company will offer ancillary services to customers by providing factory layout planning service to the package, optimizing the existing production lines, assisting customers in optimizing factory layout and provide store layout for guidance.
3. Enhance the technical capabilities of the maintenance team to respond quickly to customers' maintenance needs, and provide high-quality and timely after-sales services.
4. Promote large-scale automation equipment and kitchen equipment.
5. Promote the sale of pizza-making equipment.

(IV) Impact of external competition, laws and regulation as well as general business environment

The economic growth in China has slowed down in recent years owing to policy changes in economic structure, but there’s growth potential for the baking industry. Looking forward to 2019, China and even the global economic growth will face risks due to uncertainty in China-US trade. The rapid changes in the industry and fierce competition also bring challenges to the company's leading position in the China's market. The company faces strong competition but its focus on innovation and customer satisfaction will make it stand in good stead. By continuously investing in research and development, and service quality it’ll maintain its leading position in the industry and use its brand power. Among baking equipment-makers now in China's market, the company has the leading position in market share as well as in overall satisfaction. Regardless of changes in the market conditions and customer needs, the company retains the "customer-centric" concept by providing professional, efficient and friendly service. Besides offering renovated products, the company continues to dedicate efforts to after-sales service and value-added technological services to better meet the overall needs of customers and become the best partner to the baking industry.

Chairman: Shun-Ho Hsieh

Manager: Guo-Horng Lue

Accounting Manager: Yu-Tung Huang

Chapter 2 Company Profile

I. Date of Incorporation:

September 27th, 1983

II. Company History

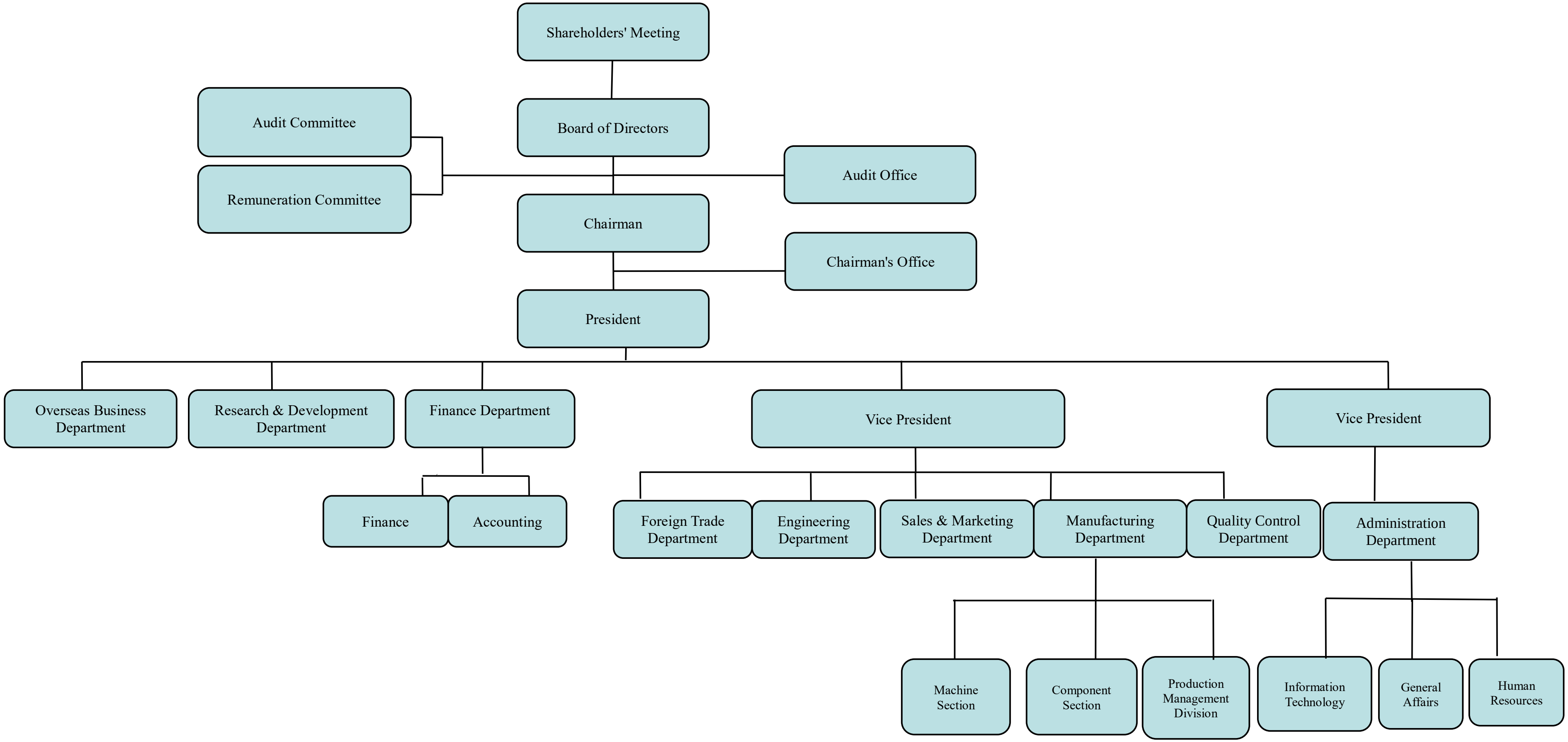
Year	Milestone
September 1983	The company was incorporated with international trade and importing baking equipment and raw materials as principal activities. The paid-in capital was NT$4 million.
December 2003	Invested in Sinmag Equipment (Wuxi) Co., Ltd., Wuxi Themag Bakery Equipment Co., Ltd. and Sinmag Bakery Equipment Sdn. Bhd. in Malaysia.
February 2004	Purchased the factory in Wugu.
September 2004	Supplemental public issuance approved by the Financial Supervisory Commission, Executive Yuan.
October 2005	Invested in Macadams Baking Equipment (Wuxi) Co., Ltd. and Wuxi New Order Control Co., Ltd.
September 2006	The Group restructured. Third-tier subsidiaries including Sinmag Equipment (Wuxi) Co., Ltd., Wuxi Themag Bakery Equipment Co., Ltd. and Wuxi Schumacher Baking Equipment Co., Ltd.were merged with Sinmag Equipment (Wuxi) Co., Ltd. as the surviving company.
July 2007	The application to become a listed company at over-the-counter market was submitted to the Taipei Exchange (TPEx) and approved by the Securities and Futures Commission of the Ministry of Finance in November 2007.
August 2007	Invested in Wuxi Nichmag Seiki Co., Ltd. and Lipang Mixing Equipment (Wuxi) Co., Ltd.
December 2007	The Company's stock was officially listed at Taipei Exchange on December 10.
February 2008	Invested in Sinmag Holding Limited in Hong Kong.
July 2008	Invested in LBC Bakery Equipment Inc. in the US.
December 2008	Invested in Wuxi Sinco Refrigeration Equipment Co., Ltd.
March 2009	Invested in Sinmag Bakery Machine India Private Limited.
May 2009	The Group restructured. Third-tier subsidiaries including Sinmag Equipment (Wuxi) Co., Ltd., Wuxi Sinco Refrigeration Equipment Co., Ltd. and Wuxi Nichmag Seiki Co., Ltd. were merged with Sinmag Equipment (Wuxi) Co., Ltd. as the surviving company.

November 2009	Invested in Sinmag Equipment (Thailand) Co., Ltd.
September 2013	Sinmag Holding Limited was annulled.
March 2014	Invested in Societe Agro-Industrielle De Kinshasa, a bread factory.
October 2014	Won the second "Golden Laurel Award" from the Taipei Exchange among companies listed at over-the-counter market.
April 2016	Purchased 50% the equity of Wuxi Lipang Mixing Equipment Co., Ltd. from Lipang Company Limited. Wuxi Lipang Mixing Equipment Co., Ltd. is a subsidiary of which the company holds 100% of the voting shares.
December 2017	The registration of third-tier subsidiary, Wuxi Lipang Mixing Equipment Co., Ltd., was cancelled. Disposed of the equity in Societe Agro-Industrielle De Kinshasa.
January 2018	The third-tier subsidiary in mainland China, Sinmag Equipment (Wuxi) Co., Ltd., was renamed as Sinmag Equipment (China) Co., Ltd.
December 2018	Purchased 2.82% of LBC Bakery Equipment Inc. equity from the employees of LBC Bakery Equipment Inc.

Chapter 3 Corporate Governance Report

I. Organization

(I) Organizational Structure



(II) Department Functions:

Department	Main Responsibilities
Chairman's Office	1. Convening the board of directors and meeting preparation. 2. Coordinating corporate social responsibility and corporate governance-related tasks.
Audit Office	1. Establishing and managing the company's internal audit system. 2. Inspecting potential flaws of the internal control system and evaluating operational effectiveness. 3. Providing timely suggestions to ensure the continued effectiveness of the internal control system. 4. Assisting the board of directors and the management to fulfill its responsibilities.
Finance Department	1. Fund transfer, stocks services and cashier operations. 2. Accounting, tax filing, preparation and analysis of financial statements, budget preparation, control and difference analysis. 3. Corporate image management and public relations. 4. Investor Relations
Administration Department	1. Planning and implementation regarding human resources and training development. 2. General administration and general affairs. 3. Environmental protection and workplace safety. 4. Planning and monitoring internal and external documents and data. 5. Management and maintenance of information systems and hardware devices and software. 6. Computer data management and information security maintenance.
Overseas Business Department	Coordinating the company's overseas investment in the production, planning, management, research and development, sales and finance.
Research & Development Department	1. Developing self-owned technologies and planning product development quality. 2. Drafting new product research and development, trial, testing, packaging, etc. 3. Providing technical consulting for all units. 4. Research and improvement plans for existing products.
Foreign Trade Department	1. Develop and implement the expansion and sales plans for foreign markets. 2. Collection and analysis of information.

Department	Main Responsibilities
Sales & Marketing Department	1. Maintaining customer relations to strengthen business operations. 2. Collecting market intelligence for business planning. 3. Verifying account receivables to control the customers' credit limits. 4. Development of new markets and new customers.
Engineering Department	1. The installation, commissioning and inspection of the equipment sold domestically. 2. After-sales services and maintenance for the equipment sold domestically. 3. Organizing professional knowledge regarding equipment operation, repairs and maintenance to train the customers and engineering personnel. 4. Giving feedback on problems arising from repetitive repairs as well as new machines as reference for quality improvement. 5. Providing market information to assist the sales department in delivering results.
Manufacturing Department	1. Procurement planning and management. 2. Production control and production plans. 3. Supervision and management of raw material warehouse operations. 4. Control and planning of various production processes. 5. Conducting collaborator evaluations to meet the company's quality objectives and requirements. 6. Repair and maintenance of production equipment to increase utilization.
Quality Control Department	1. Establishment and implementation of inspection for parts and finished products. 2. Verification of various safety standards. 3. Quality inspection of raw materials, in-process inspection and product quality inspection. 4. Establishment and maintenance of quality assurance system.

II. Directors, Supervisors, General Manager, Deputy General Manager, Associate General Managers and Supervisors of All Divisions and Branch Units

(I) Names, Professional Qualifications, Shareholding and Type of Stock Held by Directors and Supervisors:

(1) Directors and Supervisors

April 16th, 2019

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected (Appointed)	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor's Current Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
Chairman	Republic of China	Shun-Ho Hsieh	Male	2016.6.6	3 years	1989.1.23	2,136,490	4.40%	2,211,267	4.40%	398,564	0.79%	0	0%	Secondary School President of Sheng Chia Industrial Co., Ltd. CEO, Sinmag Equipment Corporation	Chairman, Sinmag Equipment Corporation Chairman, Sinmag Equipment (China) CO., LTD. Director, San Neng Bakeware (Wuxi) Co., Ltd. Chairman, Sinmag Fitting Corporation Director, Sheng Chia Investment Co., Ltd. Chairman, Sinmag Bakery Machine India Private Limited Chairman, Sinmag Bakery Equipment Sdn. Bhd. Director, San Neng Group Holdings Co., Ltd. Director, San Neng Bakeware Corporation Director, PT. San Neng Bakeware Indonesia Director, Greater Win Holdings Limited.	Director and Vice President of the Management Department	Ming-Ching Hsieh	Father-Son
Director	Republic of China	Guo-Horng Lue	Male	2016.6.6	3 years	1983.8.24	2,102,782	4.33%	2,176,379	4.33%	456,435	0.91%	0	0%	Department of Mechanical Engineering, Provincial Taipei Institute of Technology	President, Sinmag Equipment Corporation President, Sinmag Equipment (China) Co., Ltd.	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected (Appointed)	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor's Current Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
															President, Pan Land Union Corporation Chairman, Sinmag Equipment Corporation Chairman, Sinmag Equipment (China) Co., Ltd. Chairman, Wuxi New Order Control Co., Ltd. Chairman, Sinmag Bakery Equipment Sdn. Bhd. Director, LBC Bakery Equipment Inc. Director, Sinmag Bakery Machine India Private Limited	Director, Hong Ji Investment Co., Ltd. Director, San Neng Group Holdings Co., Ltd. Chairman, 8-Flags International Limited.			
Director	Republic of China	Yao-Tsung Wu	Male	2016.6.6	3 years	1989.1.23	1,728,132	3.56%	1,788,616	3.56%	1,459,555	2.91%	0	0%	Graduated from National Yilan Senior High School Vice Chairman, Tehmag Foods Corporation Director, Tehmag Foods (Thailand) Co., Ltd.	Supervisor, Sinmag Fitting Corporation Supervisor, Sinmag Equipment (China) Co., Ltd. Director, Tehmag Foods Corporation Director, Wuxi New Order Control Co., Ltd. Director, Zeelandia Bakery Ingredients (Wuxi) Co., Ltd. Director, Yangyu Foods Corporation Supervisor, Kingcraft Industrial Corp., Ltd. Chairman, Taiwan	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected (Appointed)	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor's Current Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
																Lunchun Association Director, Bliss & Wisdom Senior High School Chairman, Purity New Materials Co., Ltd. Director, Taipei City Bliss & Wisdom Buddhism Foundation			
Director	Republic of China	Jui-Jung Chang	Male	2016.6.6	3 years	2016.6.6	368,098	0.76%	380,981	0.76%	3,105	0.01%	0	0%	Master of Business Administration, Asia University	Chairman and President, San Neng Bakeware (Wuxi) Co., Ltd. Chairman, San Neng Bakeware Corporation Chairman and President, San Neng Group Holdings Co., Ltd. Chairman, PT. San Neng Bakeware Indonesia Chairman, East Gain Investment Limited. Director, San Neng Limited Chairman, Jui Jung International Limited	None	None	None
Director	Republic of China	Sherman Chuang	Male	2016.6.6	3 years	2016.6.6	0	0%	0	0%	0	0%	0	0%	Department of Transportation and Communication Management Science, National Cheng Kung University Executives Program, National Chengchi University Vice President, Union Bank of Taiwan	Managing Director, Taipei Star Bank Independent Director, China Communications Media Group Co., Ltd. Independent Director, Taiwan Chelic Co., Ltd. Independent Director, 1 Production Film Co. Director, Jing Guan Investment Co., Ltd.	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected (Appointed)	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor's Current Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
															Vice Chairman and General Manager, Macoto Bank Chief Administrative Officer, Sampo Corporation General Manager, Cipherlab Co., Ltd.				
Director	Republic of China	Ming-Ching Hsieh	Male	2016.6.6	3 years	2016.6.6	1,351,672	2.79%	1,398,980	2.79%	98,508	0.20%	0	0%	Bachelor of Economics, Fu Jen Catholic University Master of Financial Management, Azusa Pacific University Master of Senior Management, Peking University Special Assistant to the Chairman, Sinmag Equipment Corporation	Director, Kingcraft Industrial Corp., Ltd. Chairman and Vice President of LBC Bakery Equipment Inc. Director, Sheng Chia Investment Co., Ltd. Director, Sinmag Equipment (Thailand) Co., Ltd. Director and deputy general manager of the department of management, Sinmag Equipment Corporation Director and vice president of the department of management, Sinmag Equipment (China) Co., Ltd. Supervisor, Squires Kitchen Sugarcraft (Wuxi) Co., Ltd. Chairman, Wuxi New Order Control Co., Ltd.	Chairman	Shun-Ho Hsieh	Father-Son
Independent Director	Republic of China	Shih-Hung Chan	Male	2016.6.6	3 years	2005.6.25	0	0%	0	0%	0	0%	0	0%	PhD in Mechanical Engineering, University of	Emeritus Lecture Professor, Yuan Ze University Honorary President,	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected (Appointed)	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor's Current Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
															California Berkeley Dean of University of Wisconsin Milwaukee Research engineer, Argonne National Laboratory Chairman, New Energy Association of Taiwan Dean of Yuan Ze University Far East Energy Professorial Chair, Yuan Ze University University Professor, Yuan Ze University Member of the Science and Technology Advisory Committee, Office of The President Republic Of China (Taiwan)	New Energy Association of Taiwan Member of the Advisory Committee, College of Chemistry, University of California Berkeley			
Independent Director	Republic of China	Chia-Chun Sun	Male	2016.6.6	3 years	2006.6.13	0	0%	0	0%	0	0%	0	0%	Bachelor of Economics, Chinese Culture University Tax controller, Division of Property Tax, Tamsui Branch of the Revenue Service Office, New Taipei City	Director, Sheng Iang Industrial Co., Ltd. Chairman, Guang Yang Metal (Suzhou) Co., Ltd. Chairman, Chan Yang Metal (Wuxi) Co., Ltd. Honorary President of Wuxi Association of Taiwan Businesses Vice President of the	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected (Appointed)	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor's Current Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
															Government Tax controller, Division of Individual Income Tax, Tamsui Branch of the Revenue Service Office, New Taipei City Government President, Taiwanese Chamber of Commerce of Wuxi City, Jiangsu Province	Association of Taiwan Investment Enterprises on the Mainland			
Independent Director	Republic of China	San-Chien Tu	Male	2016.6.6	3 years	2016.6.6	0	0%	0	0%	0	0%	0	0%	Master of Accounting, Louisiana State University and Agricultural and Mechanical College Bachelor of Accounting, National Chengchi University Chairman, Deloitte & Touche Partner, Deloitte & Touche Lecturer at the School of Business, National Chengchi University	Director, Pang Kuei & Co., CPA Independent Director, Star Comgistic Capital Co., Ltd. Independent Director, Dah Chung Bills Finance Corp. Supervisor, Jorjin Technologies Inc. Supervisor, Superior Plating Technology Co., Ltd. Independent Director, Lin Bioscience, Inc.	None	None	None

(2) Name of the major shareholders of institutional directors or supervisors (ranking in the top 10 of shareholdings) and shareholding ratio: None.

(3) Directors and Supervisors

May 15th, 2019

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Shun-Ho Hsieh			✓	✓						✓		✓	✓	0
Guo-Horng Lue			✓					✓		✓	✓	✓	✓	0
Yao-Tsung Wu			✓	✓				✓		✓	✓	✓	✓	0
Jui-Jung Chang			✓			✓		✓		✓	✓	✓	✓	0
Sherman Chuang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Ming-Ching Hsieh			✓							✓		✓	✓	0
Shih-Hung Chan	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chia-Chun Sun		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
San-Chien Tu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.✓

(1) Not an employee of the company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates. Not applicable in cases where the person is an independent director of the company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of an institutional shareholder who directly holds 5% or more of the total number of outstanding shares of the company or who holds shares ranking in the top five holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the company.

(7) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship,

partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the “Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx“.

(8) Not a spouse or a relative within the second degree of kinship to any other director of the company.

(9) Not a person of any conditions defined in Article 30 of the Company Law.

(10) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.

(II) President, Vice Presidents, Associate Vice Presidents and Supervisors of All Divisions and Branch Units

April 16th, 2019

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or within Two Degrees of Kinship		
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
President	Republic of China	Guo-Horng Lue	Male	2004.06	2,176,379	4.33%	456,435	0.91%	0	0%	Department of Mechanical Engineering, Provincial Taipei Institute of Technology President, Pan Land Union Corporation Chairman, Sinmag Equipment Corporation Chairman, Sinmag Equipment (China) Co., Ltd. Chairman, Wuxi New Order Control Co., Ltd. Chairman, Sinmag Bakery Equipment Sdn. Bhd. Director, LBC Bakery Equipment Inc. Director, Sinmag Bakery Machine India Private Limited	President, Sinmag Equipment (China) Co., Ltd. Director, Hong Ji Investment Co., Ltd. Director, San Neng Group Holdings Co., Ltd. Chairman, 8-Flags International Limited	None	None	None
Vice President	Republic of China	Chih-Hsien Chen	Male	2015.11	0	0%	0	0%	0	0%	Bachelor of Business, National Taiwan University	None	None	None	None
Vice President of the Management Department and Overseas Business Department	Republic of China	Ming-Ching Hsieh	Male	2016.06	1,398,980	2.79%	98,508	0.20%	0	0%	Bachelor of Economics, Fu Jen Catholic University Master of Financial Management, Azusa Pacific University Master of Senior Management, Peking University Special Assistant to the Chairman, Sinmag Equipment	Director, Kingcraft Industrial Corp., Ltd. Chairman and Vice President of LBC Bakery Equipment Inc. Director, Sheng Chia Investment Co., Ltd. Director, Sinmag Equipment (Thailand) Co., Ltd. Director and vice president of the department of management, Sinmag Equipment (China) Co., Ltd. Supervisor, Squires Kitchen	Chairman	Shun-Ho Hsieh	Father-Son

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or within Two Degrees of Kinship		
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
											Corporation	Sugarcraft (Wuxi) Co., Ltd. Chairman, Wuxi New Order Control Co., Ltd.			
Vice President, Overseas Business Department	Republic of China	Yung-Chen Chen	Male	2015.11	0	0%	0	0%	0	0%	Ph.D. in Mechanical Engineering, Chung Yuan Christian University Deputy General Manager, Business and R&D, Amulaire Thermal Technology, Inc. Deputy General Manager, Kaori Heat Treatment Co., Ltd. General Manager, Resource Technology Corporation Assistant President, Manufacturing Department, Loyalty Founder Enterprise Co., Ltd.	Vice President, Sinmag Equipment (China) Co., Ltd. Director, Sinmag Bakery Equipment Sdn. Bhd. Director, Sinmag Bakery Machine India Private Limited	None	None	None
CFO	Republic of China	Yu-Tung Huang	Female	2005.05	16,361	0.03%	0	0%	0	0%	Department of Accounting, Fu Jen Catholic University Master of Finance, National Taiwan University	None	None	None	None
Technical Department Manager	Republic of China	Shiu-Tu Chen	Male	2009.05	0	0%	0	0%	0	0%	Long Yan Elementary School Factory Manager, Sheng Chia Industry Co., Ltd.	None	None	None	None
Manufacturing Department Manager	Republic of China	Tsai-Wang Huang	Male	2009.05	0	0%	0	0%	0	0%	National Tung-Shih Senior High School	None	None	None	None
Engineering Department Manager	Republic of China	Tai-Sheng Wang	Male	2009.05	0	0%	0	0%	0	0%	National Tung-Shih Senior High School	None	None	None	None
Auditing Manager	Republic of China	Chi-Wen Liang	Male	2012.08	0	0 %	0	0%	0	0%	Industrial Management Department, Tamsui Institute of Business Administration Financial Officer, Da	None	None	None	None

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or within Two Degrees of Kinship		
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
											Ya Automobiles Co., Ltd. Auditor and Administration Manager, Ve Wong Corporation				
Foreign Trade Department Manager	Republic of China	Yen-Ju Yeh	Female	2017.07	0	0 %	0	0%	0	0%	Master of Japanese Language, National Chengchi University Director, Nidec Copal Electronics, Inc. Assistant Manager, Automotive Electronics SBU, Lite-On Technology Corp.	None	None	None	None
Manager, Overseas Business Department	Republic of China	Tzu-Chien Chang	Male	2009.11	1,569	0.00%	0	0%	0	0%	Department of Accounting, National Taiwan University Manager, KPMG Director, Sinmag Equipment Corporation	Director, Sinmag Equipment (China) Co., Ltd. Director, LBC Bakery Equipment Inc. Director, Sinmag Equipment（Thailand）Co., Ltd.	None	None	None

(III) Remuneration of Directors (including Independent Directors), Supervisors, President, and Vice Presidents for the most recent fiscal year (2018):

1. Remuneration of Directors (including Independent Directors)

Unit: NT$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)				Salary, Bonuses and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		From Sinmag	From all consolidated Entities	From Sinmag	From all consolidated Entities	From Sinmag	From all consolidated Entities	From Sinmag	From all consolidated Entities	From Sinmag	From all consolidated Entities	From Sinmag	From all consolidated Entities	From Sinmag	From all consolidated Entities	From Sinmag		From all consolidated Entities		From Sinmag	From all consolidated Entities	
																Cash	Stock	Cash	Stock			
Chairman	Shun-Ho Hsieh	315	315	0	0	8,539	8,539	205	205	1.91%	1.91%	9,198	12,951	0	0	7,137	0	7,137	0	5.36%	6.15%	None
Director	Guo-Horng Lue																					
Director	Yao-Tsung Wu																					
Director	Ming-Ching Hsieh																					
Director	Jui-Jung Chang																					
Director	Sherman Chuang																					
Independent Director	Shih-Hung Chan																					
Independent Director	Chia-Chun Sun																					
Independent Director	San-Chien Tu																					

*In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as serving as a non-employee consultant: None.

Table of Remuneration Range for Directors

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements H	The company	Companies in the consolidated financial statements I
Under NT$2,000,000	Guo-Horng Lue Yao-Tsung Wu Ming-Ching Hsieh Chia-Chun Sun Shih-Hung Chan San-Chien Tu Jui-Jung Chang Sherman Chuang	Guo-Horng Lue Yao-Tsung Wu Ming-Ching Hsieh Chia-Chun Sun Shih-Hung Chan San-Chien Tu Jui-Jung Chang Sherman Chuang	Yao-Tsung Wu Chia-Chun Sun Shih-Hung Chan San-Chien Tu Jui-Jung Chang Sherman Chuang	Yao-Tsung Wu Chia-Chun Sun Shih-Hung Chan San-Chien Tu Jui-Jung Chang Sherman Chuang
NT$2,000,000 (included) - NT$5,000,000 (excluded)	Shun-Ho Hsieh	Shun-Ho Hsieh	Shun-Ho Hsieh Ming-Ching Hsieh	Shun-Ho Hsieh Ming-Ching Hsieh
NT$5,000,000 (inclusive) - NT$10,000,000 (exclusive)	0	0	0	0
NT$10,000,000 (inclusive) - NT$15,000,000 (exclusive)	0	0	Guo-Horng Lue	0
NT$15,000,000 (inclusive) - NT$30,000,000 (exclusive)	0	0	0	Guo-Horng Lue
NT$30,000,000 (inclusive) - NT$50,000,000 (exclusive)	0	0	0	0
NT$50,000,000 (inclusive) - NT$100,000,000 (exclusive)	0	0	0	0
Over NT$100,000,000	0	0	0	0
Total	9	9	9	9

2. Remuneration of the President and Vice Presidents

Unit: NT$ thousands

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D) (Note)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		From Sinmag	From all consolidated Entities	From Sinmag	From all consolidated Entities	From Sinmag	From all consolidated Entities	From Sinmag		From all consolidated Entities		From Sinmag	From all consolidated Entities	
								Cash	Stock	Cash	Stock			
President	Guo-Horng Lue	9,610	13,845	0	0	1,649	1,734	10,537	0	10,537	0	4.60%	5.51%	None
Vice President	Chih-Hsien Chen													
Vice President of the Management Department and Overseas Business Department	Ming-Ching Hsieh													
Vice President, Overseas Business Department	Yung-Chen Chen													

Table of Remuneration Range for Presidents and Vice Presidents

Range of Remuneration	Names of President and Vice Presidents	
	The company	Companies in the consolidated financial statements
Under NT$2,000,000	0	0
NT$2,000,000 (included) - NT$5,000,000 (excluded)	Ming-Ching Hsieh Chih-Hsien Chen	Ming-Ching Hsieh Chih-Hsien Chen
NT$5,000,000 (inclusive) - NT$10,000,000 (exclusive)	Yung-Chen Chen	Yung-Chen Chen
NT$10,000,000 (inclusive) – NT$15,000,000 (exclusive)	Guo-Horng Lue	Guo-Horng Lue
NT$15,000,000 (inclusive) – NT$30,000,000 (exclusive)	0	0
NT$30,000,000 (inclusive) – NT$50,000,000 (exclusive)	0	0
NT$50,000,000 (inclusive) – NT$100,000,000 (exclusive)	0	0
Over NT$100,000,000	0	0
Total	4	4

3. Names of Managers Who Received Employee Compensation and the Status of Distribution

May 15th, 2019/Unit: NT$ thousands

	Title	Name	Stock	Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Guo-Horng Lue	0	14,797	14,797	3.12%
	Vice President of the Management Department and Overseas Business Department	Ming-Ching Hsieh				
	Vice President	Chih-Hsien Chen				
	CFO	Yu-Tung Huang				
	Manager, Technical Department	Shiu-Tu Chen				
	Manager, Manufacturing Department	Tsai-Wang Huang				
	Manager, Engineering Department	Tai-Sheng Wang				
	Manager, Foreign Trade Department	Yen-Ju Yeh				
	Vice President, Overseas Business Department	Yung-Chen Chen				
	Manager, Overseas Business Department	Tzu-Chien Chang				
	Manager, Auditing Office	Chi-Wen Liang				

(IV) Compare and analyze the total remuneration as a percentage of net income stated in the parent company only financial reports or individual financial reports, paid by this company and by all consolidated entities (including this company) for the most recent 2 fiscal years to each of this company's directors, supervisors, president, and vice presidents, and describe the policies, standards, and packages for payment of remuneration, as well as the procedures for determining remuneration, and its linkage to business performance and future risk exposure.

Title	2018		2017	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Director	5.36%	6.15%	4.91%	5.75%
President and Vice Presidents	4.60%	5.51%	4.26%	5.19%

1. Remuneration of Directors

The remuneration of directors consists mainly of their base compensation, bonuses and allowances:

(1) Directors’ Base Compensation: According to the company's Articles of Incorporation, directors' remuneration is subject to the directors' level of involvement and the value of their contribution to the company's operations. Industry standards are also used as reference.

(2) Directors' Remuneration: According to the company's Articles of Incorporation, a certain proportion of the profit for the year shall be allocated as directors' bonuses.

The 2018 directors' remuneration was proposed by the Remuneration Committee meeting held on March 14th, 2019 and has been passed by the board as a resolution. Directors' remuneration is closely linked to the company's profit and operating performance combined with considerations for the prospect of the industry and the long-term operating strategy to mitigate future operating risks.

(3) Allowances: Allowances consist mainly of transportation and attendance fees with reference to the industry standards.

2. Remuneration of President and Vice Presidents

The remuneration of the President and Vice Presidents mainly comprises salaries, bonuses and employee compensation:

(1) Salary: The company pays fixed monthly salaries based on the level and performance of the President and Vice Presidents. This has less correlation with the surplus of the year.

(2) Bonus: Calculated with the company's bonus standards, which is based on the company's surplus and the key performance indicators assigned to the President and Vice Presidents. The company's profit for 2018 decreased, which caused a decrease in

the bonuses compared to 2017.

(3) Employee Compensation: A certain proportion of the surplus for the year is set aside as employee compensation in accordance with the company's Articles of Incorporation. The Remuneration Committee shall draft a proposal for award standards based on the position, responsibilities and risks assumed, company's operating performance, and the future economic conditions before submitting to the Board for resolution.

The decrease in ratio of total remuneration paid to directors, president and vice presidents to net income after tax in the financial statements in 2018 was mainly due to the decrease in profit in 2018 compared to 2017, leading to the distribution reduction in director remuneration and employee compensation.

3. Remuneration and Future Risk Correlations

The procedures for determining reasonable remuneration are based on the industry standards, the contribution to the company and its operating performance. The proposal is reviewed and passed by the Remuneration Committee and the Board of Directors. The directors, president and vice presidents are not encouraged to overstep the company's risk threshold in order to pursue their own remuneration.

III. Implementation of Corporate Governance

(I) Board of Directors

A total of eight meetings of the Board of Directors were held in the most recent period (2018). The attendance of directors was as follows:

Title	Name	Attendance (Appearance) in person	By Proxy	Attendance (Appearance) Rate	Remark
Chairman	Shun-Ho Hsieh	8	0	100%	Reelected on June 6th, 2016
Director	Guo-Horng Lue	8	0	100%	Reelected on June 6th, 2016
Director	Yao-Tsung Wu	7	1	88%	Reelected on June 6th, 2016
Director	Jui-Jung Chang	7	1	88%	Newly elected, Jun. 6th, 2016
Director	Sherman Chuang	8	0	100%	Newly elected, Jun. 6th, 2016
Director	Ming-Ching Hsieh	8	0	100%	Newly elected, Jun. 6th, 2016
Independent Director	Shih-Hung Chan	6	2	75%	Reelected on June 6th, 2016
Independent Director	Chia-Chun Sun	8	0	100%	Reelected on June 6th, 2016
Independent Director	San-Chien Tu	8	0	100%	Newly elected, Jun. 6th, 2016

Other mentionable items:

I. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response shall be specified:

(I) Matters referred to in Article 14-3 of the Securities and Exchange Act.

(II) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors.

Board of Directors	Content of Proposal and Follow-up Actions	Matters referred to in Article 14-3 of the Securities and Exchange Act	Other matters involving objections or expressed reservations by independent directors
2018.03.16 First meeting in 2018	1. The company's 2017 business report, financial statements, consolidated financial statements and CPA audit report.	V	None
	2. The company's 2017 earnings distribution proposal.	V	None
	3. Issuance of new shares for capital increase.	V	None
	4. Review of the effectiveness of the design and implementation of the company's internal control system for 2017	V	None
	Opinions of Independent Directors: None.		
	The company's response to the independent directors' opinion: None.		

	Resolution: All Directors present voted in favor of the proposal.		
2018.05.03 Second Meeting in 2018	Change of headquarters location and amendment to the company's "Articles of Incorporation".	V	None
	Opinions of Independent Directors: None.		
	The company's response to the independent directors' opinion: None.		
	Resolution: All Directors present voted in favor of the proposal.		
2018.05.14 Third Meeting in 2018	Consolidated financial statements for the first quarter of 2018 and the CPA's review report.	V	None
	Opinions of Independent Directors: None.		
	The company's response to the independent directors' opinion: None.		
	Resolution: All Directors present voted in favor of the proposal.		
2018.06.13 Fourth meeting in 2018	Proposal for "Procedures for Remuneration of the company's Directors and Functional Committees."	V	None
	Opinions of Independent Directors: None.		
	The company's response to the independent directors' opinion: None.		
	Resolution: All Directors present voted in favor of the proposal.		
2018.06.28 Fifth Meeting in 2018	1. Matters related to the issuance of new shares for capital increase by retained earnings.	V	None
	2. New plant construction of the company's third-tier subsidiary, Sinmag Equipment (China) Co., Ltd.	V	None
	Opinions of Independent Directors: None.		
	The company's response to the independent directors' opinion: None.		
	Resolution: All Directors present voted in favor of the proposal.		
2018.08.06 Sixth meeting in 2018	1. Consolidated financial statements for the second quarter of 2018 and the CPA's review report	V	None
	2. The capital increase by retained earnings for the company's third-tier subsidiary, Sinmag Equipment (China) Co., Ltd.	V	None
	Opinions of Independent Directors: None.		
	The company's response to the independent directors' opinion: None.		
	Resolution: All Directors present voted in favor of the proposal.		
2018.11.09 Seventh meeting in 2018	1. Consolidated financial statements for the third quarter of 2018 and the CPA's review report.	V	None
	2. The company engaged the CPA to issue English financial statements.	V	None
	3. The company purchased shares from the employees of LBC Bakery Equipment, Inc., the company's third-tier subsidiary.	V	None

	Opinions of Independent Directors: None.		
	The company's response to the independent directors' opinion: None.		
	Resolution: All Directors present voted in favor of the proposal.		
2018.12.14 Eighth meeting in 2018	1. The company's 2019 business plan and budget plan.	V	None
	2. CPA replacement.	V	None
	3. The company's audit plan for 2019.	V	None
	Opinions of Independent Directors: None.		
	The company's response to the independent directors' opinion: None.		
	Resolution: All Directors present voted in favor of the proposal.		

II. In regards to the recusal of directors from voting due to conflict of interests, the directors’ names, contents of the proposal, causes for recusal and voting outcomes shall be specified:

1. The board discussed the remuneration of directors and employee compensation for managers on May 14th, 2018. Director Guo-Horng Lue, director Ming-Ching Hsieh, CFO Yu-Tung Huang and Auditing Manager Chi-Wen Liang were related parties with a personal interest. In accordance with Article 206 of the Company Act, which shall apply mutatis mutandis to Article 178 of the same Act, and Article 15 of the company's Rules of Procedure for Board of Directors Meetings regarding conflicts of interest shall be applicable. Therefore, they recused themselves from the discussion and voting.
2. The board discussed the remuneration adjustment for managers on June 13th, 2018. Director Shun-Ho Hsieh, director Guo-Horng Lue, director Ming-Ching Hsieh, CFO Yu-Tung Huang and Auditing Manager Chi-Wen Liang were related parties with a personal interest. In accordance with Article 206 of the Company Act, which shall apply mutatis mutandis to Article 178 of the same Act, and Article 15 of the Company's Rules of Procedure for Board of Directors Meetings regarding conflicts of interest shall be applicable. Therefore, they recused themselves from the discussion and voting.
3. The board discussed the transportation allowances for managers on August 6th, 2018. CFO Yu-Tung Huang was a related party with a conflict of interest. In accordance with Article 19 of the company's Code of Integrity regarding conflicts of interest, she recused herself from the discussion and voting.
4. The board discussed the 2018 year-end bonus distribution for managers on December 14th, 2018. Director Guo-Horng Lue, director Ming-Ching Hsieh, CFO Yu-Tung Huang Auditing Manager Chi-Wen Liang, and Vice Presidents Yung-Chen Chen and Ji-Jun Cheng of Sinmag Equipment (China) Co., Ltd. were related parties with a personal interest. In accordance with Article 206 of the Company Act, which shall apply mutatis mutandis to Article 178 of the same Act, and Article 15 of the Company's Rules of Procedure for Board of Directors Meetings regarding conflicts of interest shall be applicable. Therefore, they recused themselves from the discussion and voting.

III. Measures taken to strengthen the functionality of the board (such as establishing the Audit Committee and increasing information transparency) and the implementation.

The company has established a Remuneration Committee on December 26th, 2011 to strengthen corporate governance and the functionality of the board by assisting the board in implementing the remuneration management functions. In 2012, the company formulated the "Regulations Governing the Evaluation of the Performance of the Board of Directors" and began conducting evaluations to further strengthen its performance. Please refer to "Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons." Moreover, the Audit Committee was set up on June 6th, 2016 to strengthen the corporate governance mechanism.

(II) Audit Committee

A total of six Audit Committee meetings were held in the most recent period (2018). The attendance of the independent directors was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate	Remark
Independent Director	Shih-Hung Chan	4	2	67%	Reelected on June 6th, 2016
Independent Director	Chia-Chun Sun	6	0	100%	Reelected on June 6th, 2016
Independent Director	San-Chien Tu	6	0	100%	Newly elected, Jun. 6th, 2016

Other mentionable items:

I. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the company’s response to the Audit Committee’s opinion shall be specified:

(I) Matters referred to in Article 14-5 of the Securities and Exchange Act.

(II) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors.

Audit Committee	Content of Proposal and Follow-up Actions	Matters referred to in Article 14-5 of the Securities and Exchange Act	Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors.
2018.03.16 First meeting in 2018	1. The company's 2017 business report, financial statements, consolidated financial statements and CPA audit report.	V	None
	2. Review of the effectiveness of the design and implementation of the company's internal control system for 2017.	V	None
	Audit Committee resolution: All the members of the Audit Committee voted in favor of the proposal.		
	The company's response to the opinion of the Audit Committee: All Directors present voted in favor of the proposal.		
2018.05.14 Second Meeting in	Consolidated financial statements for the first quarter of 2018 and the CPA's review report.	V	None

2018	Audit Committee resolution: All the members of the Audit Committee voted in favor of the proposal.		
	The company's response to the opinion of the Audit Committee: All Directors present voted in favor of the proposal.		
2018.06.28 Third Meeting in 2018	New plant construction of the company's third-tier subsidiary, Sinmag Equipment (China) Co., Ltd.	V	None
	Audit Committee resolution: All the members of the Audit Committee voted in favor of the proposal.		
	The company's response to the opinion of the Audit Committee: All Directors present voted in favor of the proposal.		
2018.08.06 Fourth meeting in 2018	Consolidated financial statements for the second quarter of 2018 and the CPA's review report.	V	None
	The capital increase by retained earnings for the company's third-tier subsidiary, Sinmag Equipment (China) Co., Ltd.	V	None
	Audit Committee resolution: All the members of the Audit Committee voted in favor of the proposal.		
	The company's response to the opinion of the Audit Committee: All Directors present voted in favor of the proposal.		
2018.11.09 Fifth Meeting in 2018	1. Consolidated financial statements for the third quarter of 2018 and the CPA's review report.	V	None
	2. The company engaged the CPA to issue English financial statements.	V	None
	Audit Committee resolution: All the members of the Audit Committee voted in favor of the proposal.		
	The company's response to the opinion of the Audit Committee: All Directors present voted in favor of the proposal.		
2018.12.14 Sixth meeting in 2018	CPA replacement.	V	None
	Audit Committee resolution: All the members of the Audit Committee voted in favor of the proposal.		
	The company's response to the opinion of the Audit Committee: All Directors present voted in favor of the proposal.		

II. In regards to the recusal of independent directors from voting due to conflict of interests, the independent directors' names, contents of the proposal, causes for recusal and voting outcomes shall be specified:

The company's Audit Committee meetings for 2018 did not have any independent directors' proposals regarding stakeholders. Therefore, there was no conflict of interest.

III. Communications between the independent directors, the company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.).

(I) Communications between the independent directors, the company's chief internal auditor and CPAs

1. The company's chief internal auditor regularly presents audit reports to independent directors during Audit Committee meetings. The results and implementation of the audits are also communicated to the directors.

2. The CPAs presents review or audit results of the financial statements of the company and

its subsidiaries to independent directors on a quarterly basis during the Audit Committee meetings, as well as communicating whether financial adjustment entries or legislative amendments affect the accounting method.

(II) Summary of communications between independent directors and the company's chief internal auditor

The company's independent directors have received good communications regarding the implementation and effectiveness of the audits. The summary of the major communications in 2018 are as follows:

Date	Communication Summary	Processing Results
2018.03.16	1. Review report of the design and effectiveness of the company's internal control system for 2017.	The chief internal auditor reported to the Audit Committee members, as well as discussing and communicating with the committee on the issues raised
	2. 2017 "Statement on Internal Control System"	The chief internal auditor reported to the Audit Committee members, as well as discussing and communicating with the committee on the issues raised
	3. Implementation report of internal auditing during the period of December 21st, 2017 - February 28th, 2018.	The chief internal auditor reported to the Audit Committee members, as well as discussing and communicating with the committee on the issues raised
2018.05.14	Implementation report of internal auditing during the period of March 16th, 2017 - April 30th, 2018.	The chief internal auditor reported to the Audit Committee members, as well as discussing and communicating with the committee on the issues raised
2018.08.06	Implementation report of internal auditing during the period of May 14th, 2018 - July 31st, 2018.	The chief internal auditor reported to the Audit Committee members, as well as discussing and communicating with the committee on the issues raised
2018.11.09	Implementation report of internal auditing during the period of August 6th, 2018 - October 31st, 2018.	The chief internal auditor reported to the Audit Committee members, as well as discussing and communicating with the committee on the issues raised
108.03.14	Implementation report of internal auditing during the period of November 9th, 2018 - February 28th, 2019.	The chief internal auditor reported to the Audit Committee members, as well as discussing and communicating with the committee on the issues raised
108.05.02	Implementation report of internal auditing during the period of March 15th, 2019 - April 30th, 2019.	The chief internal auditor reported to the Audit Committee members, as well as discussing and communicating with the committee on the issues raised

(III) Summary of communications between independent directors and CPAs

The company's independent directors have had good communications with the CPAs. The summary of communications for 2018 are listed below:

Date	Communication Summary	Processing Results
2018.03.16	2017 consolidated and parent company only financial statements audited results report.	The CPAs attended the Audit Committee meeting to discuss and communicate on questions raised by the Committee.
2018.05.14	The review process and results of the consolidated financial statements for the first quarter of 2018 were reported.	The CPAs attended the Audit Committee meeting to discuss and communicate on questions raised by the Committee.
2018.08.06	The review process and results of the consolidated financial statements for the second quarter of 2018 were reported.	The CPAs attended the Audit Committee meeting to discuss and communicate on questions raised by the Committee.
2018.11.09	The review process and results of the consolidated financial statements for the third quarter of 2018 were reported.	The CPAs attended the Audit Committee meeting to discuss and communicate on questions raised by the Committee.
2019.03.14	2018 consolidated and parent company only financial statements audited results report.	The CPAs attended the Audit Committee meeting to discuss and communicate on questions raised by the Committee.
2019.05.02	The review process and results of the consolidated financial statements for the first quarter of 2019 were reported.	The CPA reports to the Audit Committee and responds to questions raised by the committee

(III) Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
I. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	✓		The company has established and disclosed its Corporate Governance Best Practice Principles in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" on the company's website (http://www.sinmag.com.tw/).	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.
II. Shareholding structure & shareholders' equity				
(I) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		(I) The Company has appointed designated personnel and set up an email address to address shareholder suggestions, inquiries, disputes and litigation according to the procedures.	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.
(II) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(II) Major shareholders are required to report to the company regarding changes in the shareholding on a monthly basis.	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.
(III) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		(III) The company and its affiliated enterprises' operations and finance are conducted independently. Moreover, "Regulations Regarding Subsidiary Supervision and Management, "Operational Procedures for Transactions with Related Parties, Specific Companies and Group Companies" and "Regulations Regarding Financial Operations among Affiliated Enterprises", etc., have been formulated to regulate financial operations among the company and the affiliated enterprises.	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.
(IV) Does the company establish internal rules against insiders trading with undisclosed information?	✓		(IV) The Company has established the "Operational Procedures for Handling Material Internal Information" to prevent the staff from using undisclosed information to trade securities as well as regularly reinforcing the message to all staff members.	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
III. Composition and Responsibilities of the Board of Directors (I) Does the Board develop and implement a diversified policy for the composition of its members?	✓		(I) The company's "Corporate Governance Best Practice Principles" and "Rules for Election of Directors" stipulate that diversity shall be taken into consideration in terms of the composition of the Board of Directors, and the composition shall be considered as a whole based on the operations and development needs, including but not limited to factors such as gender, age, nationality, culture and professional experience. The current Board consists of 9 directors, of which: 1. All Board members are Taiwanese nationals between 42 and 77 years old. 2. Only directors Guo-Horng Lue and Ming-Ching Hsieh concurrently hold positions as the President and Vice President of the company's management department, which complies with the rule that no more than a third of the directors concurrently hold positions as company managers. 3. General directors have diverse professional, technical and industry backgrounds, such as the Master of Financial Management from Azusa Pacific University, Master of Business Administration from Asia University, Executives Program from National Chengchi University, and the Chairman of Taiwan Lunchun Association. 4. Independent directors have diverse professional, technical and industry backgrounds, such as the PhD in Mechanical Engineering from University of California Berkeley, Bachelor of Economics from Chinese Culture University, and Master of Accounting from Louisiana State University And	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.

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<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td></td><td></td><td></td><td>Agricultural And Mechanical College.
5. The implementation of directors' diversity is as follows:
<table>
<tr><th>Diversity Core Items
Name</th><th>Gender</th><th>Operating and management ability</th><th>Accounting and financial analysis skills</th><th>Crisis management skills</th><th>Industry knowledge</th><th>International market insight</th><th>Leadership</th><th>Decision-making skills</th></tr>
<tr><td>Director Shun-Ho Hsieh</td><td>Male</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>Director Guo-Horng Lue</td><td>Male</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>Director Yao-Tsung Wu</td><td>Male</td><td>V</td><td></td><td>V</td><td>V</td><td></td><td>V</td><td>V</td></tr>
<tr><td>Director Ming-Ching Hsieh</td><td>Male</td><td>V</td><td>V</td><td>V</td><td></td><td></td><td>V</td><td>V</td></tr>
<tr><td>Director Jui-Jung Chang</td><td>Male</td><td>V</td><td></td><td>V</td><td>V</td><td></td><td>V</td><td>V</td></tr>
<tr><td>Director Sherman Chuang</td><td>Male</td><td>V</td><td>V</td><td></td><td></td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>Independent Director Chia-Chun Sun</td><td>Male</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td></td></tr>
<tr><td>Independent Director Shih-Hung Chan</td><td>Male</td><td>V</td><td></td><td></td><td>V</td><td>V</td><td></td><td>V</td></tr>
<tr><td>Independent Director San-Chien Tu</td><td>Male</td><td>V</td><td>V</td><td></td><td></td><td>V</td><td>V</td><td>V</td></tr>
</table>
</td><td></td></tr>
<tr><td>(II) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</td><td>✓</td><td></td><td>(II) In addition to setting up the Remuneration Committee and Audit Committee, the company's corporate governance is implemented by different departments within their scope of operations. Other functional committees will be set up after discussion by the board of directors.</td><td>In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
<tr><td>(III) Does the company establish a standard to measure the performance of the Board, and implement it annually?</td><td>✓</td><td></td><td>(III) The company has formulated the "Regulations Governing the Performance Evaluation of the Board of Directors" on March 9th, 2012. The performance evaluation for the board is conducted at the end of each year. The regulations and evaluation results are</td><td>In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
</table>

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<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td></td><td></td><td></td><td>disclosed on the company's website (http://www.sinmag.com.tw/).
Performance evaluation procedures for the company's Board of Directors:
1. Collecting and distributing information on board activities at the end of the year.
2. Regular review of the effectiveness of the evaluation procedures.
3. The Chairman’s Office shall record the implementation of each performance indicator and calculate the score in accordance with the weighted average stipulated by the Regulations Governing the Performance Evaluation of the Board of Directors. The scores of the evaluation are then reported to the board of directors.
The performance evaluation indicators for board members cover two aspects:
(1) Compliance with relevant laws and regulations
1. Matters for discussion by the Board of Directors shall comply with the laws and regulations.
2. Whether or not the board of directors meets at least 6 times a year.
3. Compliance with the conflict of interest.
4. The number of hours for the directors' continuing education each year.
5. Attendance of the directors.
6. Attendance of shareholders' meetings.
(2) Participation in the company's operations
1. Supervise and understand the implementation of the business plan, the presentation of financial statements, audit</td><td></td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			reports and follow-up actions. 2. Assess the independence and competence of CPAs. 3. Evaluate the company's existing or potential risks. 4. Communications with the management of the company.	
(IV) Does the company regularly evaluate the independence of CPAs?	✓		(IV) The Finance Department of the company shall assess the independence and competence of the CPAs in accordance with the "Regulations Governing the Appointment of Certified Public Accountants" and "Corporate Governance Best Practice Principles" annually. Certified public accountants Chiang-Hsun Chen and Chao-Mei Chen from Deloitte & Touche both meet the independence and competence criteria for the company, and they are appointed as CPAs for the company. Certified public accountants Chiang-Hsun Chen and Chao-Mei Chen were then appointed as the CPAs for the company's 2019 financial statements. CPA Keng-Hsi Chang was engaged as CPA for the company's 2019 profit-seeking enterprise income tax. The results were submitted for review by the Audit Committee on March 14th, 2019. The convener of the Audit Committee then submitted the results to the board of directors for approval.	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.
IV. Does the company set up a corporate governance unit or appoint dedicated (or part-time) personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the	✓		The company's corporate governance, including matters related to the company registration and change of registration, Board of Directors' meetings and shareholders' meetings, and assisting the company in following relevant laws and regulations regarding the Board of Directors and the shareholders' meeting, taking board meeting and shareholders' meeting minutes, providing information required by the	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.

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<tr><td>board of directors and the shareholders' meetings, filing company registration and changes to company registration, and taking minutes of board meetings and shareholders’ meetings)?</td><td></td><td></td><td>directors to conduct business, the latest legal development regarding corporate management, assisting the directors in complying with laws and regulations, matters related to investor relations, and other matters stipulated in the company's Articles of Incorporation or contracts are handled by each department within its scope of activities and supervised by senior executives with a CPA qualification or with more than three years of management experience in finance or stock affairs in a public company.</td><td></td></tr>
<tr><td>V. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?</td><td>✓</td><td></td><td>The company values the balance of rights and obligations of stakeholders, including investors, employees, customers, suppliers, banks and creditors. Aside from maintaining good communications with all stakeholders, communication channels are set up on the company website in order to understand their issues of the concern and respond accordingly.
<table>
<tr><th>Stakeholders</th><th>Key Issues of Concern</th><th>Communication Channels and Response</th></tr>
<tr><td>Shareholders</td><td>Corporate Image/business performance /industry overview /product and services /investment</td><td>Contact person: Spokesperson Yu-Tung Huang
TEL：(02)2298-1148
1. Annual shareholders' meeting.
2. Periodically hold institutional investors' conferences.
3. Timely disclosure of material information on the Market Observation Post System and the corporate website.
4. Disclosure of important events on the Market Observation Post System and the corporate website.
5. Publishing the e-mail address and phone number on the Company website to establish smooth communication channels between investors and the company.
6. Appointing dedicated personnel for institutional investors.
7. Holding face-to-face meetings and phone conferences with domestic and foreign</td></tr>
</table></td><td>In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
</table>

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<table>
<tr><td></td><td></td><td>institutional investors.</td></tr>
<tr><td>Employees</td><td>Labor relations /occupational health and safety /non-discrimination /equality</td><td>Contact person: Ms. Wang, Administration Department
TEL：(02)2298-1147
1. Regularly holding labor-management meetings and setting up the Employee Welfare Committee.
2. Formulating gender equality regulations to safeguard female employees' rights and interests.
3. Setting up a workplace sexual harassment hotline and e-mail.
4. A contact number and email for employee to request assistance have been published on the corporate website.
5. Regularly assigning employees to attend safety and health seminars, conducting on-board training, and regularly arranging health checkups for all staff in order to provide a comfortable and safe work environment.
6. The company's communications and information are released through the bulletin board, e-mail and the internal website.</td></tr>
<tr><td>Customers</td><td>Corporate image/product and services</td><td>Contact person: Miss Yeh, Sales Department
TEL：(02)2298-1147
1. R&D, innovation and product quality enhancement.
2. Providing timely response to customer complaints, understanding customer needs to facilitate the interaction between the company and the customers, as well as finding ways to improve in production and sales meetings.
3. The sales personnel frequently conduct customer interviews to understand their product needs and provide comprehensive business services.
4. Regularly participating in food exhibitions and baking equipment exhibitions at home and abroad to give the customers the opportunity to better understand the company's products.
5. Conducting annual customer satisfaction survey.
6. Strengthening employees' awareness of confidentiality in regards to customer information in order to keep business secrets.
7. A designated customer service contact person,</td></tr>
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<tr><td></td><td></td><td></td><td><table>
<tr><td></td><td></td><td>phone number and email address have been published on the company website as channels of communication, complaints and suggestions.</td></tr>
<tr><td>Suppliers</td><td>Corporate image/business performance /product needs</td><td>Contact person: Miss Hsieh, Manufacturing Management Section
TEL：(02)2298-1147
1. Conducting assessment on quality, delivery and price to give credit to good suppliers as well as the priority for price negotiation and contract signing. For suppliers with quality and delivery issues, advice and assistance are given to help enhance their quality.
2. Strengthening employees' awareness of confidentiality in regards to supplier information in order to keep trade secrets.
3. A designated supplier service contact person, phone number and email address have been published on the company website as channels of communication, quotation-related complaints and suggestions.</td></tr>
</table></td><td></td></tr>
<tr><td>VI. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?</td><td>✓</td><td></td><td>The company has appointed Taishin International Bank Stock-Affairs Agency Dept., a professional agency to deal with shareholders' meeting affairs.</td><td>In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
<tr><td>VII. Information Disclosure
(I) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?
(II) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</td><td>✓
✓</td><td></td><td>(I) The company discloses financial, business, and stock affairs information in the Investor Relations section on the company's website. A section dedicated to corporate governance has also been set up to explain the relevant rules and regulations and implementation.
(II) In addition to the designated personnel who are responsible for the collection and disclosure of company information, the company also appoints a spokesperson and a deputy spokesperson who understand the company's finance and business as well as being able to coordinate all departments to provide</td><td>In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.
In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
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	Yes	No	Abstract Illustration	
			relevant information to speak on behalf of the company. This ensures timely and adequate disclosure of information that might have an impact on the shareholders' and stakeholders' decision-making. The video of investor conference is also uploaded to the Investor Relations section of the company's website and the Market Observation Post System (MOPS) for investors' inquiries.	
VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		(I) Status of employee rights and employee care 1. With the spirit of integrity and harmony, continuous growth and sustainable development, the company attaches great importance to employee welfare by setting up the employee welfare committee and giving it monthly funding for the committee to organize various trips, and clubs and so on. 2. Providing subsidies for weddings and funerals, scholarship and emergency relief as well as annual health examination, group life insurance and accident insurance subsidies. 3. In accordance with the Labor Standards Act, a certain percentage of the monthly salary is set aside to the employees' pension fund in the Central Trust of China's special account for the future payment of employees' pension. 4. According to the retirement contribution plan defined by the Labor Pension Act as well as the applicable provisions of the Labor Pension Act selected by the employees, no less than 6% of the salary is paid to the employees' personal account every month. The employee's pension is paid according to the employee's individual pension	In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			account and the accumulated profit, and it can be claimed on a monthly basis or in one go. 5. The Labor-Management Committee has been set up in accordance with all relevant rules and measures. Labor-management meetings are held on a regular basis with good results. Any new or revised measures related to labor relations will be finalized after sufficient communications between employer and employees. 6. Regularly assigning employees to attend safety and health seminars, conducting on-board training, and regularly arranging health checkups for all staff members in order to provide a comfortable and safe working environment. (II) Investor relations The company treats all shareholders in a fair and open manner. Shareholders' meetings are convened annually in accordance with the provisions of the Company Act and relevant laws and regulations. All shareholders are notified in accordance with relevant regulations and encouraged to actively participate in the election of directors or the amendment to the company's Articles of Incorporation. Material financial and business activities such as the disposal of assets and endorsements/guarantees are submitted to the shareholders' meeting. The company also provides shareholders with the opportunity to raise question or proposals in order to establish checks and balances. Minutes of the shareholders' meeting are properly maintained and fully disclosed on the MOPS in accordance with the Rules of Procedure for Shareholders' Meeting. In order to ensure that	

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<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td></td><td></td><td></td><td>shareholders are fully aware of the rights to know, participate and decide on material matters of the company, in addition to the public announcement of the annual report of the shareholders' meeting and the shareholder's meeting handbook on the MOPS before the annual shareholders' meeting, the company has a spokesperson and a deputy spokesperson to properly handle shareholder suggestions, inquiries and disputes. Based on the principle of information transparency, the company handles information disclosure in accordance with the “List concerning what information publicly-held companies should announce to the public or report to the FSC” and "Taipei Exchange Rules Governing the Review of Emerging Stocks for Trading on the TPEx". Online announcement and reporting procedures for public disclosure have been formulated with designated personnel in charge of information collection and disclosure from the finance department. After review and confirmation by the relevant supervisor, all information that might affect investors' decision-making is provided in a timely manner through online announcement and reporting.
(III) Supplier relations
The procurement personnel of the company will evaluate the service quality, delivery and price of the supplier with the requisitioning unit. A database of qualified manufacturers is established based on the evaluation results. Preferential quoting and contracting are given to excellent suppliers to ensure quality and reduce costs.
(IV) Respect stakeholders' interests
The company values the importance of stakeholders</td><td></td></tr>
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<tr><td></td><td></td><td></td><td>
(including shareholders, employees, customers, upstream and downstream companies, banks, the society and environment) and takes into account the balance of stakeholder interests. When major issues are discussed in the internal proposal, the impact on the stakeholders must be considered to ensure the balance of stakeholder interests.
The company has established a suggestion mailbox on the company’s website to provide stakeholders with channels for feedback to safeguard their interests.
(V) Directors’ continuing education records:
<table>
<tr><th>Title Name</th><th>Study Period</th><th>Organizer</th><th>Course</th><th>Training Hours</th><th>Whether the course meets the requirements (Note)</th></tr>
<tr><td rowspan="2">Director Shun-Ho Hsieh</td><td>December 14th, 2018</td><td>Taiwan Corporate Governance Association</td><td>Latest Company Act Amendment and Directors’ Responsibilities</td><td>3</td><td>Yes</td></tr>
<tr><td>December 14th, 2018</td><td>Taiwan Corporate Governance Association</td><td>International and Cross-Strait Anti-Tax Avoidance Case Studies</td><td>3</td><td>Yes</td></tr>
<tr><td rowspan="2">Director Guo-Horng Lue</td><td>December 14th, 2018</td><td>Taiwan Corporate Governance Association</td><td>Latest Company Act Amendment and Directors’ Responsibilities</td><td>3</td><td>Yes</td></tr>
<tr><td>December 14th, 2018</td><td>Taiwan Corporate Governance Association</td><td>International and Cross-Strait Anti-Tax Avoidance Case Studies</td><td>3</td><td>Yes</td></tr>
<tr><td rowspan="2">Director Yao-Tsung Wu</td><td>December 14th, 2018</td><td>Taiwan Corporate Governance Association</td><td>Latest Company Act Amendment and Directors’ Responsibilities</td><td>3</td><td>Yes</td></tr>
<tr><td>December 14th, 2018</td><td>Taiwan Corporate Governance Association</td><td>International and Cross-Strait Anti-Tax Avoidance Case Studies</td><td>3</td><td>Yes</td></tr>
<tr><td>Director Ming-Ching Hsieh</td><td>December 14th, 2018</td><td>Taiwan Corporate Governance Association</td><td>Latest Company Act Amendment and Directors’ Responsibilities</td><td>3</td><td>Yes</td></tr>
</table>
</td><td></td></tr>
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Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	

Title Name	Study Effective	Organizer	Course	Training Hours	Whether the course meets the requirements (Note)
	December 14th, 2018	Taiwan Corporate Governance Association	International and Cross-Strait Anti-Tax Avoidance Case Studies	3	Yes
Director Jui-Jung Chang	December 14th, 2018	Taiwan Corporate Governance Association	Latest Company Act Amendment and Directors’ Responsibilities	3	Yes
	December 14th, 2018	Taiwan Corporate Governance Association	International and Cross-Strait Anti-Tax Avoidance Case Studies	3	Yes
Director Sherman Chuang	December 14th, 2018	Taiwan Corporate Governance Association	Latest Company Act Amendment and Directors’ Responsibilities	3	Yes
	December 14th, 2018	Taiwan Corporate Governance Association	International and Cross-Strait Anti-Tax Avoidance Case Studies	3	Yes
Independent Director Chia-Chun Sun	December 14th, 2018	Taiwan Corporate Governance Association	Latest Company Act Amendment and Directors’ Responsibilities	3	Yes
	December 14th, 2018	Taiwan Corporate Governance Association	International and Cross-Strait Anti-Tax Avoidance Case Studies	3	Yes
Independent Director Shih-Hung Chan	October 4th, 2018	Securities and Futures Institute	Key and Practical Discussions on the Latest Company Act Amendment	3	Yes
	October 4th, 2018	Securities and Futures Institute	Case Analysis of Directors and Supervisors' Offenses of Breach of Trust	3	Yes

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<tr><th>Title Name</th><th>Study Effective</th><th>Organizer</th><th>Course</th><th>Training Hours</th><th>Whether the course meets the requirements (Note)</th></tr>
<tr><td rowspan="2">Independent Director San-Chien Tu</td><td>December 14th, 2018</td><td>Taiwan Corporate Governance Association</td><td>Latest Company Act Amendment and Directors’ Responsibilities</td><td>3</td><td>Yes</td></tr>
<tr><td>December 14th, 2018</td><td>Taiwan Corporate Governance Association</td><td>International and Cross-Strait Anti-Tax Avoidance Case Studies</td><td>3</td><td>Yes</td></tr>
</table>
Note: The requirements refer to the hours, scope, system, arrangement and information disclosure of the training of the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies."
(VI) Status of risk management policies and risk evaluation: The company has established various internal regulations in accordance with the law to conduct various risk management and assessment. The directors adhere to a high level of self-discipline. When a director has a personal interest in a proposal submitted to the board of directors and the company interest might be at risk, the director is recused from the discussion and voting.
(VII)Formulation of the Operational Procedures for Handling Material Insider Information
To establish sound mechanisms for the handling and disclosure of material insider information in order to prevent improper information disclosures and to ensure the consistency and accuracy of information released by the company to the public, the company has formulated Procedures for Handling Material Insider Information in accordance with the template published by the competent authority. The procedures are shared
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Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			with the directors, employees and management to prevent any unlawful incident or inside trading. (VIII)Implementation of consumer and customer protection policies To provide customers with comprehensive services and assurance, the company communicates with customers in a timely manner to understand customer needs and facilitate the interaction between the company and its customers. Review and plan for improvement are also discussed during production and sales meetings. (IX) Purchase of liability insurance for Directors and Supervisors: The company has taken out liability insurance for all directors at US$7 million. The insurance coverage period is from February 1st, 2019 to February 1st, 2020. This has been reported to the board meeting on March 14th, 2019.	

IX. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority improvement items and response measures. (Leave blank if the company is not included in the evaluation)

Topic	Improvement	Explanation if not yet improved
Did the company hold the shareholders' meeting before the end of May?	No	The current internal schedule does not conform.
Did the company simultaneously provide the Chinese and English versions of the meeting notice 30 days prior to the day of the shareholders' meeting?	Yes	The company will provide the English version of the meeting notice 30 days prior to the day of the shareholders' meeting.
Did the company disclose the English versions of the meeting agenda handbook and supplemental meeting materials 21 days before the day of the shareholders' meeting?	Yes	The company will disclose the English version of the meeting agenda handbook 21 days before the day of the shareholders' meeting.
Did the company provide the English annual report 7 days before the day of the shareholders' meeting?	Yes	The company will provide the English annual report 7 days before the day of the shareholders' meeting.
Did the company adopt a board diversity policy and disclose the status of implementation of the diversity policy on the company's website and in the annual report?	Yes	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	

Did the company's board members include at least one female director? 【If directors of each gender accounted for at least one-fourth of all of the directors, and furthermore there is at least one female independent director among the directors, one additional point will be added to the total score. 】	No	Currently, there is no female board member. Candidates will be evaluated for future re-elections.
Were the continuous terms of service of at least two independent directors not more than 9 years each?	No	The company will re-elect directors at the shareholders’ meeting in 2019 (including Independent Directors). Based on the current list of candidates, the company will have at least two independent directors not more than 9 years each.
Did the company have any functional committees other than statutorily required committees, and did such functional committees have not less than three members, with at least half of the members being independent directors, and did the company disclose the organization, functions, and operations of such committees?	No	Considering the company's organizational structure and functional committee characteristics, this is currently under evaluation.
Did the company have a designated personnel in charge of promoting corporate governance with responsibility for establishing and supervising the implementation of corporate governance, and disclose the unit's operations and implementation on the company's website and in its annual report?	No	Currently, there is no proper manpower and resources for the execution.
Have the rules adopted by the company for assessing the performance of the board of directors been passed by the board, with the express requirement that an external assessment be carried out at least once every three years, and has it furthermore carried out the assessment within the time limit under its rules, and disclosed the implementation status and assessment results on its website or in its annual report?	No	External evaluation of the board performance is currently under evaluation.
Did the company disclose material information in English and Chinese at the same time?	No	Currently, there is no proper manpower and resources for the execution.
Did the company file its annual financial reports within 2 months from the end of the fiscal year?	No	The internal processing time and the CPAs cannot yet conform with the requirement of this indicator.
Did the company website or MOPS disclose the annual financial reports in English (financial statements and notes included)?	Yes	
Did the company website or MOPS disclose the interim financial reports in English (financial statements and notes included)?	No	Currently, there is no proper manpower and resources for the timely execution.
Did the company voluntarily disclose its financial forecast quarterly, without having any corrections ordered by the competent authority or having any demerits imposed by the TWSE or TPEx?	No	The company did not disclose its financial forecast.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	

Did the company voluntarily disclose the individual remuneration details of each director and supervisor in its annual report? 【One additional point will be added to the total score for voluntary disclosure 】	No	The company did not disclose the individual remuneration details of each director.
Did the company provide an English website and did the website include information related to the company’s finances, business, and corporate governance?	No	Currently, there is no proper manpower and resources for the timely execution.
Did the company attend or voluntarily hold investor conferences at least two times in the year being evaluated, and were the first and last investor conferences in the year held at least 3 months apart? [If the company held at least one investor conference each quarter or held investor conferences to address the operating results of each quarter, one additional point will be added to the total score.]	Yes	
Did the company have an adequate governance framework, by which to adopt and review corporate social responsibility policies, systems, or related management principles, and disclose the same on its website and in its annual report?	No	The company promotes corporate social responsibility through multiple channels. Corporate social responsibility is implemented by cross-departmental co-operation. The company will disclose the composition and operations in the annual report and on its website after coordination in the future.
Did the company have a designated unit in charge of promoting ethical corporate management, with responsibility for establishing and supervising the implementation of the ethical corporate management policies and prevention programs, and disclose the unit's operations and implementation on the company's website and in its annual report, and did the unit regularly report to the board of directors?	No	The company promotes corporate social responsibility and ethical corporate management through multiple channels. Corporate social responsibility is implemented by cross-departmental corporation. The company will disclose the composition and operations in the annual report and on its website after coordination in the future.
Did the company regularly disclose on the company website and in its annual report its concrete plans for promoting corporate social responsibility and the results of the implementation of those plans?	No	The company promotes corporate social responsibility through multiple channels. Corporate social responsibility is implemented by cross-departmental corporation. The company will disclose the composition and operations in the annual report and on its website after coordination in the future.
Did the company, following internationally recognized guidelines, prepare and publish reports such as its corporate social responsibility report to disclose non-financial information of the company? 【If the company voluntarily prepared and published such reports, one additional point will be added to the total score. 】	No	Currently, there is no proper manpower and resources for the timely execution.
Did the company obtain a third-party verification or assurance for reports disclosing non-financial information of the company such as its corporate social responsibility report?	No	The company does not currently publish a corporate social responsibility report.
Did the company, following the International Bill of Human Rights, adopt policies and concrete management plans to protect human rights, and disclose them on the company website and in its annual report?	No	Currently under evaluation.
Did the company sign a collective agreement with the labor union in accordance with the Collective Agreement Act?	No	Currently under coordination and evaluation.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
Did the company disclose the annual emissions of CO2 or other greenhouse gases (GHG) for the past 2 years? 【If the annual emissions of CO2 or other greenhouse gases for the past 2 years have been verified by an external institution, one additional point will be added to the total score. 】		No	Due to the industry characteristics and the current manpower available, the company did not disclose relevant information. The company will do so pending the expansion of the business and manpower in the future.	
Did the company set management policies for energy conservation, reduction of carbon/greenhouse gas (GHG) emissions, water use, or other waste/pollutants?		No	The company will set relevant policies and oversee the implementation depending on the nature of the industry and the company's position.	
Did the company adopt and disclose in detail on its website a whistle blower system for company insiders and outsiders to report illegal behavior (including corruption) and unethical behavior?		No	The company will set relevant policies and oversee the implementation in the future.	
Did the company disclose on its website or in its corporate social responsibility report the supplier management policies it adopted, and require suppliers to comply with the relevant provisions regarding issues such as environmental protection, public safety, and health, and specify the status of implementation?		No	The company does not currently publish a corporate social responsibility report, but plans to do so in compliance with regulations of the competent authority in the future.	

Note: The CPA's independence and competence evaluation standards

	Item	Evaluation Content	Results	Compliance with independence
standards	1	The CPA, or the spouse or a minor child thereof, has not invested in the company, or shares in financial gains therewith.	Yes	Yes
	2	The CPA, or the spouse or a minor child thereof, has not lent or borrowed funds to or from the company. However, the principal is a financial institution and a normal business entity shall not apply.	Yes	Yes
	3	The CPA has not submitted an assurance service report that is designed or assisted in the execution of the financial information system.	Yes	Yes
	4	The CPAs or audit team members have not served as a director, manager or another position that has a significant impact on the audit case of the company in the most recent two years.	Yes	Yes
	5	Non-audit services provided to the company did not have a direct impact on the audit cases.	Yes	Yes
	6	The CPAs or the audit services team do not promote or act as an intermediary for shares or other securities issued by the company.	Yes	Yes
	7	The CPA or audit services team members have not represented the company in third-party legal cases or other disputes except permitted by law.	Yes	Yes
	8	The CPA or the audit services team is a not spouse, lineal relative, direct relative by marriage, or a collateral relative within the second degree of kinship of any responsible person or managerial officer of the company.	Yes	Yes
	9	The joint CPA who has been rescinded within one year does not hold any position as a director or manager of the company or has a significant influence on the audit case.	Yes	Yes
	10	The CPA or the audit services team has not received gifts or special offers of value from the company, directors, managers or major shareholders.	Yes	Yes
	11	The CPA has not been engaged in regular work for the client or audited entity with a fixed salary or hold the position of director or supervisor.	Yes	Yes
	12	After the company went public:	Yes	Yes
		The CPA has not provided audit services for the company for 7 consecutive years.		
		Before the company went public:		
		The CPA has not provided audit services for the company for 10 consecutive years.		
Independence	1	Has the CPA recused and refused to undertake matters if he/she has direct or significant indirect interest that could impair his/her impartiality and independence?	Yes	Yes

	Item	Evaluation Content	Results	Compliance with independence
	2	When the CPA provides audit, review, cross-review or project review of a financial statement and submits an opinion, does he/she maintain independence in appearance in addition to independence in fact?	Yes	Yes
	3	Do members of the audit services team, other joint CPAs or accounting firms that are institutional shareholders, accounting firms, affiliated companies and alliance firms also maintain independence vis-a-vis the company?	Yes	Yes
	4	Does CPA offer professional services with integrity in a rigorous manner?	Yes	Yes
	5	Is the CPA established a fair and objective stance in the course of performing professional services to avoid his/her professional judgement from any influence of bias, conflict of interest or personal stakes?	Yes	Yes
	6	The CPA's integrity, fairness and objectivity have not been impaired by the lack or loss of independence.	Yes	Yes
Competence	1	The CPA does not have disciplinary records from the disciplinary committee for the past two years.	Yes	Yes
	2	Does the CPA firm in charge of the company's audit services have sufficient size, resources and regional coverage?	Yes	Yes
	3	Does the CPA firm have clear quality control procedures? Does the coverage include the level and key points of the audit procedure, the way in which audit issues and judgments are handled, independent quality control review and risk management?	Yes	Yes
	4	Does the accounting firm timely notify the Board of Directors (Audit Committee) of any significant problems and developments in risk management, corporate governance, finance and accounting and relevant risk control?	Yes	Yes

(IV) Composition, Responsibilities and Operations of the Remuneration Committee:

To strengthen the company's corporate governance and remuneration management of the Board of Directors, assist and evaluate the execution of the company's overall remuneration and benefits as well as the base compensation of the directors and high-level managers, the board adopted the resolution to set up the Remuneration Committee on December 26th, 2011 and formulated the “Organizational Rules of the Remuneration Committee” to execute the following tasks: 1. Establish and regularly review the performance, remuneration policies, systems, standards and structures of the remuneration of directors and managers. 2. Regularly assess and fix the remuneration of directors and managers. 3. Other matters that are assigned by the Board of Directors for discussion. The Remuneration Committee re-appointed the Independent Directors, including Shih-Hung Chan, Chia-Chun Sun and San-Chien Tu as members of the Remuneration Committee on June 6th, 2016. The Committee convened 5 meetings in 2018 and it functioned well.

(1) Information on Members of the Remuneration Committee

Category	Criteria Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 1)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remark
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8		
Independent Director	Shih-Hung Chan	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Chia-Chun Sun		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	San-Chien Tu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	4	

Note 1: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.✓

(1) Not an employee of the company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.

(5) Not a director, supervisor, or employee of an institutional shareholder who directly holds 5% or more of the total number of outstanding shares of the company or who holds shares ranking in the top five holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the company.

(7) Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the company, or to any affiliate of the company, or a spouse thereof.

(8) Not a person of any conditions defined in Article 30 of the Company Law.

(2) Implementation status of the Remuneration Committee

A. The Remuneration Committee is comprised of 3 members.

B. Term of service: From June 6th, 2016 to June 5th, 2019. The Remuneration Committee convened 5(A) times in the most recent year (2018). The qualifications and attendance of the members are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Actual attendance rate (%) (B/A)	Remark
Convener	Shih-Hung Chan	3	2	60%	Reelected on June 6th, 2016
Member	Chia-Chun Sun	5	0	100%	Reelected on June 6th, 2016
Member	San-Chien Tu	5	0	100%	Reelected on June 6th, 2016

Other mentionable items:

I. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the company’s response to the remuneration committee’s opinion (for example, the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified):
None.

II. Resolutions of the Remuneration Committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the proposal, all members’ opinions and the response to members’ opinion should be specified:
None.

Remuneration Committee	Content of Proposal and Follow-up Actions	Other matters which were not approved by the Remuneration Committee but were approved by two-thirds or more of all directors.
2018.03.16 First meeting in 2018	2017 employee and director remuneration distribution	None
	Resolution of the Remuneration Committee: All members of the Remuneration Committee adopted with approval.	
	The company's response to the opinion of the Remuneration Committee: All Directors present voted in favor of the proposal.	
2018.05.14 Second Meeting in 2018	2017 remuneration of directors and manager/employee bonus distribution.	None
	Resolution of the Remuneration Committee: All members of the Remuneration Committee adopted with approval.	
	The company's response to the opinion of the Remuneration Committee: All Directors present voted in favor of the proposal.	
2018.06.13 Third Meeting in 2018	1. Salary adjustment for managers in 2018.	None
	2. Formulation of the company's "Remuneration for Directors and Functional Committees".	
	Resolution of the Remuneration Committee: All members of the Remuneration Committee adopted with approval.	
	The company's response to the opinion of the Remuneration Committee: All Directors present voted in favor of the proposal.	

2018.08.06 Fourth meeting in 2018	Adjustment to the managers' transportation allowance.	None
	Resolution of the Remuneration Committee: All members of the Remuneration Committee adopted with approval.	
	The company's response to the opinion of the Remuneration Committee: All Directors present voted in favor of the proposal.	
2018.12.14 Fifth Meeting in 2018	The company's annual bonus distribution plan for managers in 2018.	None
	Resolution of the Remuneration Committee: All members of the Remuneration Committee adopted with approval.	
	The company's response to the opinion of the Remuneration Committee: All Directors present voted in favor of the proposal.	

(V) Corporate Social Responsibility

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>I. Corporate Governance Implementation
(I) Does the company declare its corporate social responsibility policy and examine the results of the implementation?</td><td>✓</td><td></td><td>(I) The company has formulated the "Corporate Social Responsibility Best Practice Principles" on March 9th, 2012 and has stayed updated with the development of the domestic and international social responsibility systems and changes to the corporate environment. This is to improve the effectiveness of the corporate social responsibility implementation. The company actively invested in social welfare in 2018. The donations made through professional institutions for disadvantaged groups are as follows:
<table><tr><th>Donation Unit</th><th>Donation Amount</th></tr><tr><td>Children Are Us Foundation, Chung-Hua Foundation for Persons with Intellectual Disabilities, 1919 Food Bank,
World Vision Taiwan, Taipei City Yangming Home for the Disabled, Department of Social Affairs, Hualien County Government, Taipei Bakery Association</td><td>NT$715,000</td></tr><tr><td>Xishan Charity Association, Wuxi City, Subsidies for households with financial difficulties in Rongyang Villagers Yunlin Street, Xishan District, Wuxi City</td><td>RMB65,000</td></tr></table></td><td>In compliance with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
<tr><td>(II) Does the company provide educational training on corporate social responsibility on a regular basis?</td><td>✓</td><td></td><td>(II) The company has organized training sessions and meetings to promote corporate social responsibility.</td><td>In compliance with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
<tr><td>(III) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?</td><td>✓</td><td></td><td>(III) The company's Board of Directors adopted the resolution on May 4th, 2012 to appoint the Management Department to promote corporate social responsibility and report to the Board of Directors.</td><td>In compliance with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Abstract Illustration	
(IV) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	✓		(IV) The company has established a reasonable remuneration policy and requires employees to comply with the "Code of Ethical Conduct" and the "Code of Conduct for Directors and Managers". Employee performance evaluation is conducted on a regular basis to award and alert the employees. Article 29 of the company's Articles of Incorporation stipulates that if the Company has a profit for the year, 2% to 10% shall be allocated as employee bonus. The board of directors decides whether to distribute the bonus in stock or in cash. Employees of subordinate companies that meet certain conditions have to be eligible. The employee bonus distribution shall be submitted to the board. However, if the company has accumulated losses, the amount of compensation shall be set aside for the amount and then distributed employee benefits in accordance with the aforementioned percentage.	In compliance with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.
II. Sustainable Environment Development				
(I) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(I) The company promotes green procurement by gradually adopting environmentally-friendly and energy-saving lighting and inverter air conditioners. The company also continues to promote measures for water conservation, electrification and innovative green service development to effectively save printing paper and significantly improve the service efficiency.	In compliance with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.
(II) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		(II) The company regularly promotes green energy-related knowledge to its employees to strengthen the implementation of environmental protection in work and life. The company has obtained ISO9001 quality management system and ISO14001 environmental management system certifications on December 31st, 2014.	In compliance with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.
(III) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company	✓		(III) The company fully supports relevant policies from the competent authority in terms of office and factory energy management, as well as regularly promoting energy conservation and carbon reduction goals.	In compliance with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.

Evaluation Item	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Abstract Illustration	
strategies for energy conservation and carbon reduction?				
III. Preserving Public Welfare (I)Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(I)The company strictly complies with the relevant laws, regulations and labor laws to protect employees' rights and interests. In addition to the labor-management meetings, employees can also make suggestions and feedback through the communication platform in order to solve problems.	In compliance with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.
(II)Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	✓		(II)The company has established employee service mail box (hr1@sinmag.com.tw) to receive employee complaints in the stakeholder section, in order to actively understand employee needs and satisfy them within the reasonable range.	In compliance with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.
(III)Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(III)The company has taken out group insurance for employees in addition to the statutory labor and health insurance. The company also provides regular free health checkups, personal safety and accident prevention seminars to build a safe working environment.	In compliance with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.
(IV)Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓		(IV)The company regularly convenes labor-management meetings. Important information is announced in writing and sent electronically to individual emails.	In compliance with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.
(V)Does the company provide its employees with career development and training	✓		(V)The company provides employees with effective professional training programs.	In compliance with the Corporate Social Responsibility Best-Practice Principles for

Evaluation Item	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Abstract Illustration	
sessions?				TWSE/TPEx Listed Companies.
(VI)Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓		(VI)The company has established a comprehensive customer complaint process and provided dedicated personnel to protect consumer rights. Standards and handling procedures are formulated by responsible units, as well as the supervision for implementation in order to strengthen product development and service procedures.	In compliance with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.
(VII)Does the company advertise and label its goods and services according to relevant regulations and international standards?	✓		(VII)The company advertises and labels its goods and services according to relevant regulations and international standards.	In compliance with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.
(VIII)Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	✓		(VIII)The company values the importance of environmental and social protection by selecting suppliers with the same vision and regularly assessing their competence.	In compliance with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.
(IX)Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	✓		(IX)If the company's major suppliers violate the corporate social responsibility policy and cause significant impact on the environment and society, the company has the right to end or terminate the contract at any moment.	In compliance with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.

Evaluation Item	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Abstract Illustration	
IV. Enhancing Information Disclosure (I) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	✓		(1) The investor relations section on the corporate website (http://www.sinmag.com.tw/) discloses relevant and reliable information regarding its corporate social responsibility.	In compliance with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.
V. If the company has established the corporate social responsibility best-practice principles based on the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the Principles and their implementation: In order to implement corporate social responsibility and promote a balanced economic, social, environmental ecosystem and sustainable development, the board of directors adopted the "Code of Practice for Corporate Social Responsibility" on March 9th, 2012 to strengthen the implementation of corporate social responsibility as well as incorporating it into the company's management and operations. The company has conducted regular reviews on the implementation status as well as making improvements accordingly. The implementation of this code is not subject to any discrepancies so far.				
VI. Other important information to facilitate a better understanding of the company's corporate social responsibility practices: 1. Environmental Protection In order to fulfill the social responsibility of environmental protection, the company does not use substances that pollute the environment in the processes. The waste materials are also collected by recycling companies to make sure there is no impact on the environment. 2. Community engagement, social contribution, social services and public welfare The company is dedicated public welfare activities. Donations are made to disadvantaged groups that require assistance through professional institutions. The company's donations in 2018 are as follows:				

Donation Unit	Donation Amount
Children Are Us Foundation, Chung-Hua Foundation for Persons with Intellectual Disabilities, 1919 Food Bank, World Vision Taiwan, Taipei City Yangming Home for the Disabled, Department of Social Affairs, Hualien County Government, and Taipei Bakery Association	NT$715,000
Xishan Charity Association, Wuxi City, Subsidies for households with financial difficulties in Rongyang Villagers Yunlin Street, Xishan District, Wuxi City	RMB65,000

3. Consumer Rights
To provide customers with comprehensive services and assurance, the company communicates with customers in a timely manner to understand customer needs and facilitate the interaction between the company and its customers. Review and plan for improvement are also discussed during production and sales

Evaluation Item	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Abstract Illustration	
meetings. 4. Human Rights and Safety and Health (1) With the spirit of integrity and harmony, continuous growth and sustainable development, the company attaches great importance to employee welfare by setting up the employee welfare committee and giving it monthly funding for the committee to organize various trips, and clubs and so on. (2) Providing welfare subsidies for weddings, funerals and emergency relief as well as annual health examination, group life insurance and accident insurance subsidies. (3) In accordance with the Labor Standards Act, a certain percentage of the monthly salary is set aside to the employees' pension fund in the Central Trust of China's special account for the future payment of employees' pension. (4) According to the retirement contribution plan defined by the Labor Pension Act as well as the applicable provisions of the Labor Pension Act selected by the employees, no less than 6% of the salary is paid to the employees' personal account every month. The employee's pension is paid according to the employee's individual pension account and the accumulated profit, and it can be claimed on a monthly basis or in one go. (5) The Labor-Management Committee has been set up in accordance with all relevant rules and measures. Labor-management meetings are held on a regular basis with good results. Any new or revised measures related to labor relations will be finalized after sufficient communications between the two parties. (6) Regularly assigning employees to attend safety and health seminars, conducting on-board training, and regularly arranging health checkups for all staff members in order to provide a comfortable and safe working environment.				
VII. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: Not applicable.				

(VI) Ethical Corporate Management

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>I. Establishment of ethical corporate management policies and programs</td><td></td><td></td><td></td><td></td></tr>
<tr><td>(I) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</td><td>✓</td><td></td><td>(I) The company has established the Corporate Culture and the Development of the Ethical Corporate Management Best Practice Principles to implement ethical corporate management practices. The company has established the Ethical Corporate Management Best Practice Principles as the implementation of ethical corporate management and formulated relevant internal operating regulations and internal control systems to be formulated to provide suggestions for the Board of Directors and to improve the tracking of deficiencies.</td><td>In compliance with the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
<tr><td>(II) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</td><td>✓</td><td></td><td>(II) The company has established the Ethical Code of Conduct to be a highly competitive way for the violation of ethical code of conduct regarding violations of laws, regulations, corruption, rebates and conflict of interests. The Code of Conduct is included in the Employee Performance Evaluation System and is regularly evaluated on the employee performance evaluation system and a smooth grievance channel is also established. The company will also provide new recruits with training for the employees, including the regulations on ethical corporate management and the punishment for violations in the past 2 hours to strengthen and promote the concept of ethical management of employees.
<table>
<tr><th>Course Topic</th><th>Year</th><th>Number of Participants</th><th>Number of Hours/Participants</th></tr>
<tr><td>Ethical Corporate Management Best Practice Principles</td><td>2018</td><td>34</td><td>2</td></tr>
</table></td><td>In compliance with the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
<tr><td>(III) (3) Does the company establish appropriate precautions against high-</td><td>✓</td><td></td><td>(III) The company has established internal rules and rewards and punishments systems to prevent employees from dishonest</td><td>In compliance with the Ethical Corporate</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?			conduct. The company has established an effective accounting system and internal control, and regularly reviews and reports the implementation of the implementation and reports to the Board of Directors.	Management Best-Practice Principles for TWSE/TPEx Listed Companies.
II. Fulfill operations integrity (I) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		(I) The company carefully evaluates the ethical records of its business partners. Once they breach the Company's principle of integrity, the Company will terminate all activities.	In compliance with the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies.
(II) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	✓		(II) The auditing department is responsible for the formulation and supervision of the corporate integrity management policy and the implementation of the plan, and reports to the Board of Directors on a regular basis.	In compliance with the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies.
(III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(III) The company has formulated the Principles for Ethical Management, the Code of Ethical Conduct, and the Code of Conduct for Directors and Managers to clearly define the principles of integrity and avoid conflicts of interest, strengthen the promotion of moral concepts, and encourage the employees to report any violations of laws and regulations or ethical standards to the independent directors, managers and chief internal auditor in writing.	In compliance with the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies.
(IV) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		(IV) To ensure the implementation of ethical corporate management, the company has established an effective accounting system and internal control. The CPA and internal auditors conduct audits on a regular basis.	In compliance with the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies.
(V) Does the company regularly hold internal and external educational	✓		(V) The company has incorporated integrity in the corporate culture by reinforcing the concept during various meetings.	In compliance with the Ethical Corporate

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
trainings on operational integrity?				Management Best-Practice Principles for TWSE/TPEx Listed Companies.
III. Operation of the whistleblowing channel (I) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		(I) The company has set up a stakeholder service and contact person's mailbox in the stakeholder section of the company website. Suppliers and employees can report any inappropriate behavior through this channel. The guidelines for the conduct and reward/punishment are clearly defined in the Personnel Management Regulations and Code of Ethics. All violations are announced to serve as reminders.	In compliance with the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies.
(II) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		(II) The company has appointed dedicate unit for handling such matters. Information regarding both the whistleblower and the offender is kept confidential.	In compliance with the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies.
(III) Does the company provide proper whistleblower protection?	✓		(III) The company keeps information regarding the whistleblower or offender strictly confidential in order to provide proper whistleblower protection.	In compliance with the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies.
IV. Enhancing Information Disclosure (I) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		(I) The company's "Ethical Corporate Management Best Practice Principles" have been disclosed on the MOPS and the corporate governance section of the corporate website (http://www.sinmag.com.tw/msg/message-公司治理-12.html).	In compliance with the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies.
V. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation: None.				

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td colspan="5">VI. Other important information to facilitate a better understanding of the company’s ethical corporate management policies: None. (e.g., review and amend its Ethical Corporate Management Best-Practice Principles)</td></tr>
</table>

(VII) If the company has established corporate governance best practice principles and relevant regulations, the means for inquiry shall be disclosed:

The company's relevant regulations are published in the corporate governance section on the corporate website for inquiries by the public and the shareholders: (http://www.sinmag.com.tw/msg/message-公司治理-12.html).

(VIII) Other material information that can enhance the understanding of the implementation of corporate governance:

1. The company was ranked in the top 6% to top 20% in the 5th Corporate Governance Evaluation in 2019 among listed companies at over-the-counter market.

(IX) Implementation of Internal Control

1. Management's Report on Internal Control

Sinmag Equipment Corporation

Statement on the Internal Control System

Date: March 14th, 2019

The self-evaluation results of company's internal control system for 2018 is announced as follows:

I. The company acknowledges that the establishment, implementation and maintenance of the internal control system are the responsibilities of the Board of Directors and the managers of the company. The company has established such system. The objectives of ICS include achieving various objectives in business benefits and efficiency (including profitability, performance, and assurance of assets safety); ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting; and providing reasonable assurance.

II. The internal control system has inherent limitations. No matter how perfect the design, an effective internal control system can only offer reasonable assurance on the achievement of the above three goals. The effectiveness is subject to changes due to the environment and circumstances. However, the company's internal control system contains self-monitoring mechanisms. When flaws are identified, the company will immediately adopt correcting measures.

III. The company has made judgments on the effectiveness of internal control system according to the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations") to determine the effectiveness of the design and implementation of the internal control system. The criteria adopted by the Regulations are divided into 5 components in accordance with the management procedures: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communications; and (5) Monitoring Activities. Each constituent element includes a number of categories. Please refer to the Regulations for the aforementioned items.

IV. This company has already adopted the aforementioned ICS assessment items to evaluate the effectiveness of ICS design and implementation.

V. Based on the assessment results, the company decides the internal control system (including the supervision and management of the subsidiaries) is effective as of December 31st, 2018, including understanding of the effectiveness of the operations and the achievement of the efficiency objectives, the reliability, timeliness, transparency and compliance with regulations relevant to the internal control system in terms of reporting, and that the system can reasonably assure the achievement of the aforementioned objectives.

VI. This report will be included the main content of the company's annual report and prospectus, and shall be made public. Shall falsehood, concealment, or other illegality exist in the content above, legal liability will incur under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.

VII. We hereby declare that this Statement has been approved by the Board of Directors on March 14th, 2019. Amongst the 9 Directors present in the meeting, none held dissenting opinions, and all agreed with the contents of this Statement.

Sinmag Equipment Corporation

Chairman: Shun-Ho Hsieh

President: Guo-Horng Lue

2. The CPA's review report shall be disclosed if any CPA is commissioned to review the ICS: None.

(X) From the most recent fiscal year up to the publication of the Annual Report, describe the circumstances in which the company and its personnel have been punished by law, the disincentives measures put in place for breaching the internal control system, and any material deficiencies and revisions: None.

(XI) Major resolutions of the Shareholders' Meeting and the Board of Directors in the most recent fiscal year up to the date of publication of this Annual Report:

1. Major Resolutions of the Board of Directors

Date	Major Resolutions
2018.03.16	1. Approved the company's 2017 Business Report, Financial Statements and Consolidated Financial Statements and CPA Audit Report 2. Approved the company's 2017 earnings distribution. 3. Approved the issuance of new shares with surplus for capital increase. 4. Approved the distribution of employee and director bonuses for 2017 5. Approved the plan for the distribution of surplus of each third-tier subsidiary. 6. Approved the renewal of credit lines from Changhua Bank and E.SUN Bank. 7. Approved the review of the effectiveness of the design and implementation of the company's internal control system for 2017. 8. Approved the 2017 Statement on Internal Control System. 9. Approved the proposal for convening the 2018 Annual Shareholders' Meeting.
2018.05.03	1. Approved the amendment to the company's "Articles of Incorporation" and the change of the headquarters location. 2. Approved the credit line amount adjustment from Changhua Bank. 3. Approved the convening of the 2018 Annual Shareholders' Meeting.
2018.05.14	1. Approved the consolidated financial statements and CPA's review report for Q1 2018. 2. Approved the remuneration of directors and distribution of bonuses for employees and managers for 2017.
2018.06.13	1. Approved the distribution of cash dividend. 2. Approved the "Procedures for Remuneration of the Company's Directors and Functional Committees." 3. Approved the salary adjustment for managers in 2018.
2018.06.28	1. Approved matters related to the issuance of new shares by the company's surplus transfer to capital increase. 2. Approved the new plant construction of the company's third-tier subsidiary, Sinmag Equipment (China) Co., Ltd.
2018.08.06	1. Approved the consolidated financial statements for the second quarter of 2018 and the CPA's review report. 2. Approved the capital increase by retained earnings for the company's third-tier subsidiary, Sinmag Equipment (China) Co., Ltd. 3. Approved the transportation allowance adjustment of the company's managers.
2018.11.09	1. Approved the consolidated financial statements for the third quarter of 2018 and the CPA's review report. 2. Approved the CPA engagement to issue English financial statements. 3. Approved the purchase of shares from the employees of LBC Bakery Equipment, Inc., the company's third-tier subsidiary.

Date	Major Resolutions
2018.12.14	1. Approved the company's 2019 business plan and budget plan. 2. Approve the CPA replacement. 3. Approved the company's audit plan for 2019. 4. Approved the annual bonus distribution for managers for 2018. 5. Approved the 2019 donation budget.
2019.03.14	1. Approved the company's 2018 business report, financial statements, consolidated financial statements and CPA audit report. 2. Approved the distribution of earnings for 2018. 3. Approved the distribution of employee and director bonuses for 2018. 4. Approved the acceptance of shareholders' proposal at annual shareholders' meeting for shareholders with more than 1% of shareholding in 2019. 5. Approved the acceptance shareholders with more than 1% of the total number of issued shares to nominate candidates for directors (including independent directors) election. 6. Approved the re-election of Directors and Independent Directors 7. Approved the nomination of Directors and Independent Directors. 8. Approved the release of the new Directors and their representatives from the non-compete clause. 9. Approved the assessment of independence and competence of CPAs and the appointment and compensation of the CPAs for 2019. 10. Approved the renewal of credit line from Changhua Bank and E.SUN Bank. 11. Approved the re-appointment of Directors and Supervisors to the company's invested companies. 12. Approved the capital increase by surplus of the company's third-tier subsidiary, Sinmag Equipment (China) Co., Ltd. 13. Approved the review of the design and implementation of the effectiveness of the company's internal control system for 2018. 14. Approved the 2018 Statement on Internal Control System. 15. Approve the amendment to the company's "Articles of Incorporation." 16. Approved the amendment to the company’s “Operational Procedures for Acquisition or Disposal of Assets." 17. Approved the amendment of the company's "Corporate Governance Best-Practice Principles." 18. Approved the amendment to the company's "Regulations Governing the Evaluation of the Performance of the Board of Directors." 19. Approved the "Operating Procedures for Addressing Directors' Requests." 20. Approved the amendment to the company’s “Operating Procedures for Loaning Funds to Others." 21. Approved the amendment to the "Operational Procedures for Making Endorsements/Guarantees." 22. Approved the convening of the company's annual shareholders' meeting in 2019.
2019.05.02	1. Approved the consolidated financial statements for the first quarter of 2019 and the CPA's review report. 2. Approved the remuneration of individual directors and distribution of bonuses for employees and managers for 2018. 3. Approved the credit line amount adjustment from Changhua Bank.

2. Major resolutions and implementation status of the company's shareholders' meeting on June 13th, 2018
    (1) Major Resolutions
        1. Approved the company's 2017 business report and financial statements.
        2. Approved the company's 2017 earnings distribution.
        3. Approved the issuance of new shares with surplus for capital increase.
        4. Approved the amendment to the company's "Articles of Incorporation" and the change of the headquarters location.
    (2) Status of Implementation
        1. The company's earnings distribution proposal for 2017 was passed by the Shareholders' Meeting. The Board of Directors convened a meeting on June 13th, 2018 to set the record date. The cash dividend for shareholders of NT$388,253,072 was distributed on July 27th, 2018.
        2. The company's earnings distribution for 2017 was approved by the Shareholders' Meeting. The Board of Directors convened a meeting on June 28th, 2018 to set the record date. Shareholders' stock dividends of NT$16,986,080 were transferred to the allotment of 1,698,608 shares of common stock, which was declared effective on June 22nd, 2018 by the Financial Supervisory Commission, and was accepted by the Ministry of Economic Affairs on August 6th, 2018 with the official letter of approval number 10701094900 to be converted to non-physical securities, distributed through transfer on August 24th, 2018.
        3. The amendment to the Articles of Incorporation was approved by the New Taipei City Government with official letter number 1078039426 on June 25th, 2018.

3. Major resolutions and implementation status of the shareholders' meeting on June 19th, 2017
    (1) Major Resolutions
        1. Adopted the company's 2016 business report and financial statements.
        2. Adopted the company's 2016 earnings distribution.
        3. Approve the amendment to the company's "Articles of Incorporation."
        4. Approved the amendment to the company's "Operational Procedures for Acquisition or Disposal of Assets."
        5. Approved the amendment to the "Rules for Election of Directors".
        6. Approved the amendment to the "Rules of Procedure for Shareholders' Meetings".
    (2) Status of Implementation
        1. The company's earnings distribution proposal for 2016 was passed by the Shareholders' Meeting. The Board of Directors convened a meeting on June 19th, 2017 to set the record date. The cash dividend for shareholders of NT$412,518,889 was distributed on August 28th, 2017.
        2. The amendment to the Articles of Incorporation was approved by the Taipei City Government on June 27th, 2017 with the official letter

number 10655653200.

3. The company has announced and reported the "Operational Procedures for Acquisition or Disposal of Assets", "Procedures for the Election of Directors" and "Rules of Procedure for Shareholders' Meetings" on the Market Observation Post System (MOPS).

(XII) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None.

(XIII) Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D: None.

(XIV) Licenses issued by the competent authority received by personnel relevant to financial information transparency: one person obtained the CIA license in the auditing department, and one person obtained the CPA license of the Republic China from the Ministry of Economic Affairs.

IV. Information Regarding the Company’s Audit Fee

Accounting Firm	Name of CPA		Period Covered by CPA’s Audit	Remark
Deloitte & Touche	Chiang- Hsun Chen	Chao-Mei Chen	2018.1.1~2018.12.31	

Unit: NT$ thousands

Fee Range \ Professional Fees		Audit Fees	Non-Audit Fee	Total
1	Under NT$2,000,000		✓	
2	NT$2,000,000 (inclusive) - NT$4,000,000			
3	NT$4,000,000 (inclusive) - NT$6,000,000	✓		✓
4	NT$6,000,000 (inclusive) - NT$8,000,000			
5	NT$8,000,000 (inclusive) - NT$10,000,000			
6	Over NT$ 10,000,000			

(I) If the non-audit fees paid to CPAs, accounting firm and its affiliated companies exceed a quarter of the audit fees paid to the CPA, the amount of audit and non-audit fees and the content of non-audit services shall be disclosed:

The company's non-audit fees accounted for 17.07% of the audit fees in 2018. The fee items are as follows:

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit Fees	Non-Audit Fee					Period Covered by CPA’s Audit	Remark
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Chiang-Hsun Chen	4,160	0	0	0	710	710	2018.01.01 ~ 2018.12.31	Other non-audit fees include the transfer pricing report of NT$150 thousand, tax consulting services of NT$30 thousand, review of surplus transfer to capital increase of NT$60 thousand, and the traveling expenses for subsidiary audits abroad and typing and printing fees of NT$470 thousand.
	Chao-Mei Chen								

Note: The company's audit fees for 2018 were NT$4,160 thousand including the issuance of the English financial statements of NT$600 thousand.

(II) Where the CPA firm was replaced, and the audit fees in the fiscal year, when the replacement was made, were less than that in the previous fiscal year before replacement, the amount of audit fees paid before/after replacement and reasons for paying this amount shall be disclosed: None.

(III) Where accounting fee paid for the year was more than 15% less than that of the previous year, the sum, proportion, and cause of the reduction shall be disclosed: None.

V. Information on replacement of CPA within the last 2 fiscal years or any subsequent interim period

1. Regarding the former CPA

Replacement Date	December 21st, 2017	December 14th, 2018
Replacement reasons and explanations	The company appointed CPAs from Deloitte & Touche. The accounting firm's internal rotation mechanism assigned CPAs Keng-Hsi Chang and Chiang-Hsun Chen in place of CPAs Keng-Hsi Chang and Cheng-Chuan Yu for the audits of the company's financial statements from the 4th quarter of 2017.	The company appointed CPAs from Deloitte & Touche. The accounting firm's internal rotation mechanism assigned CPAs Chiang-Hsun Chen and Chao-Mei Chen in place of CPAs Keng-Hsi Chang and Chiang-Hsun Chen for the audits of the company's financial statements from the 4th quarter of 2018.
Describe whether the company terminated or the CPA did not accept the appointment	Not applicable	Not applicable
Other issues (except for unqualified issues) in the audit reports within the last two years	None	None
Differences with the company	None	None
Other Revealed Matters (Items that shall be disclosed in accordance with subparagraphs 1-4-1 to 1-4-7 of Article 10-6)	None	None

2. Regarding the successor CPA

Name of accounting firm	Deloitte & Touche	Deloitte & Touche
Name of CPA	Keng-Hsi Chang and Chiang-Hsun Chen	Chiang-Hsun Chen and Chao-Mei Chen
Date of Appointment	Approved by the Board of Directors on December 21st, 2017.	Approved by the Board of Directors on December 14th, 2018.
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None	None
Succeeding CPA’s written opinion of disagreement toward the former CPA	None	None

3. The former CPAs' reply to subparagraphs 1 and 2-3 of Article 10-6 of the Guidelines: Not applicable.

VI. Where the company's Chairman, President, or any managerial officer in charge of finance or accounting who has held positions in the accounting firm or its affiliated company within the past year, the name, position and period shall be disclosed: None.

VII. Any transfer of equity interests and/or pledge of or change in equity interests during the most recent fiscal year or up to the date of publication of the annual report by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent

(I) Change in the equities of the Directors, Supervisors, Managers and major shareholders

April 16th, 2019; Unit: Shares

Title	Name	2018		For the current year up to April 16th, 2019	
		Shareholding Increase (Decrease)	Pledged Holding Increase (Decrease)	Shareholding Increase (Decrease)	Addition (reduction) of shares pledged
Chairman	Shun-Ho Hsieh	74,777	0	0	0
Director and President	Guo-Horng Lue	73,597	0	0	0
Director	Yao-Tsung Wu	60,484	0	0	0
Director	Jui-Jung Chang	12,883	0	0	0
Director	Sherman Chuang	0	0	0	0
Director and Vice President of the Management Department and Vice President of the Overseas Business Department	Ming-Ching Hsieh	47,308	(250,000)	0	0
Independent Director	Shih-Hung Chan	0	0	0	0
Independent Director	Chia-Chun Sun	0	0	0	0
Independent Director	San-Chien Tu	0	0	0	0
CFO	Yu-Tung Huang	553	0	0	0
Vice President	Chih-Hsien Chen	0	0	0	0
Manager, Technical Department	Shiu-Tu Chen	0	0	0	0
Manager, Manufacturing Department	Tsai-Wang Huang	0	0	0	0
Manager, Engineering Department	Tai-Sheng Wang	0	0	0	0
Manager, Foreign Trade Department	Yen-Ju Yeh	0	0	0	0
Vice President, Overseas Business Department	Yung-Chen Chen	0	0	0	0
Manager, Overseas Business Department	Tzu-Chien Chang	53	0	0	0

(II) Equity Transfer: Not applicable as the transferees and directors, managers and major shareholders with more than 10% of shareholding are not related parties.

(III) Pledged Holding: Not applicable as the transferees of pledged holding and directors, managers and major shareholders with more than 10% of shareholding are not related parties.

VIII. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another

April 16th, 2019; Unit: Shares

Name	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees in Accordance with Financial Accounting Standards No. 6.		Remark
	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Title (or Name)	Relation	
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depositary APG Emerging Markets Equity Pool	4,991,115	9.94%	0	0%	0	0%	None	None	Note
Sheng Chia Investment Co., Ltd.	3,009,545	5.99%	0	0%	0	0%	Shun-Ho Hsieh	Director	None
Representative of Sheng Chia Investment Co., Ltd.: Ming-Hsiao Hsieh	693,869	1.38%	90,645	0.18%	0	0	Shun-Ho Hsieh	Father-Son	None
Somerset Emerging Markets Small Cap Fund LLC	2,523,884	5.02%	0	0%	0	0%	None	None	Note
Shun-Ho Hsieh	2,211,267	4.40%	398,564	0.79%	0	0%	Sheng Chia Investment Co., Ltd.	Invested companies	None
Guo-Horng Lue	2,176,379	4.33%	456,435	0.91%	0	0%	Hong Ji Investment Co., Ltd.	Invested companies	None
Mawer Global Small Cap Fund	2,140,840	4.26%	0	0%	0	0%	None	None	Note
Yao-Tsung Wu	1,788,616	3.56%	1,459,555	2.91%	0	0%	Pi-Yu Jen	Spouse	None
Hong Ji Investment Co., Ltd.	1,504,331	2.99%	0	0%	0	0%	Guo-Horng Lue	Director	None
Representative of Hong Ji Investment Co., Ltd.: I-Yi Lu	760	0.00%	0	0%	0	0%	Guo-Horng Lue	Father-Daughter	None
Pi-Yu Jen	1,459,555	2.91%	1,788,616	3.56%	0	0%	Yao-Tsung Wu	Spouse	None
Virtus KAR International Small-Cap Fund	1,454,020	2.89%	0	0%	0	0%	None	None	Note

Note: Foreign institutional investor's account with no means of finding out the representative. Representatives of Institutional Shareholders and their Major Shareholders.

Name of Institutional Shareholder:	Representative:	Major Shareholders of the Institutional Shareholders
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depositary APG Emerging Markets Equity Pool	Note	Note
Sheng Chia Investment Co., Ltd.	Ming-Hsiao Hsieh	Ming-Hsiao Hsieh, Shun-Ho Hsieh, Li-Min Hsieh Chen, Ming-Ching Hsieh, Ming-Feng Hsieh
Somerset Emerging Markets Small Cap Fund LLC	Note	Note
Mawer Global Small Cap Fund	Note	Note
Hong Ji Investment Co., Ltd.	I-Yi Lu	I-Yi Lu, Guo-Horng Lue, Kuan-Chun Lue, Shwu-Huey Wang, and Yueh-O Lue Hsieh
Virtus KAR International Small-Cap Fund	Note	Note

Note: Foreign investor's account with no means of finding out the institutional representative and major shareholders.

IX. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the company.

May 15th, 2019; Unit: Shares; %

Invested companies	Investments of the company		Investments of Directors, Managers and directly or indirectly controlled businesses		Total Ownership	
	Number of Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio
Lucky Union Limited	15,000,000	100%	0	0%	15,000,000	100%
Sinmag Limited	15,000,000	100%	0	0%	15,000,000	100%
Sinmag Equipment (China) Co., Ltd.	0	100%	0	0%	0	100%
Wuxi New Order Control Co., Ltd.	0	50%	0	0%	0	50%
Sinmag Bakery Equipment Sdn. Bhd.	300,000	100%	0	0%	300,000	100%
LBC Bakery Equipment Inc.	882,000	82.82%	0	0%	882,000	82.82%
Sinmag Bakery Machine India Private Limited.	8,926,601	100%	0	0%	8,926,601	100%
Sinmag Equipment (Thailand) Co., Ltd.	3,800,000	100%	0	0%	3,800,000	100%

Chapter 4 Funding

I. Capital & Shares

(I) Source of Capital

May 15th, 2019; Unit: NT$ thousands, thousand shares

Month/Year	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT$ thousands)	Shares	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Others
September 1983	NT$ 10	900	9,000	400	4,000	Cash Investment	None	Note 1
November 1985	NT$ 10	1,000	10,000	1,000	10,000	600,000 shares offset by creditor's rights	Creditor's rights	Note 2
November 1991	NT$ 10	1,800	18,000	1,800	18,000	800,000 shares offset by creditor's rights	Creditor's rights	Note 3
September 1995	NT$ 10	2,300	23,000	2,300	23,000	Capital increase by 500,000 shares of common stock	None	Note 4
June 1997	NT$ 10	4,000	40,000	4,000	40,000	800,000 shares from capital increase by cash, 350,000 shares from capital increase by capital surplus, 550,000 shares of capital increase by surplus	None	Note 5
December 2003	NT$ 10	42,000	420,000	21,000	210,000	17,000,000 shares by cash capital increase	None	Note 6
January 2006	NT$ 18	42,000	420,000	24,500	245,000	3,500,000 shares by cash capital increase	None	Note 7
September 2006	NT$ 10	42,000	420,000	27,110	271,100	2,450,000 shares from capital increase by surplus and 160,000 shares of employee stock dividends	None	Note 8
October 2007	NT$ 10	42,000	420,000	31,350	313,500	4,066,500 shares from capital increase by surplus and 173,500 shares of employee dividends	None	Note 9
January 2008	NT$ 10	42,000	420,000	35,170	351,700	3,820,000 shares from capital increase by cash	None	Note 10
August 2009	NT$ 10	42,000	420,000	36,928.5	369,285	1,758,500 shares of capital increase by capital surplus	None	Note 11
September 2010	NT$ 10	60,000	600,000	38,774.9	387,749	1,846,400 shares from capital increase by capital surplus	None	Note 12
August 2011	NT$ 10	60,000	600,000	40,713.7	407,137	1,938,700 shares from capital increase by surplus	None	Note 13
September 2012	NT$ 10	60,000	600,000	42,749.4	427,494	2,035,700 shares from capital increase by surplus	None	Note 14
August 2013	NT$ 10	60,000	600,000	44,886.8	448,868	2,137,400 shares from capital increase by surplus	None	Note 15
September 2014	NT$ 10	60,000	600,000	47,580.0	475,800	2,693,200 shares from capital increase by surplus	None	Note 16
September 2015	NT$ 10	60,000	600,000	48,531.6	485,316	951,600 shares from capital increase by surplus	None	Note 17
August 2018	NT$ 10	60,000	600,000	50,230.2	502,302	1,698,600 shares from capital increase by surplus	None	Note 18

Note 1: Official approval letter No. 103524 dated September 27th, 1983.

Note 2: Official approval letter No. 156037 dated November 5th, 1985.

Note 3: Official approval letter No. 147693 dated November 1st, 1991.

Note 4: Official approval letter No. 01008172 dated September 8th, 1995.

Note 5: Official approval letter No. 86305287 dated June 26th, 1997.

Note 6: Official approval letter No. 09226614900 dated December 9th, 2003.

Note 7: Official approval letter No. 0950003483 dated January 20th, 2006.

Note 8: Official approval letter No. 0950043302 dated September 22nd, 2006.

Note 9: Official approval letter No. 0960044477 dated October 24th, 2007.

Note 10: Official approval letter No. 0970001003 dated January 9th, 2008.

Note 11: Official approval letter No. 09887820510 dated August 24th, 2009.

Note 12: Official approval letter No. 09987446000 dated September 3rd, 2010.

Note 13: Official approval letter No. 10086455110 dated August 16th, 2011.

Note 14: Official approval letter No. 10187409100 dated September 5th, 2012.

Note 15: Official approval letter No. 10287073100 dated August 20th, 2013.

Note 16: Official approval letter No. 10387955910 dated September 17th, 2014.

Note 17: Official approval letter No. 10487987110 dated September 11th, 2015.

Note 18: Official approval letter No. 10701094900 dated August 6th, 2018.

May 15, 2019; Unit: Shares

Type of Stock	Authorized Capital			Remark
	Outstanding Shares	Unissued shares	Total	
Registered ordinary shares	50,230,242	9,769,758	60,000,000	Over-the-counter stock

(II) Status of Shareholders as of April 16th, 2019/ Unit: Shares, Persons

Status of Shareholders Number of Shareholders	Government agencies	Financial institutions	Other judicial persons	Domestic natural persons	Foreign institutions and natural persons	Total
Number of Participants	0	7	21	3,663	83	3,774
Shareholding	0	1,339,443	4,730,112	20,144,711	24,015,976	50,230,242
Shareholding Ratio	0.00%	2.67%	9.42%	40.10%	47.81%	100.00%

(III) Shareholding Distribution Status

1. Common shares: par value of NT$10 per share

April 16th, 2019; Unit: Shares, Person

Class of Shareholding	Number of Shareholders	Shareholding (Shares)	Shareholding Ratio (%)
1 -999	1,487	221,043	0.44%
1,000 - 5,000	1,867	3,130,731	6.23%
5,001 - 10,000	185	1,240,521	2.47%
10,001 - 15,000	62	754,529	1.50%
15,001 - 20,000	40	687,441	1.37%
20,001 - 30,000	42	1,036,143	2.06%
30,001 - 40,000	9	305,459	0.61%
40,001 - 50,000	10	442,599	0.88%
50,001 - 100,000	22	1,688,952	3.36%
100,001 - 200,000	15	2,118,075	4.22%
200,001 - 400,000	8	2,696,510	5.37%
400,001 - 600,000	6	2,908,629	5.79%
600,001 - 800,000	5	3,582,439	7.13%
800,001 - 1,000,000	4	3,683,137	7.34%
Over 1,000,001	12	25,734,034	51.23%
Total	3,774	50,230,242	100.00%

2. Preferred shares: The company has not issued any preferred shares.

(IV) List of Major Shareholders: Names, Number of Shares and Percentage of Shareholding of the top ten shareholders or shareholders whose shareholding percentage exceeds 5% of the total number of shares.

April 16th, 2019; Unit: Shares; %

Shares / Shareholder's Name	Shareholding	Percentage (%)
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depositary APG Emerging Markets Equity Pool	4,991,115	9.94%
Sheng Chia Investment Co., Ltd.	3,009,545	5.99%
Somerset Emerging Markets Small Cap Fund LLC	2,523,884	5.02%
Shun-Ho Hsieh	2,211,267	4.40%
Guo-Horng Lue	2,176,379	4.33%
Mawer Global Small Cap Fund	2,140,840	4.26%
Yao-Tsung Wu	1,788,616	3.56%
Hong Ji Investment Co., Ltd.	1,504,331	2.99%
Pi-Yu Jen	1,459,555	2.91%
Virtus Kar International Small-Cap Fund	1,454,020	2.89%

(V) Institutional shareholders that are top ten shareholders or shareholders whose shareholding percentage exceeds 5% of the total number of shares and their major shareholders:

April 16th, 2019

Name of Institutional Shareholder:	Major Shareholders of the Institutional Shareholders
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depositary APG Emerging Markets Equity Pool	Note
Sheng Chia Investment Co., Ltd.	Ming-Hsiao Hsieh, Shun-Ho Hsieh, Li-Min Hsieh Chen, Ming-Ching Hsieh, Ming-Feng Hsieh
Somerset Emerging Markets Small Cap Fund LLC	Note
Mawer Global Small Cap Fund	Note
Hong Ji Investment Co., Ltd.	I-Yi Lu, Guo-Horng Lue, Kuan-Chun Lue, Shwu-Huey Wang, and Yueh-O Lue Hsieh
Virtus Kar International Small-Cap Fund	Note

Note: Foreign investor account with no means of finding out its major shareholders.

(VI) Market Price, Net Worth, Earnings, and Dividends per Share in the Last 2 Years

Unit: NT$

Items		Year	2017	2018	Up to May 15th, 2019 (Note 2)
Market price per share	Highest Market Price		182	173	129.50
	Lowest Market Price		129	110	110
	Average Market Price		155.61	145.46	121.54
Net Worth per Share	Before Distribution		40.96	41.06	43.27
	After Distribution		31.85	34.56 Note 1	36.77 Note 1
Earnings per Share	Weighted Average Shares (thousand shares)	Diluted Earnings Per Share	48,531,634	50,230,242	50,230,242
		Adjusted Diluted Earnings Per Share	50,230,242	50,230,242 Note 1	50,230,242 Note 1
	Earnings per Share	Diluted Earnings Per Share	11.01	9.43	1.48
		Adjusted Diluted Earnings Per Share	10.63	9.43 Note 1	1.48 Note 1
Dividends per Share	Cash Dividends (NT$)		8	6.5 Note 1	-
	Stock Dividends	Dividends from Retained Earnings	35	0	-
		Dividends from Capital Surplus	0	0	-
	Accumulated Undistributed Dividends		0	0	-
Return on Investments Analysis	Price / Earnings Ratio		14.13	15.43	-
	Price / Dividend Ratio		19.45	22.38	-
	Cash Dividend Yield Rate		5.14%	4.47%	-

Note 1: Distribution of earnings for 2018 is not approved by the shareholders' meeting.

Note 2: Net worth per share and earnings per share present the data reviewed by CPAs for the first quarter of 2019. Other columns present the data from the year up to May 15th, 2019.

(VII) Dividend Policy and Implementation Status

1. Dividend Policy

   According to the dividend policy stipulated in the Articles of Incorporation, if earnings are available for distribution at the end of a fiscal year, 10% of net earnings – that is, after covering any loss from prior year(s) and paying all taxes and dues – shall be set aside as legal reserve. Exception is granted if the legal reserve has reached the company's paid-in capital. The remaining net earnings can be distributed along with accumulated unappropriated retained earnings. The Board of Directors will consider the above-mentioned factors when making the dividend distribution proposal. Dividends will be distributed in accordance with the resolution approved at the annual shareholders' meeting.

   The Company's dividend policy is based on the current and future development plans, the investment environment, capital needs and domestic and international competition, as well as shareholder interests, etc. No less than 20% of the annual available surplus is allocated as stock dividends. Dividends are distributed in cash or stock. The cash dividends shall account for no less than 20% of the total dividends.

2. Proposed Distribution of Dividend at the Most Recent Shareholders' Meeting

   The company's earnings distribution proposal for 2018 was proposed by the Board of Directors on March 14th, 2019. NT$326,496,573 was proposed as cash dividends at NT$6.5 per share, all distributed in cash. The proposal will be submitted for ratification on June 14th, 2019.

3. Anticipated changes in dividend policy: None.

(VIII) The impact of the proposed stock dividends on the company's operating performance and earnings per share:

This shareholder's meeting did not propose stock dividend distribution and the company did not need to announce the financial forecast in accordance with the regulations. Therefore, this is not applicable.

(IX) Remuneration of Employees, Directors and Supervisors

1. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation

   According to the Articles of Incorporation, if the company has a profit for the year, 2% to 10% of such profit shall be set aside as employee compensation. The board of directors may resolve whether to distribute it in cash or in stock. Employees of the subordinate companies that meet certain conditions shall be included in the distribution. The board of directors may resolve to set aside no more than 5% of the aforementioned profit as remuneration of the directors. Proposals for the distribution of employee compensation as well as Director compensation shall be submitted to the Shareholder's Meeting.

   However, if the company has accumulated losses, the amount shall be set aside before being distributed as employee and director remuneration.

2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

   The company shall estimate and accrue the employee and director bonuses based on the net profit before tax net of employee and director bonuses for the current year. If there is a change in the amounts after the annual consolidated financial statements are authorized for publication, the differences should be recorded as a change in the accounting estimate in the following year.

3. Distribution of Compensation Approved in the Board of Directors Meeting:

   (1) The amount of employee compensation and directors' and supervisors' remuneration distributed in cash or shares: The company's Board of Directors resolved the proposed distribution of NT$21,847,173 as employee compensation and NT$ 8,538,869 as remuneration of directors on March 14th, 2019. There was no difference between the approved amount and estimated amount recognized as expenses for the year.

   (2) Proportion of the employees' compensation distributed in stock in the total net profit after tax in the parent company only financial report for the period and the total amount of employees' compensation: The company did not distribute employee compensation in stock in 2018.

4. Distribution of Compensation of Employees, Directors and Supervisors in the Previous Year

   The company's Board of Directors resolved to distribute NT$23,779,891 for cash compensation for employees and NT$9,311,956 for Directors' remuneration in cash for 2017 on March 16th, 2018. The actual distribution amount and the accrued amount did not differ.

(X) Buyback of Treasury Stock: None.

II. Corporate Bonds: None.

III. Preferred Stocks: None.

IV. Overseas depository receipts: None.

V. Employee stock options: None.

VI. New Restricted Employee Shares: None.

VII. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

VIII. Application of Funds

For each uncompleted public issuance or private placement of securities, and for such issues and placements that were completed in the most recent three years but have not yet fully yielded the planned benefits, please explain the reasons and implementation status: None.

Chapter 5 Operational Highlights

I. Business Activities

1. Business scope

(1) Main areas of business operations

The company's areas of business operations include professional commercial baking equipment and food service equipment, including mixer, oven, sheeter, divider rounder, proofer, moulder, slicer, convection oven, rotisserie, etc., and the parts. The products are of good quality with a comprehensive portfolio. They meet the requirements of international health and quality indicators and have obtained ISO9000 certification. Many products have obtained the US ETL and European CE certification.

(2) Main business activities and percentage of operations (consolidated statement)

Unit: NT$ thousands

Main products	2018	% of total annual sales
Mixer	802,447	18.61%
Divider Rounder and Moulder	281,305	6.52%
Sheeter	166,608	3.86%
Proofer	552,815	12.82%
Oven	1,399,887	32.47%
Slicer	91,501	2.12%
Fryer	12,188	0.28%
Refrigerator	178,357	4.14%
Show Case	232,843	5.40%
Food Service Equipment	100,337	2.33%
Other Machine	106,027	2.46%
Other Parts (Note)	337,200	7.82%
Bakeware	50,500	1.17%
Total	4,312,015	100.00%

Note: including service revenue

(3) The company's current product and service items

The company's products are bakery equipment for commercial use for producing bread, cakes, mooncakes and pizza, etc. The customers include bakeries, wholesale plants, supermarkets, convenience stores, hotel and cafes that produce bread, cakes and mooncakes, wholesale plants, supermarkets, convenience stores, hotels and coffee shops.

Major Product Service Items:

A. Bakery Mixer Series:

To produce bread, ingredients including flour, salt, water, yeast and so on must be mixed into dough. The purpose of mixing allows flour to absorb enough water in a short period of time to achieve uniform hydration. The main processes include:

a. Fully mixing all ingredients to create an even mixture.

b. Allowing the dry ingredients including flour to achieve complete hydration and speed up the formation of gluten.

c. Expanding the gluten to make the dough flexible, stretchable and viscous.

B. Cake Mixer Series:

Cake mixer (commonly known as vertical mixer) has a fixed cylinder. The mixer rotates around the cylinder while mixing to make sure all ingredients are evenly mixed, beaten or kneaded into dough. It is also known as a planetary mixer. This machine can have three types of mixers for the following purposes:

a. Ball: Used to mix and beat cake batter of the cake. Whipping means forming a film with egg white, beating the air into the film, and wrapping the air with the film to form bubbles.

b. Fan: Used for mixing fillings and cookie dough.

c. Hook: Used for mixing bread dough.

C. Divider Rounder Series:

After proofing, the dough is divided by the weight of the bread to be made. Divided dough is almost always rounded. This procedure can densify the bubbles of different sizes that were created during proofing to make the surface of the dough smooth.

a. Dividing the dough by volume to make smaller doughs of the same weight.

b. The divided dough cannot be shaped immediately. Rounding the dough creates a thin layer on the outside to retain the newly generated gas and expand the dough.

c. Divider rounder or chunker divides weight by volume. The effect of rounding is determined by the experience of the operator.

D. Moulder Series:

Moulder decides the final shape of the bread. Dessert bread comes in many different shapes with many different fillings, so moulding is done by hand. The internal structure of toast is relatively uniform. In order to make the dough as uniform as possible, it is necessary to use a moulder for moulding.

E. Sheeter Series:

A sheeter is mainly used for the production of Danish pastry, puff pastry and puff snacks. The high amount of shortening and yeast in Danish pastries make it mandatory to use a sheeter. A sheeter repetitively press the fat that is wrapped by rough with a pair of upper and lower rollers. The roller pitch is reduced by a little every time, and the dough gradually becomes more stretched out.

F. Proofer Series

During the bread making process, the yeast starts proofing the dough from the time it is added during mixing. Proofing is usually divided into three phases, including the basic proofing after mixing, the intermediate proofing after dividing and rounding, and the final proofing after shaping.

The final proofing makes the dough produce more gas and become fluffy to reach the size of the finished goods and gives the bread better quality.

Proofer is used for the final proofing before the brad is baked. The proofer provides the proper temperature and humidity for the yeast to proof, multiply and create CO2 while providing the right humidity to protect the outer layer of the dough from forming a dry crust.

G. Oven Series:

Baking means putting proofed dough into the oven. As the temperature rises, the dough gradually expands, and the color gradually deepens with time. The bread is cooked through when the color becomes golden brown and the center of the dough reaches 100 ° C. The heat of the oven turns raw and inedible dough into food that is soft, fluffy, easy-to-digest and smells good. Great bread is made when the temperature of the oven, baking time and the color are just right.

Baking is what makes the bread volume increase so that the bread looks better, fluffier and becomes easy-to-digest. It is the key to successful baking. The capacity of heat-retaining, conduction and preservation of the oven are the decisive factors in proper volume increase. The heavier the oven, the better it retains and preserves heat.

The types of the oven are as follows:

a. According to the energy source, ovens are divided into electric, gas and diesel ones.

b. According to the form and capacity, the ovens are divided into layer oven, hot blast oven, trolley oven, cradle oven and tunnel oven.

H. Slicer Series:

The slicer is used for slicing toast. There is a type with fixed thickness that can slice the whole loaf in one go. There is a type with adjustable thickness that can cut slice by slice. In addition, there is an automated saw slicer for mass production.

(4) New products and services in development

1. Air Cylinder Pre-Divider: used to automatically divide large dough into small pieces and then enter the slicer funnel to adapt to the size of the slicer funnel. Instead of manually dividing the dough, this improves production efficiency and realizes production automation. It can be used in large central bread factories.

2. 180° Turning Bowl Turner: Used to pour the dough out from the cylinder. The flip angle can be up to 180 degrees. The height of the cylinder can be customized. It is designed for turning out very sticky dough so that this task does not have to be done manually. This improves production efficiency and can be used in large central factories for bread.

3. Double Arm Mixer: Mainly designed for European countries for dough with a high moisture content.

4. Movable Bowl Lifter: used to lift the cake batter and pour it into the filling

machine. The lifter uses battery as a power source with a DC motor for transmission. It is cable-free and easy to be moved around. This replaces manual labor to increase production efficiency.

5. Pile Filling Type Cookie Depositor: used to depose cookie dough with a pile filling shape. The funnel is fixed, and the conveyor belt moves up and down, which reduces movement and makes it more suitable for continuous production on the production line.
6. Second Generation Bowl Lifter: the internal structure of the traditional bowl lifter is welded and therefore difficult to adjust. The internal structure of the second-generation bowl lifter is connected with bolts. The gap between the roller and the channel steel can be adjusted after the roller is worn. The height of the lifter can also be easily adjusted with a range is up to ±200mm. The bowl lifter is used for the lifting and pouring out the dough. It can be used in large central bread factories.
7. Stainless Steel Spiral Mixer- With Moveable Bowl: The stainless steel mixer is beautiful in appearance and conforms to hygienic specifications. It can be used for dough of various moisture contents and is suitable for large central bread factories.
8. European Style Convection Oven: Used for baking bread, cake, cookies and so on, especially puff pastries.
9. Avantec Gas Pizza Conveyor Oven: This oven adopts hot air splitting and loop design with different air outlets, and uses the same passage for the return air outlet. Each chamber adopts a double-layer crawler belt design, so the baking time can be controlled separately to achieve different speeds. A single-layer crawler belt can also be set at different speeds. Customers can adopt different baking speeds depending on the products to increase production efficiency.
10. SMD-2PB、SMD-4P Divider: this divider adopts hot air splitting and loop design with different air outlets, and uses the same passage for the return air outlet. Each chamber adopts a double-layer crawler belt design, so the baking time can be controlled separately to achieve different speeds. A single-layer crawler belt can also be set at different speeds. Customers can adopt different baking speeds depending on the products to enhance production efficiency.
11. Toast Packing Machine: Used for smoothing the bag opening and automatically sealing the bags to increase production efficiency.
12. New Mixer: The appearance has been modified from the existing models. It adopts LCD touch panels, provides new features and adopts dual motors to increase mixing efficiency.
13. Five Pockets Continuous Divider: Allows adjusting the dough weight setting by pressing the button or inputting the set value instead of turning the hand wheel by hand.
14. Automatic Toast Loading Machine: The mechanism of pushing the plate is used to loading the toast in the bags instead of having to complete this task manually. The production is automated by combining automatic slicing and automatic loading.

2. Industry Overview

(1) Current state and development of the industry

With the rapid development of the economy, the national income has been continuously growing, and the pursuit of food has gone from eating enough to eating well. With the increasing international exchanges and the circulation of information contributed by the Internet, the temptation of fine food is spread more easily to all consumers. In this context, the food industry is booming, and the baking industry naturally benefits. In addition, due to the change in work style and the popularity of fitness and diet, bread started becoming a top pick for city dwellers while it used not to be a staple. With the rise of refined food culture, pastries have become immensely popular with the help of Internet. The booming cross-strait interactions have also led to the expanding market of local specialties, which has brought the baking industry to a significant peak in recent years.

Baking equipment has featured prominently in the development of the baking industry. Countries in Europe and America eat bread as the traditional staple food, so the baking equipment production industry has a longer history and is relatively better-developed. The product performance and quality are excellent, but the price is higher. As far as the bread machine market is concerned, Europe, the United States and Japan are mature markets. Replacement is the key. In Asia where rice is the staple, with the increase in income, the production level has increased, and the consumption of bread, cake and pastry has also gone up. Therefore, the demand for various bread machines is increasing. However, there is a significant gap in the technical level of the Chinese food machinery industry in comparison with international manufacturers. The lower production efficiency, higher energy consumption and lack of stability are all common problems. As a result, China continues to rely on imported machinery, and the competition among brands is keen.

A. Baking Industry in Taiwan

Bread was first spread from Europe to Japan. The concept of baking was spread to Taiwan during the Japanese rule. The Korean war broke out in 1950, which led to a large number of U.S. troops being stationed in Taiwan. As the troops had problems getting used to local food, baking training classes were formulated. The bread industry soon entered the mature phase. As bread was originally from the west, it was first known as "snacks from the west" in the beginning.

The baking industry in Taiwan is spread out with many bakeries that are small in size. The customers are usually local residents. In small-scale bakeries, the business model is focuses on selling what is produced in store with no franchise. This has the highest percentage of almost 77%. There are also about 11% of franchise bakeries and about 6% of chain bakeries. Small bakeries emphasize freshly-baked products.

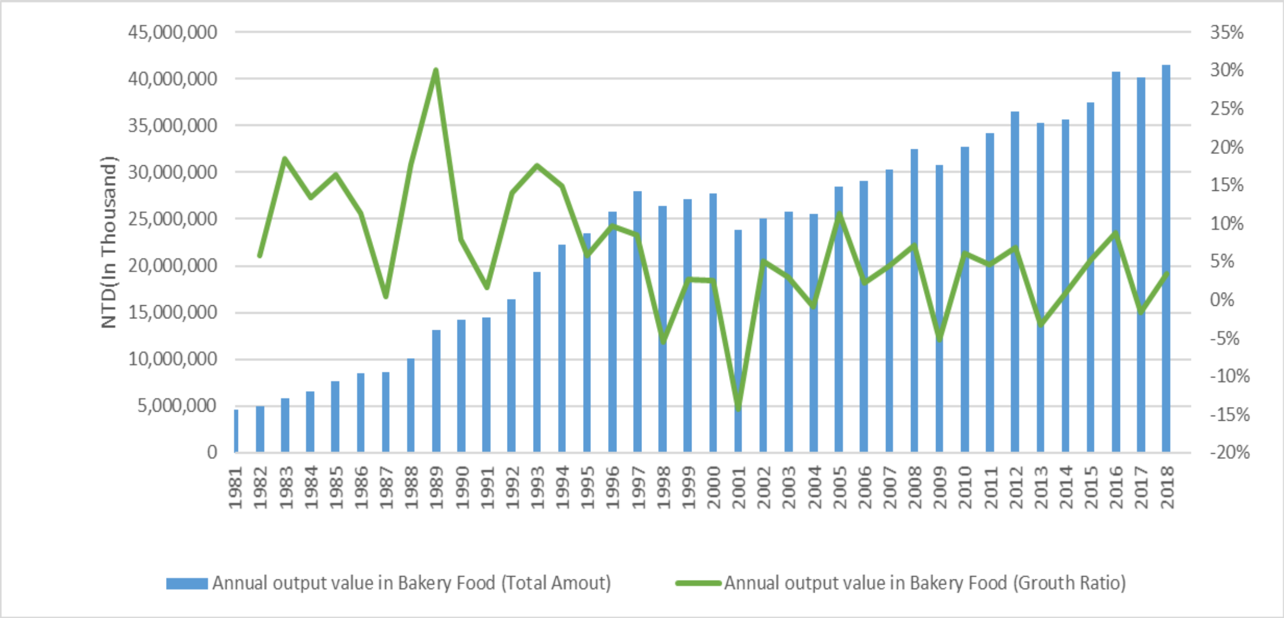
The development of food consumption is closely related to the overall economy. From 1967 to 1977, the economic focus of Taiwan has been transformed from agriculture to industry, laying the foundation of an industrial society. The GDP began growing, and the average income grew from US$700 to US$1,500. The priority of food consumption was having "enough food." The government sanctioned private businesses regarding commodities. Industries regarding commodities such as flour, feeds, fat and beverages entered the development stage. From 1978 to 1985, the Ten

Major Construction Projects drove economic growth. The average income increased from US$1,500 to US$3,000. The quality of life improved, and the demand for "eating well" boosted the needs for frozen and processed foods. Since 1993, the average income has exceeded US$8,000. People paid increasing attention to health, and "eating healthy" became the primary focus in terms of food consumption. The needs for health supplements continue to grow.

The food industry in Taiwan has entered into mature phase. The future trend continues to be tied to the added value, and branding is increasingly important. Since the first title of Master Baker in the bread category from the Bakery Masters competition was won by a Taiwanese baker, the local bakery industry became all the rage. Not only do people focus on food safety and health, bread has surpassed taste to go from food to star products or souvenir. This has changed the structure and the business model of the baking industry. In recent years, the baking industry focuses on cross-industry operation and innovative business model. The structure of supply and demand of the food industry has changed with the market and is gradually adjusting from traditional pastry shops to a diversified composite business model. Because of the similar product attributes, this has been accepted and by the consumers, which in turn drives the growth momentum of the overall baking industry.

As a result of the changes in diet and the development of Taiwan's economy, the annual output value of baked goods in Taiwan amounts to nearly NT$ 80 billion, including categories such as bread, souvenir, dessert, cake, coffee and traditional-styled cakes. The three major baked goods for the moment include pineapple cake, bread and dessert. This demonstrates the strong growth of Taiwan's bakery industry.

Output Value Chart of Baked Goods Production in Taiwan



Source: Bureau of Statistics, Ministry of Economic Affairs

B. Baking Industry in China

Although baking was developed in Europe, it has over two decades of history in China. The original baked goods come from family workshops featuring a single product, lack of variation in taste and low permeability. With the rapid development of China's economy, people's living standards improved, and the food culture gradually changed. Western food has been gradually integrated into daily life. People are increasingly used to Western baked goods such as bread and cake. In terms of corporate brand, China's baking industry has developed rapidly under the background of reform and cultural integration. Taiwan, Japan and South Korea's international baking companies have entered the Chinese market one after another, and the Chinese baking industry has entered a phase of rapid development. In terms of business model, from the initial family workshop to today's exquisite specialty stores and chain stores, big brands continue to expand from several stores to dozens or even hundreds of stores. The business model of combining stores with kitchens has also transformed into central factory production, multi-point distribution and large-scale delivery.

From the perspective of the regional distribution of the baking industry, the leading development and sales of baked goods are concentrated in East and Central China. In this area, the development of the products and business models is fiercely competitive and rapidly changing. Mature products gradually expand to the northwest and the northeast, as well as gradually penetrating from first- and second-tier cities to third- and fourth-tier cities.

At present, the business model of the Chinese baking industry includes the following categories:

(1) Food factory and wholesale plants

The central factories have been established in each city to produce food with automated production equipment. Sales are carried out in two modes: direct sales and distribution. The end customers include distributors, supermarkets, convenience stores, local stores and mom and pop stores. This business model has a high degree of automation and requires less manual labor. The continuous establishment of new factories, expansion of scale, taking up market share, or merger of small factories expand its size with a wider customer group.

(2) Chain stores

The baking industry is booming. Chain stores used to have the goods delivered, but now frozen dough is delivered to be baked fresh in the stores. The divided is frozen at a low temperature of minus 40 degrees, and then sent to each store in refrigerated trucks for proofing and baking. In recent years, composite stores have become popular by selling tea beverages and soft European bread to meet the needs of a variety of customers. A leisure area is sometimes where customers can linger for some time, which in turn drives the sale of soft European bread.

Emerging E-commerce channels also have a certain proportion of the market share. Bread is easy to pack and transport. With improved logistics, baked goods purchased online also guarantee freshness. The advantage of e-commerce reduces the investment of physical stores, including renovation, rent, utility etc. The savings can be invested in new product research and development, equipment renewal, logistics and so on. Not only is it popular with customers, it guarantees the sustainable development of e-commerce. The savings also go into better raw materials and better product quality, resulting in higher repurchase rates.

Two types of chain stores have an advantage in the future. One is the store that customers are willing to spend time in, the multi-functional stores that can't be experienced at home. They satisfy multiple needs and allow more customer interaction. The second type is a store that can save customers time with goods that can be delivered at home to fulfill basic needs with little effort.

(3) Supermarkets

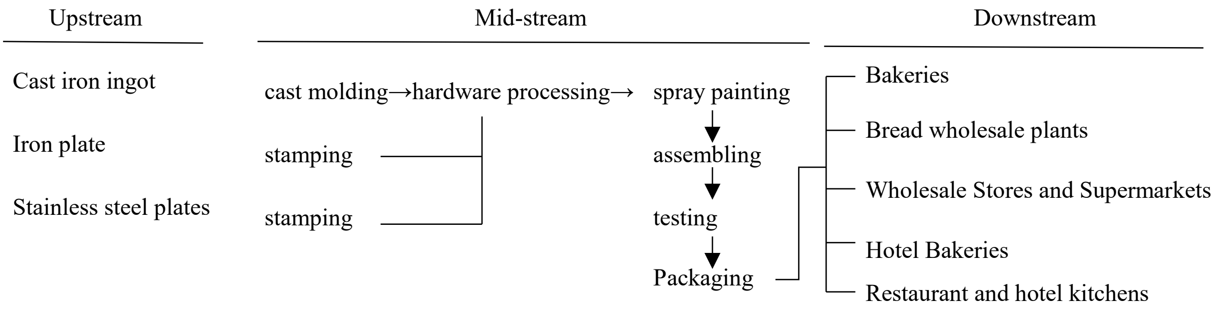
In recent years, the impact of the e-commerce and real estate depression have contributed to rapid changes in supermarket sales models. Walmart for example, has launched an online store. Rt-Mart on the other hand has been investing in Feiniu, an online shopping website. In 2016, supermarkets began to increase the investment in convenience stores. Carrefour has Carrefour Easy, and Rt-Mart has Feiniu Convenience Store. Since 2017, Chinese supermarkets have seen a new business model of combining supermarkets and catering. Fresh food is cooked and consumed in the store to strengthen customer experience a renovate consumption pattern, such as G-Super of Greenland Group, Freshhema from Alibaba, Super Species from Yonghui Superstores. The variety of freshly cooked food is highly popular with people in their 20's and 30's. The change has become the focus of the industry with catering sections launched one by one.

(4) Single stores

With the increasing consumption level, urban development, the popularity of e-commerce, various professional baking schools have started everywhere in China. This contributes to the development of the personal baking studios and drives the launch of new single stores in cities. Most private bakery operators initially entered the market because of interest. Later they gained a foothold in the market as well as becoming more and more professional. These bakeries are small but large in number, taking up a certain market share in China's baking industry.

(2) Correlation among upstream, midstream, and downstream of the industry

The company is a mid-stream manufacturer of food service equipment. Through professional design and processing, equipment is made from assembling stainless steel plates from the upstream suppliers to create professional baking equipment that caters to the needs of downstream customers.



(3) Product Development Trends

A. Freshness and fast access to baked goods are the trends of current consumption. The storage, delivery and the technology and equipment for rapidly baking frozen dough are also the key points for the R&D in the future.

B. In the baking industry today, many small bakery owners are not equipped with the professional knowledge and skills for baking. Instead, they procure frozen dough from chain central kitchens or wholesalers before baking and selling the products. Therefore, it is important to develop user-friendly and automated baking equipment. Automation eliminates human error as well as enhancing the product quality and production efficiency.

C. With the consumers' increasing demand for taste and nutrition in baked goods, many new models are being developed for special needs. New models also emphasize appearance and sanitation as new development trends.

D. Open kitchens are becoming increasingly popular, allowing consumers to see the sanitary and clean kitchens. As a result, food service equipment is gradually moving towards modern, aesthetic, sanitary and automated.

(4) Competition

The Chinese baking industry has been changing rapidly in the past 20 years. The rise of chain stores has been transformed from central distribution to stores that offer freshly-baked goods. In the short period of time, supermarkets experience rapid expansion as well as rapid recession, and then they are rapidly transformed into new forms. The fast-paced changes in baked goods and forms have opened up opportunities of new customers entering the market in cities across the country. In the rapidly growing market, a large number of competitors continue to enter the market. The company has stayed updated with market chances to retain the biggest share and continue to grow. This is the result of team effort by adapting and developing strategies accordingly.

In contrast to other competitors, the company has the competitive strength and customer service that others can't surpass. This is our core strength for survival and growth. The company has the largest equipment variety and production capacity in China, as well as the biggest investment in customized equipment and new equipment. Regardless of market conditions and changes in customer needs, the company always provides the equipment that best suit the customers' needs. We continue to add new equipment to our portfolio in order to fully meet the needs of our customers.

3. Technology and R&D Overview

(1) Technical level of business activities

The company's innovative research and development led to the creation of its own brand, "SINMAG", with products exported to Europe, the United States, Japan and other advanced countries. The quality is in line with European and American standards. Through the technical cooperation with internationally renowned manufacturers, the company has developed new technologies and new processes with formulating its own core technology as the goal and producing more competitive new products.

(2) R&D expenses invested in the most recent fiscal year up to the printing date of this annual report by the Group (consolidated statement)

Unit: NT$ thousands

Items	2018	For the current year up to March 31st, 2019
R&D expenses	163,455	30,252
Net sales	4,312,015	823,691
Ratio of R&D expenses to net sales (%)	3.79%	3.67%

(3) Successfully-developed technologies or products

The key technologies currently possessed by the company include the technology of mixing hooks, the technology to accurately measure the completion of dough, the application of hydraulic technology to divider rounder, and the ovens that save time as well as improving the product quality. The company has always attached great importance to research and development, and strives to maintain its competitive edge.

The company has completed the mass production phase for the following equipment:

1. Bakery Mixer Series.
2. Cake Mixer Series.
3. Divider Series.
4. Sheeter Series.
5. Proofer Series.
6. Oven Series.
7. Toast Producing Machine Series.
8. Burger Producing Machine Series.
9. Slicer Series.
10. Donut Producing Machine Series.

11. Pizza Producing Machine Series.
12. Air Cooling Refrigerator Series.
13. Show Case Series.
14. Freezer Producing Machine Series.
15. Freezing And Refrigerating Working Table Series.
16. Danish Automatic Oil Wrapping Machine Series.
17. Sheeting Make Up Line Series.
18. Combi Oven Series.

The R&D plan is as follows:

1. Air Cylinder Pre-Divider: used to automatically divide large dough into small pieces and then enter the slicer funnel to adapt to the size of the slicer funnel. Instead of manually dividing the dough, this improves production efficiency and realizes production automation. It can be used in large central bread factories.
2. 180° Turning Bowl Turner: Used to pour the dough out from the cylinder. The flip angle can be up to 180 degrees. The height of the cylinder can be customized. It is designed for turning out very sticky dough so that this task does not have to be done manually. This improves production efficiency and can be used in large central factories for bread.
3. Double Arm Mixer: Mainly designed for European countries for dough with a high moisture content.
4. Movable Bowl Lifter: used to lift the cake batter and pour it into the filling machine. The lifter uses battery as a power source with a DC motor for transmission. It is cable-free and easy to be moved around. This replaces manual labor to increase production efficiency.
5. Pile Filling Type Cookie Depositor: used to depose cookie dough with a pile filling shape. The funnel is fixed, and the conveyor belt moves up and down, which reduces movement and makes it more suitable for continuous production on the production line.
6. Second Generation Bowl Lifter: the internal structure of the traditional bowl lifter is welded and therefore difficult to adjust. The internal structure of the second-generation bowl lifter is connected with bolts. The gap between the roller and the channel steel can be adjusted after the roller is worn. The height of the lifter can also be easily adjusted with a range is up to ±200mm. The bowl lifter is used for the lifting and pouring out the dough. It can be used in large central bread factories.
7. Stainless Steel Spiral Mixer- With Moveable Bowl: The stainless steel mixer is beautiful in appearance and conforms to hygienic specifications. It can be used for dough of various moisture contents and is suitable for large central bread factories.
8. European Style Convection Oven: Used for baking bread, cake, cookies and so on, especially puff pastries.
9. Avantec Gas Pizza Conveyor Oven: This oven adopts hot air splitting and loop design with different air outlets, and uses the same passage for the return air outlet. Each chamber adopts a double-layer crawler belt design,

so the baking time can be controlled separately to achieve different speeds. A single-layer crawler belt can also be set at different speeds. Customers can adopt different baking speeds depending on the products to increase production efficiency.

10. SMD-2PB、SMD-4P Divider: this divider adopts hot air splitting and loop design with different air outlets, and uses the same passage for the return air outlet. Each chamber adopts a double-layer crawler belt design, so the baking time can be controlled separately to achieve different speeds. A single-layer crawler belt can also be set at different speeds. Customers can adopt different baking speeds depending on the products to enhance production efficiency.
11. Toast Packing Machine: Used for smoothing the bag opening and automatically sealing the bags to increase production efficiency.
12. New Mixer: The appearance has been modified from the existing models. It adopts LCD touch panels, provides new features and adopts dual motors to increase mixing efficiency.
13. Five Pockets Continuous Divider: Allows adjusting the dough weight setting by pressing the button or inputting the set value instead of turning the hand wheel by hand.
14. Automatic Toast Loading Machine: the mechanism of pushing the plate is used to loading the toast in the bags instead of having to complete this task manually. The production is automated by combining automatic slicing and automatic loading.

4. Long-term and short-term development

(1) Short-term development

A. Strengthen the existing market, source new customers, establish a comprehensive marketing management system and strengthen customer service.

B. Develop high-value machines of different specifications and requirements for different types of flour processed food.

C. Expand food service equipment, increase product and customer diversification as well as increasing market share.

D. Expand sales channels for export and establish sales locations in overseas markets to increase exports.

E. Enhance the sales volume of show cases in China.

F. Increase sales of baking equipment required for the big manufacturers of food with a long shelf life.

G. Provide quality customer service to ensure competitive advantages by differentiating from the competitors and to increase the company's value.

H. The development and sales of large-scale automated production lines.

(2) Long-term development

A. Develop international products in line with the needs of major overseas markets such as the United States and Europe, produce the global synergies of resource sharing and cost reduction in the production, design, technology and sales channels.

B. Build global marketing channels by continuing the market expansion and sales in India, Southeast Asia and Brazil.

C. Integrate corporate resources and create new products to fully exert the company's market channels and high-quality products, create added value and enhance profitability.

D. Strengthen R&D innovation, create differentiated services, improve customer satisfaction and increase the added product value.

II. Market and Sales Overview

1. Market analysis

(1) Sales of Main Products (Service) by Region

Unit: NT$ thousands

Year / Area		2017		2018	
		Consolidated Sales	Ratio	Consolidated Sales	Ratio
Domestic Sales		161,528	3.50%	124,582	2.89%
Export	America	768,444	16.65%	701,699	16.27%
	Asia	3,334,945	72.27%	3,156,206	73.20%
	Africa	130,899	2.84%	149,326	3.46%
	Europe	159,081	3.45%	123,612	2.87%
	Others	59,336	1.29%	56,590	1.31%
	Subtotal	4,452,705	96.50%	4,187,433	97.11%
Total		4,614,233	100.00%	4,312,015	100.00%

(2) Market share and future supply and demand of the market and its growth

A. Market share

The company's main products are baking equipment. With the extensive sales experience, strong professional background and diversified product categories, the sales area is located in more than 60 countries in the world. With SINMAG, the company's own brand, we have successfully entered the important baking channels at home and abroad. The company offers a comprehensive product portfolio and excellent after-sales service. In addition to factories in China and Taiwan, there are branch offices in Taipei, Taichung, Kaohsiung and over 40 offices China. In addition, the Company has set up sales locations in Malaysia, the United States and Thailand as well as continuing to expand our business. The company's market share is gradually increasing in the baking industries at home and abroad.

B. Future supply and demand of the market and its growth

In the growth process of the baking industry, the baking equipment industry is one of the closely related industries. Unlike other precision machinery industry, the entry barriers for baking machinery are not high. With the understanding of simple machinery principles, any company can start producing baking equipment. Therefore, there are many potential competitors in the domestic market. The company also faces strong pressure from well-known manufacturers abroad, which is inevitable for all baking equipment manufacturers. Aside from the competition, another important factor that affects the development of the baking equipment industry is whether the manufacturer is competitive enough to survive in the market.

In recent years, due to the continuous growth of the China's economy and the increasing wages, people's increasing spending has help increase the demand for baking equipment. With the increasingly fierce pressure from the Chinese food machinery technology and the industrial competition, food machinery now competes with quality instead of price. Whether an enterprise can win in the competition depends not only on the size and output of the company, but also on whether the company can produce the products that customers need. Due to the change of customers' concept and the increasingly mature purchasing pattern, customers no longer simply consider the price when purchasing food machinery. They also pay more attention to the maintenance cost throughout the product life cycle. In terms of current situation, the food machinery industry in China has entered into the structural adjustment stage with diversified specifications, high-end technology and structural complexity as the main features. Moreover, stringent quality control is needed. The demand for high-end equipment is the strongest, which drives the overall profit of China's baking equipment industry.

(3) Competitive Niches

A. Excellent quality and reputation

The company has always created high-quality customized products, which has won a great reputation among customers. We believe the most important intangible assets of the company are quality and reputation, as well as the guarantee for expanding the customer base and business.

B. Excellent R&D capabilities

The company attaches great importance to communications and cooperation with customers. In response to customers' requirements for product quality and functions, the company has gradually developed its R&D, production and marketing experience and strength. Through cooperation with domestic and foreign manufacturers and technology licensing, the company has acquired knowledge of relevant advanced technologies to develop innovative products and create a niche for peer competition.

C. Customized services

The company provides flexible customization to meet customer needs. The Group's position is in the design and manufacturing of international baking brands. Therefore, it is necessary to meet the needs of the international market in terms of product design, manufacturing and quality. The Group is committed to meeting the needs and expectations of its customers by providing customized products and services as its core business philosophy.

D. Promoting globalization, strengthening marketing channels

The company actively establishes overseas marketing bases to build a global sales network. Through investment, in addition to the branch offices in Taipei, Taichung and Kaohsiung as well as the 40 offices in China, the company has set up marketing bases in Malaysia, Thailand and the United States. Personnel with local market savoir-faire are engaged in business development to quickly collect market information, grasp sales opportunities and actively expand the export business. The company has a certain reputation in the baking industry, and its market share has increased year by year. The international marketing layout is beneficial to the expansion of the overseas markets.

(4) Favorable and Unfavorable Factors of Development Prospect and Strategies

A. Favorable factors

(A) National Industry Policy Support

The development of the baking industry facilitates the modernization of agriculture and the development of the agricultural structure, promoting food to become healthier and more convenient to get it. China has launched a series of policies and development plans to promote the development of the baking industry. The "Outline of the 12th 5-Year Plan for the Food Industry" clearly states that it is necessary to accelerate the development of new food products for convenience, nutrition and quality in order to satisfy the market segmentation needs with a variety of flavors and more nutrition.

In order to promote the healthy development of the food industry, improve food quality and safety, as well as promoting the structural adjustment and optimization of the food industry, bakeries with insufficient production conditions are eliminated. Since September 2006, China's General Administration of Quality Supervision, Inspection and Quarantine has implemented market entry management for producing pastries and mooncakes. No pastry is allowed to be produced without certificates, which means standardized management is being implemented in the Chinese baking industry.

(B) Improved living standards and upgraded consumption structure

Since the vigorous promotion of reform, the Chinese economy has developed rapidly during the periods of "Ninth Five-Year Plan", "Tenth Five-Year Plan" and "Eleventh Five-Year Plan". According to the statistics of the National Bureau of Statistics of China, the gross domestic product of China in 2016 was RMB 74,412.7 billion, and the per capita disposable income is RMB 23,821. China's "Thirteenth Five-Year Plan" plans to double the gross domestic product and per capita disposable income of China by 2020 compared with that of 2010. The gross domestic product between 2016 and 2020 will continue to grow at 6.5% annually. It is expected that the increase in China's overall per capita disposable income will drive up consumption levels.

(C) Large Room for Growth in the Baking Industry

The Chinese baking market is still in the start-up stage. Baked goods have not been able to play the role in the national economy or create a significant impact on the modernization of the diet. The Chinese people's consumption volume of baked goods is not only lower than that of the advanced western countries, but is also lower than the neighboring Asian countries, including Japan and Taiwan. However, with the economic growth and changes in the eating habits, the consumption volume of baked goods in China has shown a year-on-year growth trend. According to ZhiYan.org's "2018-2024 China Baking Industry Market Competition Status and Investment Strategy Research Report", the sales volume of the Chinese baking industry in 2016 reached RMB 164.8 billion, of which the sales of bread increased from RMB 13.1 billion in 2009 to RMB 28.6 billion in 2016, with a 11.8% of compound annual growth rate. It is estimated that it will maintain a growth rate of nearly 10% in the next five years. The growth of the Chinese baking market will drive the continuous expansion of the baking equipment market.

B. Unfavorable factors

(A) Raw metal material price fluctuations

The raw materials required for the company's products are mainly steel. The price cannot be effectively predicted as it is affected by the trend of international raw material prices. Therefore, steel price fluctuations have a certain degree of impact on the cost of baking equipment.

Countermeasures: The company maintains long-term cooperation with upstream suppliers and strictly manages the price of raw materials. In addition to paying attention to the international raw material prices, inventory management is strengthened to reduce the risk of the decline in raw material prices. Moreover, the company continuously improves and optimizes product processes to effectively save materials and reduce production costs.

(B) Increase in salary cost increase and labor shortage

The “Labor Contract Law” was implemented in China since 2008, which clearly defines labor rights such as paid leave, overtime pay, severance pay and social insurance reserves. This caused China's labor costs to rise sharply and the company's management costs to increase substantially.

Countermeasures: To reduce the impact of labor wages on the operating costs, the company has continuously evaluated the introduction of automated machinery and equipment to increase the proportion of automated production in response to the continuous rising labor costs and recruitment difficulties.

(C) Price Competition from Peers

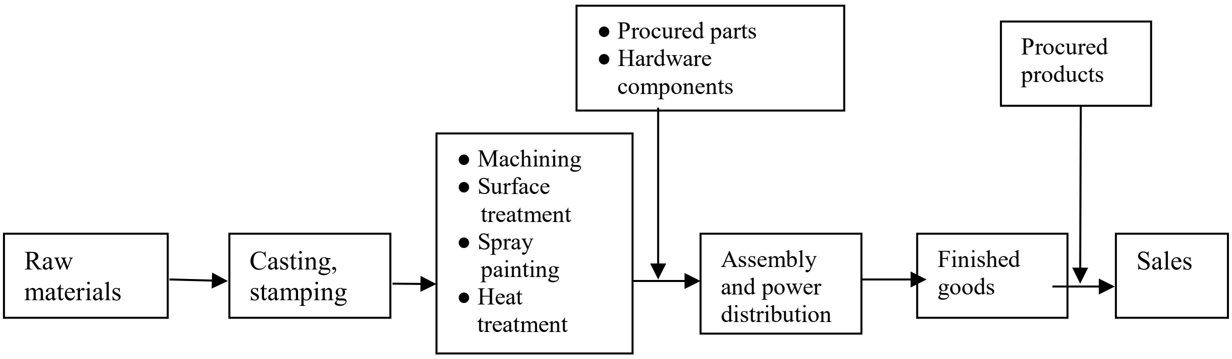
In recent years, China's food processing machinery manufacturing industry has flourished with the economic takeoff. Many manufacturers have invested in the production of baking equipment, and their cost advantage has taken up market share with low prices, resulting in increasingly fierce price competition.

Countermeasures: Although Chinese peers have a cost advantage, due to the immature manufacturing technology, the quality is still unstable, and market acceptance is still limited. The company will continue to invest in the research and development of baking equipment technology and introduce automated production equipment to save manpower costs, improve production efficiency and product quality.

2. Major Applications and Production Process of Main Products

(1) Major applications: The company's baking equipment is used for production of bread, cake, mooncakes and pizza, etc.

(2) Production process:



3. Supply Status of Main Materials

The company's main raw materials are cast iron, iron and stainless steel. All raw materials can be obtained locally. It is convenient and fast to get access to supply and technical support. The long-term cooperation with suppliers has contributed to a good relation, which means the company's needs in terms of quality, delivery and cost can be met. So far, no work stoppages due to the lack of materials or other disputes have occurred.

4. Major suppliers and customers in the last two years

(1) The company did not purchase more than 10% of the total purchases from the same supplier for 2017, 2018 and up to March 31st, 2019.

(2) The company did not sell more than 10% of the total production to the same customer for 2017, 2018 and up to March 31st, 2019.

5. Production in the last two years: (consolidated statement)

Unit: NT$ thousands per unit

Year Production volume	2017			2018		
Main Products	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Mixer	22,274	21,391	492,396	21,814	18,033	484,321
Divider Rounder And Moulder	4,922	4,726	173,933	3,982	3,330	158,950
Sheeter	2,329	2,242	95,933	2,457	2,056	89,524
Proofer	6,696	6,430	279,139	7,357	6,055	263,401
Oven	27,062	25,958	733,096	27,890	22,929	678,284
Slicer	19,764	18,968	75,314	11,138	9,144	54,364
Fryer	175	168	2,689	262	215	3,512
Refrigerator	5,080	4,876	144,114	5,295	4,347	134,159
Show Case	4,735	4,544	209,294	4,958	4,071	199,919
Food Service Equipment	790	758	40,932	1,300	1,068	48,401
Other Machine	6,244	5,993	38,605	6,607	5,425	43,477
Other Parts	Note	Note	172,753	Note	Note	151,125
Bakeware	Note	Note	36	Note	Note	0
Total	100,071	96,054	2,458,234	93,060	76,673	2,309,437

Note: Due to the diverse nature of other parts and bakeware, only the production value is listed.

6. Sales volume and value in the last two years: (consolidated statement)

Unit: NT$ thousands per unit

Year Sales Volume Main Products	2017				2018			
	Domestic Sales		Export		Domestic Sales		Export	
	Number of Shareholders	Sales	Number of Shareholders	Sales	Number of Shareholders	Sales	Number of Shareholders	Sales
Mixer	274	21,139	20,727	833,277	234	14,694	19,222	787,753
Divider Rounder and Moulder	109	15,566	3,675	289,939	93	15,009	3,418	266,296
Sheeter	46	4,293	2,265	167,514	48	5,596	2,215	161,012
Proofer	150	20,664	7,231	571,190	140	12,667	6,743	540,148
Oven	417	60,005	16,237	1,503,373	331	44,750	14,630	1,355,137
Slicer	56	2,574	3,982	111,808	61	2,268	3,242	89,233
Fryer	9	373	268	9,577	2	90	290	12,098
Refrigerator	11	652	4,280	181,104	20	910	4,315	177,447
Show Case	0	0	3,567	248,367	0	0	3,221	232,843
Food Service Equipment	27	2,371	1,850	92,833	22	1,960	1,040	98,377
Other Machine	192	5,638	8,366	94,890	459	2,554	8,140	103,473
Other Parts (Note 2)	Note 1	27,889	Note 1	303,386	Note 1	22,970	Note 1	314,230
Bakeware	Note 1	364	Note 1	45,447	Note 1	1,114	Note 1	49,386
Total	1,291	161,528	72,448	4,452,705	1,410	124,582	66,476	4,187,433

Note 1: Other parts and bakeware are subject to unit differences. Therefore, only the sales value is counted.

Note 2: Includes service revenue.

III. Number of employees, average years of service, average age and education distribution ratio for employees in the last two years up to the printing date of this annual report

Unit: Persons

Year		2017	2018	Up to May 15th, 2019
Number of employees	Executive personnel	985	1,014	1,012
	Direct labor	662	594	579
	Total	1,647	1,608	1,591
Average age		36.52	37.46	37.80
Average Years of Service		7.98	8.87	9.23
Education	Ph.D.	0.12%	0.12%	0.12%
	Masters	0.49%	0.62%	0.63%
	Bachelor's Degree	38.86%	39.30%	39.66%
	Senior high school	37.28%	37.50%	36.90%
	Below senior high school	23.25%	22.46%	22.69%

IV. Environmental protection expenditure

The waste gas from the production process of the company and its subsidiaries is treated until it reaches the discharge standards by regularly replacing the activated carbon adsorption devices, the sewage discharge and sewage treatment plants. The commercial wastes are removed and treated in accordance with the permission of the competent authorities. The civic institutions that handle such wastes carry out safe disposal and regularly detect noise, sewage, waste gas and dust every year to make sure no environmental pollution is created. No penalties and losses have occurred due to environmental pollution in recent years.

V. Labor relations

(I) Employee welfare policies, continuing education, training, retirement systems and implementation status, the agreement between employees and management and the protection of the employees’ rights and interests:

1. Employee benefits and implementation status

The company and its subsidiaries are committed to creating a harmonious labor-management relationship and improving employee welfare. In addition to the establishment of the Staff Welfare Committee and the Workers' Union Committee in accordance with the law, welfare funds and labor union funds are granted monthly for the committees to write up the annual plan. The following activities are held:

(1) The Employee Welfare Committee holds various trips and year-end meals every year.

(2) In addition to statutory labor and health insurance, group insurance (life insurance, accident insurance and hospitalization insurance) is also provided.

(3) Employees get regular health checkups. The company attaches great importance to the results of the health checkups.

For employees with abnormal or special conditions, the company actively assists them in getting treatment or follow-ups to ensure employee health.

(4) Mooncakes for the Mid-Autumn Festival, accommodation, car services and other benefits.

(5) Provide various subsidies for weddings and funerals, rewards and emergency funds.

(6) To improve competitiveness, the company offers comprehensive training programs for employees' career planning and professional skills.

(7) To increase employee cohesion, bonuses and fair evaluation/promotion systems have been set up.

2. Continuing education, training and implementation status

The company has established the "Education and Training Regulations" and formulated annual training plans to enhance the quality and development of human resources and to maintain the foundation of the company's sustainable development. New recruits receive onboard training when they start working. Regular training and professional training (including internal training and external training) are offered to all employees in order to train professionals, thereby improving management performance and effectively developing new talent.

The Group's employees' training records in 2018 are as follows:

Unit: NT$

Items	Total Number of Employees	Total hours	Total expenses
Orientation Training	63	427	4,689
Professional Competency Training	170	2,971.5	172,284
Management Skills Training	2	24	16,200
Safety and Health Training	564	430	27,768
Firefighting Team Training	1,115	4,274	912
Total	1,914	8,126.5	221,853

3. Retirement system and implementation status

In accordance with the law, the company sets aside 6% to them monthly salary to the personal pension account at the Bureau of Labor for employees who started after July 2005 as well as employees who opted to use the new Labor Pension Act. For employees to whom the old system applied as well as existing employees who opted to keep the old system, their years of service were retained and calculated in accordance with the former pension rules for pension reserve fund to be set aside to the account at Bank of Taiwan.

When an employee applies for retirement in accordance with the prescribed conditions, the HR unit shall calculate the retirement seniority, base and amount, before submitting the application to the Labor Retirement Reserve Committee.

The subsidiaries are required to contribute to pension and various social and geriatric funds in accordance with local regulations to ensure that employees can enjoy the benefits of pension.

4. Labor-management negotiations and measures for safeguarding employees' rights:

Both employers and employees shall operate with ethics respect. Labor-management meetings are held regularly with representatives from both sides to participate in two-way communications on the company's various systems, work environment and safety and health issues. This serves as an important reference for management and administration. Furthermore, the Employee Welfare Committee also holds meetings with employees who like to help out and are good communicators. They come up with ideas for various kinds of activities that promote harmony and cohesion.

The company raises salary in accordance with the current year's operating conditions and price level.

(II) Losses arising as a result of labor disputes in the most recent year up to the date of printing of this annual report, and disclosure of potential losses for the moment and in the future as well as countermeasures:

Since its establishment, the company and its subsidiaries have strictly complied with the relevant laws and regulations and implemented labor laws regulations to protect employees' rights and interests in the hopes of creating harmonious labor-management relations. Therefore, there is no significant labor dispute in the workplace. As the company's internal welfare system is well-developed with functional employee grievance mechanisms, the probability of labor disputes in the coming years is expected to be minimal, and no losses arising from labor disputes will incur.

(III) Code of Conduct or Ethics:

All operations and employees' rights and obligations for the company and its subsidiaries are clearly defined by relevant rules and regulations, as well as being published immediately on the internal website to give all employees access. Any addition or amendment to the regulations shall be approved by the internal mechanisms. The addition or amendment shall be published immediately on the internal website to give all employees access. The following is a summary of the regulations of the employees’ behavior or the Code of Ethics:

1. Hierarchical responsibility:

   In line with the development needs of the organization, the company has established a reasonable level and title to provide employees with an appropriate career development blueprint. The level of authorization needed for all operations is clearly defined. The implementation of hierarchical responsibility and tiered authorization system ensure that all operating procedures of the company are well functioning. Relevant regulations include "Regulations Governing Employees Work," "Regulations Governing Personnel Management", "Regulations Governing the Authorized Proxy," "Employee Handbook" and "Operating Procedures for Approval of Authorization".

2. The responsibilities of each department are clearly defined:

   According to the functions of major departments, the responsibilities and scope of work of each unit are clearly defined in order to realize the division of labor and strengthen the core competitiveness of the company.

3. Reward and Punishment Regulations:

   In order to encourage employees with special contributions or to avoid damage to the company due to individual employee behavior, the "Employee Work Rules" and "Employee Handbook" clearly define the relevant rewards and punishments for employee behavior. All rewards and punishments are announced internally to function as incentives or warnings.

4. Performance management:

   The company adopts a “fair, impartial and open” attitude to the employees’ performance evaluation based on the "Personnel Assessment Guidelines". The performance evaluation process for different positions is performed annually. The employees' work performance is given appropriate feedback, and the employees are assisted in making future development plans.

5. Attendance Management:

   To establish good discipline and improve work quality, the company has formulated the "Regulations Governing Employee Leave" and "Regulations Governing Vacation/Leave" and implemented the proxy system.

6. Maintenance of trade secrets:

   In order to ensure that the business interests and the company’s competitiveness are protected, employees are required to maintain confidentiality of business secrets to prevent damaging the company. Aside from being stipulated in the personnel management regulations, employees must sign labor contracts with these specifications included to further protect the company's business secrets.

7. Sexual Harassment Prevention:

   The company prohibits sexual harassment in the workplace and has formulated relevant regulations of gender equality in the workplace to regulate employees' behavior.

(IV) Protection measures for the company and its subsidiaries' personal safety and health protection:

Employee Insurance System	Labor Insurance	In accordance with labor insurance regulations, stipends for birth, injury, disability, old age and death are given.
	National Health Insurance / Social Security	In accordance with the National Health Insurance Regulations and the Social Insurance Regulations, this is divided into old-age care, medical care, work-related injuries, maternity and unemployment benefits. When the insurer and his family suffer from illness, injury, birth or accident, they can access medical services.
	Employee group insurance	The insurance covers life insurance, accidental injury insurance, accident medical insurance, serious illness, work-related injury, hospitalization insurance and occupational hazard insurance. This gives the employees actual benefits of the group insurance.
Building a safe workplace	Organize Personal and Fire Safety Seminars	Fire safety seminars are held every six months. Organize safety and health training every year.
	Creating a green and healthy Workplace	Strengthen energy-saving and carbon reduction. Continue to create a healthy workplace that is toxic-free and green.
Strengthen labor-management relations	Set up collective contracts to hold labor-management meetings on a quarterly basis	Ensure the employee understand the company's operational status, updates on staff, work environment improvement, etc. through collective contracts and labor-management meetings in order to achieve harmonious labor relations.

(V) The company and its subsidiaries' personal safety measures and measures for the protection of its employees' personal safety are summarized below:

Number	Goal/Target	Plan	Description	Implementation status
1	Formulation of safety and health operational standards.	1. Establish/amend the standards for safety and health operations. 2. Implement safety and health operations.	1. Establish a safety and health work code. 2. Conduct occupational safety and health training for the employees according on-job training, general training and hazardous materials training.	1. The company formulates/amends standards for safety and health operations. 2. Implement training during training sessions.
2	Management of machinery, equipment or tools.	Establish the list of machinery and equipment in the plant.	After the inspection, the file will be created and updated immediately shall there be any changes.	Daily / monthly inspection, key inspection, operational inspection, and on-site inspection.
3	Labeling and identification of hazardous materials.	1. Establish general measures for hazardous materials. 2. Update the amend in accordance with GHS.	1. Establish a list of hazardous substances. 2. Post the hazard labels. 3. Provide a safety data sheet. 4. Implement hazardous materials and training.	Set the operating environment monitoring plan, and perform measurement every six months of every year.
4	Health examination and health management.	1. Set up the first aid kit. 2. Implement: New recruits' physical examination, employee health examination and special health check (dust and noise).	1. Set up a first aid box for each floor and workshop. 2. New recruits shall provide health check reports during the onboarding process. Regular health examinations are scheduled for employees on a regular basis. Special health checkups are arranged every year according to the tasks.	In accordance with health protection regulations: 1. The first aid equipment and medicine shall be checked once every six months. Any deficiency shall be addressed. 2. Formulate items for checkups at qualified hospitals.
5	The "Noisy Area" sign is 100% compliant with the facilities rules.	1. Improvement plans for occupational safety and health facilities 2. Set up the operating environment monitoring plan.	Ensure workers wear ear protection in a noisy area.	According to the environmental testing report, if the noise exceeds 85 decibels, the prevention of noise hazards should be marked and announced, so that the workers are well aware.

Number	Goal/Target	Plan	Description	Implementation status
6	Comply with and implement relevant laws and regulations.	Formulate the operating environment monitoring plan.	1. Compliance with environmental protection laws and regulations. 2. Air inspection. 3. Effluents monitoring 4. Drinking water test The test results meet the regulatory standards.	Tested annually.
7	The steel bottle is fixed in the operating area.	Securely placed with a protective cover to avoid danger caused by tipping.	Cylinders for flammable gases and oxygen should be placed separately, fixed and covered with a protective cover to avoid danger caused by tipping.	All steel bottles in the plant are fixed with chain.

VI. Important Contracts

All-important contracts that could affect shareholder rights as of the date of printing of this annual report, including supply and sales contracts, technical cooperation contracts, engineering contracts, long-term loan contracts and others.

Agreement	Counterparty	Period	Main Content	Restrictive covenants
Construction contracts	Wuxi Xishan Construction Company Industry Co., Ltd.	2018.06.29-2019.05.24	The company's third-tier subsidiary, Sinmag Equipment (China) Co., Ltd., entrusted Wuxi Xishan Construction Company Industry Co., Ltd. for the construction of the new plant	None
Loan contract	Banner Bank	2015.08.12-2025.09.01	The company’s third-tier subsidiary in the US, LBC Bakery Equipment Inc., took out a long-term loan from Banner Bank to purchase locations for sales and storage	None
Loan contract	United Overseas Bank (Malaysia) Bhd.	2017.01.12-2022.05.05	The company’s third-tier subsidiary in Malaysia, Sinmag Bakery Equipment Sdn. Bhd., took out a long-term loan from United Overseas Bank (Malaysia) Bhd. to purchase locations for sales and storage	None

Chapter 6　Financial Information

I. Condensed Balance Sheet, Statement of Comprehensive Income, Financial Analysis, and CPA's Name and Audit Opinions for the Most Recent Five Years

(I) Condensed Balance Sheet for the most recent five years

(1) Consolidated financial statements - Based on IFRS

Unit: NT$ thousands

Item / Year		Financial information for the most recent 5 years (Note 2)					Financial information for the current year as of March 31st, 2019
		2014	2015	2016	2017	2018	
Current assets		2,557,362	2,013,955	2,205,604	2,426,043	2,209,816	2,080,621
Property, plant and equipment		582,189	718,530	688,534	736,700	843,929	920,884
Intangible assets		31,261	29,309	28,393	48,254	92,077	5,937
Other assets		157,778	167,116	194,772	93,934	86,145	185,413
Total assets		3,328,590	2,928,910	3,117,303	3,304,931	3,231,967	3,192,855
Current liabilities	Before distribution	1,365,920	867,691	996,543	1,055,361	933,670	754,201
	After distribution	1,770,350	1,207,412	1,409,062	1,443,614	1,260,167 (Note 1)	1,080,698 (Note 1)
Non-current liabilities		153,603	202,947	184,777	204,918	179,822	207,481
Total liabilities	Before distribution	1,519,523	1,070,638	1,181,320	1,260,279	1,113,492	961,682
	After distribution	1,923,953	1,410,359	1,593,839	1,648,532	1,439,989 (Note 1)	1,288,179 (Note 1)
Equity attributable to shareholders of the parent		1,754,193	1,794,325	1,882,289	1,987,944	2,062,679	2,173,341
Share capital		475,800	485,316	485,316	485,316	502,302	502,302
Capital reserve		74,811	74,811	74,943	74,943	75,738	75,738
Retained earnings	Before distribution	1,135,945	1,185,912	1,392,748	1,512,331	1,586,294	1,660,456
	After distribution	721,999	846,191	980,229	1,107,092	1,259,797 (Note 1)	1,333,959 (Note 1)
Other equity		67,637	48,286	(70,718)	(84,646)	(101,655)	(65,155)
Treasury stock		0	0	0	0	0	0
Non-controlling interest		54,874	63,947	53,694	56,708	55,796	57,832
Total equity	Before distribution	1,809,067	1,858,272	1,935,983	2,044,652	2,118,475	2,231,173
	After distribution	1,404,637	1,518,551	1,523,464	1,656,399	1,791,978 (Note 1)	1,904,676 (Note 1)

Note 1: Distribution of earnings for 2018 has not been approved by the shareholders' meeting yet.

Note 2: Financial information for each year has been audited and certified by CPAs.

(2) Parent Company Only Financial Statements - Based on IFRS

Unit: NT$ thousands

Year Item		Financial information for the most recent 5 years (Note 2)				
		2014	2015	2016	2017	2018
Current assets		466,089	448,681	475,205	424,223	384,573
Property, plant and equipment		112,299	110,323	108,979	122,917	118,988
Intangible assets		637	625	1,057	846	486
Other assets		1,781,873	1,760,631	1,861,564	1,948,367	2,051,658
Total assets		2,360,898	2,320,260	2,446,805	2,496,353	2,555,705
Current liabilities	Before distribution	453,102	390,257	444,800	397,154	402,819
	After distribution	857,532	729,978	857,319	785,407	729,316 (Note 1)
Non-current liabilities		153,603	135,678	119,716	111,255	90,207
Total liabilities	Before distribution	606,705	525,935	564,516	508,409	493,026
	After distribution	1,011,135	865,656	977,035	896,662	819,523 (Note 1)
Share capital		475,800	485,316	485,316	485,316	502,302
Capital reserve		74,811	74,811	74,943	74,943	75,738
Retained earnings	Before distribution	1,135,945	1,185,912	1,392,748	1,512,331	1,586,294
	After distribution	721,999	846,191	980,229	1,107,092	1,259,797 (Note 1)
Other equity		67,637	48,286	(70,718)	(84,646)	(101,655)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	1,754,193	1,794,325	1,882,289	1,987,944	2,062,679
	After distribution	1,349,763	1,454,604	1,469,770	1,599,691	1,736,182 (Note 1)

Note 1: Distribution of earnings for 2018 has not been approved by the shareholders' meeting yet.

Note 2: Financial information for each year has been audited and certified by CPAs.

(II) Condensed consolidated statement of comprehensive income for the last five years

(1) Consolidated financial statements - Based on IFRS

Unit: NT$ thousands

Year Item	Financial Information in the Most Recent Five Years (Note)					Financial Information for the Current Year as of March 31st, 2019
	2014	2015	2016	2017	2018	
Gross Sales	4,305,009	4,108,932	4,297,545	4,614,233	4,312,015	823,691
Gross profit	1,715,232	1,644,482	1,810,713	1,897,745	1,718,306	343,871
Operating income (loss)	736,993	674,740	777,282	828,198	657,300	106,848
Non-operating income and expenses	15,160	5,756	13,486	(37,962)	31,961	(2,329)
Pre-tax income	752,153	680,496	790,768	790,236	689,261	104,519
Net Income from Continuing Operations	544,911	486,940	560,223	547,123	485,232	75,659
Loss from discontinued operations	0	0	0	0	0	0
Net income (loss)	544,911	486,940	560,223	547,123	485,232	75,659
Other comprehensive income (net of income tax)	50,968	(26,685)	(121,204)	(19,400)	(10,163)	37,039
Total comprehensive income (loss)	595,879	460,255	439,019	527,723	475,069	112,698
Net income attributable to shareholders of the parent	529,739	471,817	546,858	534,153	473,613	74,162
Net income attributable to non-controlling interest	15,172	15,123	13,365	12,970	11,619	1,497
Total comprehensive income or loss attributable to shareholders of the parent	577,963	444,562	427,553	518,174	462,193	110,662
Total comprehensive income attributable to non-controlling interest	17,916	15,693	11,466	9,549	12,876	2,036
Earnings per Share	11.13	9.72	11.27	11.01	9.43	1.48

Note: Financial information for each year has been audited, certified, or reviewed by CPAs.

(2) Parent Company Only Financial Statements - Based on IFRS

Unit: NT$ thousands

	Financial Information in the Most Recent Five Years (Note)				
	2014	2015	2016	2017	2018
Gross Sales	1,197,545	1,145,649	1,101,701	1,134,163	947,326
Gross profit	191,911	189,037	180,301	187,640	147,524
Operating income (loss)	59,196	71,565	38,207	34,587	18,130
Non-operating income and expenses	516,695	440,670	573,116	541,965	497,570
Pre-tax income	575,891	512,235	611,323	576,552	515,700
Continuing operations Net income	575,891	512,235	611,323	576,552	515,700
Loss from discontinued operations	0	0	0	0	0
Net income (loss)	529,739	471,817	546,858	534,153	473,613
Other comprehensive income (net of income tax)	48,224	(27,255)	(119,305)	(15,979)	(11,420)
Total comprehensive income (loss)	577,963	444,562	427,553	518,174	462,193
Earnings per Share	11.13	9.72	11.27	11.01	9.43

Note: Financial information for each year has been audited and certified by CPAs.

(III) Financial analysis for the most recent 5 years

(1) Consolidated financial statements - Based on IFRS

Item	Year	Financial information for the most recent 5 years (Note)					For the current year up to March 31st, 2019
		2014	2015	2016	2017	2018	
Financial structure (%)	Debt to asset ratio	45.65	36.55	37.89	38.13	34.45	30.11
	Long-term capital to property, plant and equipment	310.74	268.18	290.86	291.06	262.36	252.62
Solvency (%)	Current ratio	187.23	232.11	221.32	229.87	236.68	275.87
	Quick ratio	136.44	153.22	155.43	159.31	162.03	176.07
	Interest earned ratio	8,959.28	6,697.79	16,632.88	11,729.66	8,031.65	5,621.34
Operating Ability	Account Receivables Turnover (Times)	4.52	4.55	5.34	6.03	5.97	5.81
	Average Collection Days	81	80	68	60	61	63
	Inventory Turnover (times)	4.08	3.68	3.86	4.08	3.77	2.74
	Account Payables Turnover (Times)	7.55	7.11	7.66	8.19	8.08	7.58
	Average days in sales	89	99	95	89	97	133
	Property, plant and equipment turnover (times)	7.64	6.32	6.10	6.47	5.45	3.73
	Total Assets Turnover (Times)	1.38	1.31	1.42	1.43	1.31	1.02
Profitability	Return on assets (%)	17.72	15.84	18.66	17.21	15.05	9.60
	Return on Equity (%)	32.29	26.56	29.53	27.48	23.31	13.91
	Pre-tax income to paid-in capital (%)	158.08	140.22	162.93	162.82	137.22	83.23
	Profit ratio (%)	12.66	11.85	13.03	11.85	11.25	9.18
	Earnings per share (NT$)	11.13	9.72	11.27	11.01	9.43	1.48
Cash flow	Cash flow ratio (%)	47.38	67.67	82.56	50.26	68.25	10.52
	Cash flow adequacy ratio (%)	99.54	105.87	129.50	122.61	119.62	116.60
	Cash reinvestment ratio (%)	12.63	7.26	19.10	4.19	8.94	2.78
Leverage	Operating leverage	1.08	1.09	1.08	1.07	1.10	1.15
	Financial leverage	1.01	1.02	1.00	1.00	1.01	1.01

Analysis of financial ratio differences for the last two years (Not required if the difference does not exceed 20%):

1. Interest earned ratio: Due to the decrease in net profit before tax and the increase in interest expenses.
2. Cash flow ratio: Net cash inflow from operating activities for the current year increased compared to the same period last year, causing an increase in the ability of cash flows from operating activities to offset current liabilities.
3. Cash flow reinvestment ratio: Net cash inflow from operating activities for the current year increased. The cash dividends paid were reduced as compared to the previous year, resulting in the increase in the ability of the company's working capital to support asset replacement.

Note: Financial information for each year has been audited, certified, or reviewed by CPAs.

(2) Parent Company Only Financial Statements - Based on IFRS

		Financial information for the most recent 5 years (Note)				
		2014	2015	2016	2017	2018
Financial structure (%)	Debt to asset ratio	25.70	22.67	23.07	20.36	19.29
	Long-term capital to property, plant and equipment	1,562.07	1,626.43	1,727.20	1,617.30	1,733.51
Solvency (%)	Current ratio	102.87	114.97	106.83	106.81	95.47
	Quick ratio	88.75	97.60	91.32	86.39	70.10
	Interest earned ratio	64,087.89	58,775.26	65,552.14	76,871.23	54,961.70
Operating Ability	Account Receivables Turnover (Times)	3.92	3.73	3.80	4.17	3.95
	Average Collection Days	93	98	96	87	92
	Inventory Turnover (times)	16.82	15.06	13.96	13.90	9.46
	Account payables turnover (times)	4.25	4.30	4.01	3.98	3.82
	Average days in sales	22	24	26	26	39
	Property, plant and equipment turnover (times)	10.61	10.29	10.04	9.78	7.83
	Total assets turnover (times)	0.54	0.49	0.46	0.45	0.37
Profitability	Return on assets (%)	23.82	20.19	22.97	21.63	18.77
	Return on Equity (%)	32.43	26.59	29.74	27.60	23.38
	Pre-tax income to paid-in capital (%)	121.04	105.55	125.96	118.79	102.66
	Profit ratio (%)	44.24	41.18	49.63	47.09	49.99
	Earnings per share (NT$)	11.13	9.72	11.27	11.01	9.43
Cash flow	Cash flow ratio (%)	1.62	(3.03)	5.71	(7.47)	(12.91)
	Cash flow adequacy ratio (%)	46.68	25.35	11.29	4.26	(2.94)
	Cash reinvestment ratio (%)	(17.10)	(21.34)	(15.52)	(20.85)	(20.22)
Leverage	Operating leverage	1.07	1.06	1.12	1.12	1.37
	Financial leverage	1.02	1.01	1.02	1.02	1.05

Analysis of financial ratio differences for the last two years (Not required if the difference does not exceed 20%):

1. Interest earned ratio: Due to the increase in external financing demand and the decrease in profitability of the company during the year.
2. Inventory turnover (times): The decrease in revenue and increase in inventory resulted in the decrease in inventory turnover.
3. Average days in sales: The decrease in revenue and increase in inventory resulted in the decrease in inventory turnover and increase in sales days.
4. Cash flow ratio: Cash inflow from operating activities of the company decreased from the same period last year, causing the decrease in the ability of cash flows from operating activities to offset current liabilities.
5. Cash flow adequacy ratio: The increase in net cash outflows from operating activities during the year resulted in a decrease in the cash flow generated from operating activities and the ability to support the company's business and pay cash dividends.
6. Operating leverage: Due to the increase in depreciation expenses from newly acquired property, plant and equipment (PP&E), and the decrease in profit.

Note: Financial information for each year has been audited and certified by CPAs.

Note: Formulas used for calculating the analyzed items are as follows:

1. Financial structure
   (1) Debt-asset Ratio = Total Liabilities / Total Assets.
   (2) Ratio of Long-term Capital to Property, Plant and Equipment = (Total Equity + Non-current Liabilities) / Net Property, Plant and Equipment.
2. Solvency
   (1) Current Ratio = Current Assets / Current Liabilities.
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.
   (3) Interest Earned Ratio = Net Profit Before Tax and Interest / Interest Expenses.
3. Operational performance
   (1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).
   (2) Average Collection Days = 365 / Receivables Turnover Rate.
   (3) Inventory Turnover Rate = Cost of Sales / Average Inventory.
   (4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales / Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
   (5) Average Days for Sale = 365 / Inventory Turnover Rate.
   (6) Property, Plant, and Equipment Turnover Rate = Net Sales / Average Net Property, Plant, and Equipment.
   (7) Total Asset Turnover Rate = Net Sales / Average Total Assets.
4. Profitability
   (1) Return on assets (ROA) = [Gain (loss) after tax + Interest expenses x (1 - tax rates)] / Average total asset value.
   (2) Return on equity = net income after tax / average equity
   (3) Net margin = net income / net sales.
   (4) Earnings per share = (net income (loss) attributable to owners of parent company – dividends on preferred shares) / weighted average number of issued shares.
5. Cash flow
   (1) Cash flow ratio = net operating cash flow / current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years.
   (3) Cash re-investment ratio = (Net cash flow from operating activities – cash dividend) / (gross value of property, plant and equipment + long-term investment + other assets + working capital).
6. Leverage:
   (1) Operating Leverage = (Net Sales - Variable Operating Costs and Expenses) / Operating Income.
   (2) Financial Leverage = Operating Income / (Operating Income - Interest Expenses).

(IV) Names of certified public accountant over the past five fiscal years and audit opinions

Year	Accounting Firm	CPA	Audit opinion
2014	Deloitte & Touche	Chung Wei Keng-Hsi Chang	Modified unqualified opinion
2015	Deloitte & Touche	Keng-Hsi Chang Chung Wei	Modified unqualified opinion
2016	Deloitte & Touche	Keng-Hsi Chang Cheng-Chuan Yu	Unqualified opinion with opinion paragraph
2017	Deloitte & Touche	Keng-Hsi Chang Chiang- Hsun Chen	Unqualified opinion with opinion paragraph
2018	Deloitte & Touche	Chiang- Hsun Chen Chao-Mei Chen	Unqualified opinion with opinion paragraph

II. Audit Committee's Audit Report for the most recent fiscal year

Sinmag Equipment Corporation
Audit Committee’s Review Report

To whom it may concern,
The Board of Directors has submitted the 2018 Business Report, Financial Statements and Earnings Distribution Proposal of the company. The financial statements of the company have been audited by CPAs Chiang- Hsun Chen and Chao-Mei Chen and an audit report has been issued. The above-mentioned business report, financial statements and surplus distribution proposal have been reviewed and approved by the Audit Committee. The Committee is of the opinion that the above-mentioned report is in conformity with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely,

2019 Annual Shareholders' Meeting

Sinmag Equipment Corporation

Convener of the Audit Committee

March 14, 2019

III. Parent Company Only Financial Statements Audited and Certified by CPAs for the Most Recent Year

For the company's Parent Company Only Financial Statements of 2018, please refer to page 147 to page 208 of this annual report.

IV. Audited and Certified Consolidated Financial Statements of the Most Recent Year

For the consolidated financial statements for 2018, please refer to page 209 to page 286 of this annual report.

V. Impact of financial difficulties of the company and affiliated companies on the financial conditions of the company in the most recent year, up to the printing date of this report: None.

Chapter 7 Review of Financial Conditions, Financial Performance, and Risk Management

I. Financial Position

(I) Comparison Analysis of Financial Position

(1) Consolidated financial statements - Based on IFRS

Unit: NT$ thousands

Item / Year	2018 31st December	2017 31st December	Difference	
			Increases (decreases)	%
Current assets	2,209,816	2,426,043	(216,227)	-9%
Property, plant and equipment	843,929	736,700	107,229	15%
Intangible assets	92,077	48,254	43,823	91%
Other assets	86,145	93,934	(7,789)	-8%
Total assets	3,231,967	3,304,931	(72,964)	-2%
Current liabilities	933,670	1,055,361	(121,691)	-12%
Non-current liabilities	179,822	204,918	(25,096)	-12%
Total liabilities	1,113,492	1,260,279	(146,787)	-12%
Attributable to the shareholders of the parent company	2,062,679	1,987,944	74,735	4%
Share capital	502,302	485,316	16,986	3%
Capital reserve	75,738	74,943	795	1%
Retained earnings	1,586,294	1,512,331	73,963	5%
Other equity	(101,655)	(84,646)	(17,009)	-20%
Treasury stock	0	0	0	0%
Non-controlling interest	55,796	56,708	(912)	-2%
Total equity	2,118,475	2,044,652	73,823	4%

Analysis of increase/decrease for the last two years that exceed 20% with the amount reaching NT$ 10 million:

Intangible assets: Right-of-use land acquired from Wuxi, China.

Other equity: Due to exchange rate fluctuations, the difference in the net value of overseas investment caused exchange difference fluctuations of the financial statements of foreign operations.

(2) Parent Company Only Financial Statements - Based on IFRS

Unit: NT$ thousands

Year Item	2018 31st December	2017 31st December	Difference	
			Increases (decreases)	%
Current assets	384,573	424,223	(39,650)	-9%
Property, plant and equipment	118,988	122,917	(3,929)	-3%
Intangible assets	486	846	(360)	-43%
Other assets	2,051,658	1,948,367	103,291	5%
Total assets	2,555,705	2,496,353	59,352	2%
Current liabilities	402,819	397,154	5,665	1%
Non-current liabilities	90,207	111,255	(21,048)	-19%
Total liabilities	493,026	508,409	(15,383)	-3%
Share capital	502,302	485,316	16,986	3%
Capital reserve	75,738	74,943	795	1%
Retained earnings	1,586,294	1,512,331	73,963	5%
Other equity	(101,655)	(84,646)	(17,009)	-20%
Treasury stock	0	0	0	0%
Non-controlling interest	0	0	0	0%
Total equity	2,062,679	1,987,944	74,735	4%

Analysis of increase/decrease for the last two years that exceed 20% with the amount reaching NT$ 10 million:

Non-current liabilities: Caused by the increase in the amount allocated to the pension account of the old system, as well as the pension liability set aside according to the pension actuarial report.

Other equity: Due to exchange rate fluctuations, the difference in the net value of overseas investment caused exchange difference fluctuations of the financial statements of foreign operations.

II. Financial performance

(I) Analysis of Financial Performance

(1) Consolidated financial statements - Based on IFRS

Unit: NT$ thousands

Year / Item	2018	2017	Difference	
			Increases (decreases)	%
Gross Sales	4,312,015	4,614,233	(302,218)	-7%
Operating costs	(2,593,709)	(2,716,488)	(122,779)	-5%
Gross profit	1,718,306	1,897,745	(179,439)	-9%
Operating expenses	(1,061,006)	(1,069,547)	(8,541)	-1%
Operating income	657,300	828,198	(170,898)	-21%
Non-operating income and expenses	31,961	(37,962)	69,923	-184%
Pre-tax income	689,261	790,236	(100,975)	-13%
Income tax expenses	(204,029)	(243,113)	(39,084)	-16%
Net income	485,232	547,123	(61,891)	-11%
Analysis of changes in financial ratios: Operating income: Caused by the decrease in gross sales. Non-operating income and expenses: (1) The impact of exchange rate fluctuations during the year caused the increase in exchange gains. (2) Loss from disposal of investment using the equity method for the same period last year.				

(2) Parent Company Only Financial Statements - Based on IFRS

Unit: NT$ thousands

Year / Item	2018	2017	Difference	
			Increases (decreases)	%
Gross Sales	947,326	1,134,163	(186,837)	-16%
Operating costs	(799,802)	(946,523)	(146,721)	-16%
Gross profit	147,524	187,640	(40,116)	-21%
Operating expenses	(129,394)	(153,053)	(23,659)	-15%
Operating income	18,130	34,587	(16,457)	-48%
Non-operating income and expenses	497,570	541,965	(44,395)	-8%
Pre-tax income	515,700	576,552	(60,852)	-11%
Income tax expenses	(42,087)	(42,399)	(312)	-1%
Net income	473,613	534,153	(60,540)	-11%
Analysis of changes in financial ratios: Gross profit/Operating income: Due to the decrease in operating revenue and gross profit margin for the current year.				

(II) The expected sales and its basis, and the possible impact on the company's future financial operations and countermeasures:

The company's main products are food service machinery equipment. As the price difference among products are significant, it is not appropriate to adopt sales volume as a basis for measurement. However, it is still the company's overall goal to continue developing new products to meet customer needs.

The company's scale of operations grows annually. Besides rewarding shareholders with stable profits, we also continue to improve the financial structure. The company's business has been expanded every year. The sound financial structure allows for future business development.

III. Cash flow

(I) Cash Flow Analysis for the Current Year

(1) Consolidated financial statements - Based on IFRS

Year Item	2018	2017	Increase (decrease) ratio
Cash flow ratio %	68.25	50.26	35.79%
Cash flow adequacy ratio %	119.62	122.61	-2.44%
Cash reinvestment ratio %	8.94	4.19	113.37%

Analysis of change in cash flow:

1. Cash flow ratio: The increase in the net cash inflows from operating activities for the year compared to the same period last year increased the ability to offset the current liabilities.
2. Cash reinvestment ratio: The increase in net cash inflows from operating activities and the decrease in cash dividends compared to last year resulted in the increase of the ability for the working capital to support asset replacement.

(2) Parent Company Only Financial Statements - Based on IFRS

Year Item	2018	2017	Increase (decrease) ratio
Cash flow ratio %	(12.91)	(7.47)	72.82%
Cash flow adequacy ratio %	(2.94)	4.26	-169.01%
Cash reinvestment ratio %	(20.22)	(20.85)	-3.02%

Analysis of change in cash flow:

1. Cash flow ratio: Cash inflow from operating activities decreased from the same period last year, resulting in the decrease of ability for cash inflow from operating activities to offset current liabilities.
2. Cash flow adequacy ratio: The increase in net cash outflows from operating activities resulted in a decrease in the cash flow generated from operating activities and the ability to support the company's business development and pay cash dividends.

(II) Remedy for Cash Deficit and Liquidity Analysis: Cash deficit is not expected.

(III) Cash liquidity analysis for the coming year:

Unit: NT$ thousands

Consolidated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2) (2)	Estimated Net Cash Flow from Investment Activities (3)	Estimated Net Cash Flow from Financing Activities (4)	Estimated Cash Surplus (Deficit) (1)+(2)+(3)+(4)	Estimated Remedy for Cash Deficit	
					Investment Plans	Financial Plans
807,198	539,438	(494,243)	(337,996)	514,397	None	None

1. Estimated Net Cash Flow from Operating Activities
   The company expects net cash flow to grow steadily through process improvement and automation to reduce production costs, expand production capacity, and actively expand overseas markets to increase revenue and strengthen control over inventory and accounts receivable.
2. Estimated Net Cash Flow from Investing Activities
   Capital expenditures for expansion of the plant, purchase of equipment, construction and renovation in Wuxi are expected to increase the cash outflow of investing activities during the year.
3. Estimated Net Cash Flow from Financing Activities
   The issuance of cash dividends is expected to result in a large cash outflow from financing activities during the year.

IV. Impact of Major Capital Expenditures on Corporate Finances and Business for the Most Recent Year

1. Major Capital Expenditure Items and Source of Capital:

Unit: NT$ thousands

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital Required	Actual or Expected Application of Funds					
				2016	2017	2018	2019	2020	2021
The company's third-tier subsidiary, SINMAG EQUIPMENT (CHINA) CO., LTD., purchases land for plant construction.	Own funds	2019	462,033	0	0	199,458	228,375	17,100	17,100

2. Expected benefits:

   The expansion of assets and production capacity will increase market share.

3. Impact on the company's financial operations:

   The company has a strong financial position and the capital expenditure will not cause a significant impact on the company’s financial operations.

V. Investment Policy for the Most Recent Year, Main Causes for Profit or Losses, Improvement Plans and the Investment Plans for the Coming Year

1. Investment policy for the most recent year:

   The decision-making authority of the company will make investment based on factors such as operational needs, cost reduction or future growth. The senior management will designate or form an investment evaluation team. The investment evaluation team will focus on the current status of the investment company, business development, future prospects and local market conditions. A long-term investment evaluation report will be proposed to the decision-making authorities after careful consideration to use as the basis for investment decisions. In addition, the company shall also keep abreast of the investment in the invested enterprise at all times to analyze the results of the investee. Analysis will be performed in order to facilitate tracking and evaluation for the decision-making authorities.

2. Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year:

December 31st, 2018; Unit: NT$ thousands

Explanation (Note 1)	Original Investment Amount	Main Business Items	Profit (Loss) from investments (Note 2)	Main reason for profit or loss	Improvement Plan	Investment Plan
Lucky Union Limited	454,955	Holding	490,611	Return on investment has been realized	None	None
Sinmag Limited	470,207	Holding	490,557	Return on investment has been realized	None	None
Sinmag Bakery Equipment Sdn. Bhd.	12,340	Sales of food machinery	3,265	Committed to profit generated from main business	None	None
Sinmag Equipment (China) Co., Ltd.	349,938	Manufacture and sales of food machinery	509,628	Committed to profit generated from main business	None	None
Wuxi New Order Control Co., Ltd.	3,348	Manufacture and sale of electronic control instrument for food service equipment	6,509	Committed to profit generated from main business	None	None
LBC Bakery Equipment Inc.	17,241	Sales of food machinery	22,467	Committed to profit generated from main business	None	None
Sinmag Bakery Machine India Private Limited	54,748	Manufacture and sale of food machinery	(4,121)	Operations halted	Promote operations	None
Sinmag Equipment (Thailand) Co., Ltd.	18,199	Sales of food machinery	9,276	Committed to profit generated from main business	None	None

Note 1: The company invested in Sinmag Limited through Lucky Union Limited in Samoa, and Sinmag Limited in turn invested in Sinmag Equipment (China) Co., Ltd., Wuxi New Order Control Co., Ltd., Sinmag Bakery Equipment Sdn. Bhd., LBC Bakery Equipment Inc., Sinmag Bakery Machine India Private Limited 及 Sinmag Equipment (Thailand) Co., Ltd.

Note 2: The related investment gains and losses is recognized using the investee company's CPA-audited 2018 net profit (loss) minus the unrealized profit of the upstream transactions, lateral transactions, and the amortization of the difference between original investment cost and the net equity.

VI. Analysis of Risk Management in the Most Recent Year and as of the Printing Date of This Annual Report

(I) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

(1) Interest rate

Unit: NT$ thousands

Annual Project	2018	2017
Interest income	16,172	16,329
Interest expenses	8,690	6,795
Net sales	4,312,015	4,614,233
Operating income	657,300	828,198
Interest income/net sales (%)	0.38%	0.35%
Interest income/net operating income (%)	2.46%	1.97%
Interest expense/net sales (%)	0.20%	0.15%
Interest expense/net operating income (%)	1.32%	0.82%

The company's interest expenses for 2018 were NT$8,690,000, which accounted for 0.20% and 1.32% of the net sales and net operating income respectively. To mitigate the impact of interest rate changes, the company will adopt the following countermeasures:

A. Strengthen the financial structure: The company will consider capital increase in the future depending on operations and fund needs in order to reduce the dependence on bank financing.

B. Increase the accounts receivable turnover to gain more operating capital and reduce bank borrowings.

C. Regularly evaluate the interest rate of bank borrowings and obtain market average interest rate. Negotiate for the best lending rate by keeping close contact with the bank.

(2) Foreign exchange rates

Unit: NT$ thousands

Annual Project	2018	2017
Net foreign exchange (loss) gain	17,499	(24,741)
Net sales	4,312,015	4,614,233
Operating income	657,300	828,198
Net foreign exchange (loss) gain/net sales (%)	0.41%	(0.54%)
Net foreign exchange (loss) gain/net operating income (%)	2.66%	(2.99%)

The company's products are export-oriented, and mostly quotes and accounts are denominated in US dollars. Therefore, exchange rate fluctuations have a certain influence on the company's profit and loss. The net exchange gains of 2018 was NT$17,499 thousand. To manage the impact of future exchange rate fluctuations, the company will strengthen the management of foreign exchange risk and continue to implement the following response measures:

A. The finance department maintains close contact with the foreign exchange departments of financial institutions to collect relevant information on exchange rate fluctuations at all times. By staying updated with international exchange rate trends and information, the company can actively respond to the negative impact of exchange rate fluctuations.

B. The finance department regularly evaluates the foreign currency net assets (liabilities) and the hedging position to report to the company's management in order to adopt countermeasures.

C. Foreign currency holdings are adjusted according to actual capital demand and exchange rate trends.

D. Foreign account payables are paid with cash in foreign currencies generated from exports to take advantage on the natural hedging characteristics to circumvent most of the foreign exchange risks.

E. Before the business unit quotes the customer, it should make take the future exchange rate trend and the influencing factors into consideration to determine an appropriate and reasonable business quotation.

(3) Inflation

The principal business of the company is the manufacture and sale of food machinery equipment. At present, inflation does not have much impact on the company's profit and loss.

Specific measures for the company's response to inflation:

A. Make appropriate adjustment to the inventory of raw materials and sign purchase contracts with major vendors of raw materials.

B. Improve the production process to enhance the added value of products and pass on the cost.

(II) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

1. The company has not engaged in high-risk, highly leveraged investments and derivative transactions. All investments are implemented carefully in accordance with the Regulations Governing the Acquisition and Disposal of Assets.
2. As of May 15th, 2019, the company's third-tier subsidiary, Sinmag Bakery Equipment Sdn. Bhd., applied for financing the amount of MYR 6 million for normal operations, for which the company provided endorsement/guarantee. The endorsement/guarantee provided by the company is within the stipulated limits and is the endorsement/guarantee provided by the parent company. Therefore, the company's financial position has not been significantly affected.

(III) Future R&D projects and R&D expenditure to be invested

The company has put great emphasis on R&D personnel and related equipment investment since the founding of the company, and has been dedicated to the development of education and training and experience to strengthen product planning and innovation. In recent years, the company has invested in the development of products with different specifications, so that these products and the innovation capabilities can meet the needs of different customers. In the coming year, the company will continue to invest in R&D. 3% of the turnover will be allocated to R&D each year The mass production schedule of new products will be completed according to the customer's demand. In addition, success of R&D plans depends on the ability of personnel and the relevant technologies. We believe that the company's R&D team has sufficient experience to provide competitive products.

Expected future R&D plans

Project Name	Mass Production Schedule	Explanation	Project Content	Main Factors of Success	Current Progress	Expected Future Expenditure
Air Cylinder Pre-Divider	Testing foreseen in June 2019, and mass production foreseen in July 2019.	Used to automatically divide large dough into small pieces and then enter the slicer funnel to adapt to the size of the slicer funnel. Instead of manually dividing the dough, this improves production efficiency and realizes production automation. It can be used in large central bread factories.	a. Research and testing of dough characteristics with different moisture content. b. Research and analysis of the transmission structure. c. Research and evaluation program control.	The structure is simple, doesn't take up much space, is easy to use, maintain and the manufacturing cost is low.	The 3D design for the machine has been completed and the printing has started.	Depends on the project execution status.
180° Turning Bowl Turner	Testing foreseen in July 2019, and mass production foreseen in August 2019.	Used to pour the dough out from the cylinder. The flip angle can be up to 180 degrees (traditional ones can only be up to 30 degrees). The height of the cylinder can be customized. It is designed for turning out very sticky dough so that this task does not have to be done manually. This improves production efficiency and can be used in large central bread factories.	a. Study the force state of the machine and check the strength. b. Research and analysis of the transmission structure. c. Research the electrical control	The machine structure is simple, easy to use, safe, durable easy to maintain and has wide applications.	The 3D design for the machine has been basically completed and the printing has started.	Depends on the project execution status.
Double Arm Mixer	The mass production schedule depends on the testing results.	Mainly designed for European countries for dough with a high moisture content.	a. Research the gearbox drive mechanism of the machine. b. Research the electrical control c. Study the dough mixing characteristics and principle.	The machine is easy to operate and maintain, energy-saving and produces high-quality mixed dough.	The drawing details have been completed and the materials are being prepared.	Depends on the project execution status.
Movable Bowl Lifter	Testing foreseen in July 2019, and mass production foreseen in August 2019.	Used to lift the cake batter and pour it into the filling machine. The lifter uses battery as a power source with a DC motor for transmission. It is	a. Research the characteristics of DC transmission and electrical control.	The machine is light in weight, easy to move and operate with no cable,	Currently, the mechanical part is being designed and	Depends on the project execution status.

Project Name	Mass Production Schedule	Explanation	Project Content	Main Factors of Success	Current Progress	Expected Future Expenditure
		cable-free and easy to be moved around. This replaces manual labor to increase production efficiency.	b. Research and mechanical lifting drive and the bowl turn-over mechanism. c. Research the flow characteristic of various cake batters.	efficient and easy to maintain.	the electrical part is being selected.	
Pile Filling Type Cookie Depositor	Testing foreseen in July 2019, and mass production foreseen in August 2019.	Used to depose cookie dough with a pile filling shape. The funnel is fixed, and the conveyor belt moves up and down, which reduces movement and makes it more suitable for continuous production on the production line.	a. Research and mechanical transmission structure. b. Research the control program.	The machine light, easy to operate, efficient, easy to maintain and clean.	The 3D model has been completed and the drawing details in progress.	Depends on the project execution status.
Second Generation Bowl Lifter	Testing foreseen in July 2019, and mass production foreseen in August 2019.	The internal structure of the traditional bowl lifter is welded and therefore difficult to adjust. The internal structure of the second-generation bowl lifter is connected with bolts. The gap between the roller and the channel steel can be adjusted after the roller is worn. The height of the lifter can also be easily adjusted with a range is up to ±200mm. The bowl lifter is used for the lifting and pouring out the dough. It can be used in large central bread factories.	a. Research the machine's internal structure and the roller structure. b. Force calculation and stressed component strength check.	The height of the lifter can be adjusted. The subsequent maintenance fees are low and the life expectancy is prolonged.	The 3D model has been completed and the printing has started.	Depends on the project execution status.
Stainless Steel Spiral Mixer-With Moveable Bowl	The mass production schedule depends on the testing results.	The whole stainless steel made mixer is beautiful in appearance and conforms to hygienic specifications. It can be used for dough of various moisture contents and is suitable for large central bread factories.	a. Research and testing of stainless steel surface treatment process. b. Research the shape of protective cover and top-cover.	The machine is beautiful in appearance, easy to clean and hygienic, stainless and is durable.	The drawing is being completed.	Depends on the project execution status.

Project Name	Mass Production Schedule	Explanation	Project Content	Main Factors of Success	Current Progress	Expected Future Expenditure
European Style Convection Oven	Testing foreseen in July 2019, and mass production foreseen in August 2019.	Used for baking bread, cake, cookies and so on, especially puff pastries.	a. Research the hot air convection. b. Research the mechanical assembly structure. c. Research the control system	Even baking with high heat control efficiency. The panel is easy to operate and the oven is easy to clean.	The parts are being dismantled and drawn.	Depends on the project execution status.
Avantec Gas Pizza Conveyor Oven	The mass production schedule depends on the testing results.	This oven adopts hot air splitting and loop design with different air outlets, and uses the same passage for the return air outlet. Each chamber adopts a double-layer crawler belt design, so the baking time can be controlled separately to achieve different speeds. A single-layer crawler belt can also realize different speeds. Customers can adopt different baking speeds depending on the products to increase production efficiency.	a. Hot air splitting. b. Each chamber adopts a double-layer crawler belt design. c. A single-layer crawler belt can also realize different speeds. d. Research and testing of the crawler belt control system. e. Research the combustion system to facilitate even heating of the upper and lower crawler belts.	The machine is easy to operate, safe and reliable. Each chamber adopts a double-layer crawler belt design with different speeds for different products, which increases production efficiency.	The drawing is being completed.	Depends on the project execution status.
SMD-2PB SMD-4P Divider	The sample is being designed and drawn. Mass production schedule depends on the testing results.	a. Adjust the weight of the divided dough with a touch panel instead of the manual rotating of adjustment wheel. b. For different dough characteristics, the machine can set to apply different force to keep the dough intact.	a. The weight of divided dough is adjusted with a panel to replace manual adjustment. b. Different doughs are handled with different extrusion pressure.	a. The program precisely controls the operation and positioning of the motor, adjusts the volume of the piston and matches the weight of the dough to control the weight of the divided dough. b. The extrusion pressure can be set in multiple stages, and the pressure can be selected according to the	In progress	Depends on the project execution status.

Project Name	Mass Production Schedule	Explanation	Project Content	Main Factors of Success	Current Progress	Expected Future Expenditure
				product to avoid damaging the dough.		
Toast Packing Machine	The sample machine is being assembled and tested. The mass production schedule will depend on the testing results.	Used for smoothing the bag opening and automatically sealing the bags to increase production efficiency.	Develop machines for smoothing the bag opening and sealing the bag for the toast packing machine.	The machine for smoothing the bag opening can execute the test properly and connect to the other part of the machine for sealing. The automation increases efficiency.	The assembling has been completed with testing and improvement under way.	Depends on the project execution status.
New Mixer	The sample machine is being assembled and tested. The mass production schedule will depend on the testing results.	a. The appearance has been modified for segmentation from the existing models. b. Adopt LCD touch panels and provide new features. c. Adopt dual motors to increase mixing efficiency.	a. To meet the requirements of KMT, the new SM-25 has been created for segmentation from the existing models. b. Adopt LCD screen. c. Mounting cylinder. d. Shorten the split shelf. - e. Double motors.	The parts are processed to meet the drawing requirements, the circuit control is correct, the mixing tank and the stirring hook meet the requirements to improve the mixing quality of the dough.	Assembling has been completed with testing, improvement and analysis under way.	Depends on the project execution status.
Five Pockets Continuous Divider	The drawing design has not yet started, and the mass production schedule depends on the testing results.	Adjust the weight of the divided dough with a buttons or value input instead of the manual rotating of adjustment wheel.	The weight of divided dough is adjusted with a panel to replace manual adjustment.	The program precisely controls the operation and positioning of the motor, adjusts the volume of the piston and matches the weight of the dough to control the weight of the divided dough.	Not yet commenced.	Depends on the project execution status.
Automatic Toast Loading Machine	The drawing design has not yet started, and the mass production schedule depends on the testing results.	With the board of the rotary paper, the body will replace the cylinder bags, with the front-end cutting chip and later-stage packaging, to achieve the purpose of automated production.	The mechanism of pushing the plate is used to loading the toast in the bags instead of having to complete this task manually.	With the correct mechanisms and order, this machine can replace manual labor and increase efficiency.	Not yet commenced.	Depends on the project execution status.

(IV) Changes to local and overseas policies and laws that impact the company’s financial operations and response measures

The management of the company always pays attention to the impact of important domestic and international policies and legal changes on the company's operations in order to plan the countermeasures. So far there has been no significant impact.

(V) Impact of Changes in Technology and Industry on Corporate Finance and Business, and Response Measures

The company maintains good cooperative relations with domestic research and professional institutions through close contact with domestic and foreign manufacturers. Therefore, the company can keep abreast of industry changes and future technological development trends. The company has the ability to develop its own technology, and is confident that it can quickly respond to the needs of new processes and technology ahead of the peers to enhance the company's competitive niche. In the future, the company will continue to stay updated with market trends in order to adapt to the evolution and changes of related industries. Therefore, technological changes and industrial changes have not had a significant impact on the financial business of the company.

(VI) Changes to corporate image that impact the company’s risk management, and response measures

The company upholds the principles of integrity and has a sound and solid operational philosophy. The company will actively strengthen internal management to enhance quality and efficiency. The company continues to introduce more outstanding talents and cultivate the operational team in order to reward the results to the shareholders and the public, as well as fulfilling the corporate social responsibility. The company has good corporate image. No change of corporate image has caused the occurrence of corporate crisis.

(VII) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.

(VIII) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: None.

(IX) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration: not applicable to the company.

(X) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None.

(XI) Effects of, Risks Relating to and Response to the Changes in Management Rights: The company has had a sound structure and no risk of changes in management rights.

(XII) Any litigation or non-litigation event shall state the company and the company's directors, supervisors, general manager, substantive person in charge, major shareholders holding more than 10% of the shares, and major lawsuits that the subordinate company has decided to determine or are still in the system. If the result of a non-litigation or administrative dispute has a material impact on the shareholders' equity or the price of the securities, the facts of the dispute, the amount of the subject matter, the commencement date of the lawsuit, the parties involved in the proceedings and the date of publication of the annual report shall be disclosed: no.

(XIII) Other Major Risks: None

VII. Other important matters:

(I) Information security risk assessment and response measures

The company has established the regulations governing system management to implement the internal control system and uphold the information security policy. The company reviews and evaluates its safety rules and procedures annually to ensure their appropriateness and effectiveness. Detailed descriptions are as follows:

(1) Information Security Policy

A. Ensure the security of the company's data, system, devices and network communications by preventing external intrusion.

B. Ensure that the access to the system information account and the system changes are authorized in accordance with the company's procedures.

C. Stored files on the computer shall be destroyed properly to prevent the leakage of data to external sources.

D. Monitoring the security status and the records of the information system to effectively stay updated with and handle information security incidents.

E. Maintain the availability and integrity of the data and the system so that normal operations can be recovered when there is any interruption.

At present, the company's information security maintenance measures are complete. Considering security insurance is still an emerging insurance, and it involves supporting the grading of security and claims, the company is still evaluating the stage of future applicability.

(II) IT security network structure

The company's internal systems are isolated from the external network and cannot be accessed directly. It has adopted multiple network security defense systems. The firewall at the front end of the network, the intrusion prevention connection screening system, and the mail server have adopted the Microsoft Exchange Online cloud mail system. The latest malware, harmful links, spam and other threats are immediately blocked. The central console deploys anti-virus software for the internal host and endpoints, which can update the virus code and instantly identify malicious behaviors. It can instantly intercept virus, Trojan worms, ransomware, and malicious programs contained in files to effectively reduce the risks of being hacked.

(III) System Account Life Cycle Management and License Account Management

The user's account and authorization are set according to each business scope and rights and responsibilities. Access to the data is required to be used and changed through the sign-off process after being applied for and approved by each relevant officer. Once the user leaves the job, the user account and authorizations shall be immediately cancelled to prevent unauthorized use.

(IV) Data access records audit

Computers that have completed the retirement process will have the hard disks disassembled and destroyed to comply with the regulatory system and the security policy.

(V) Continuous operation of information system

The system and file are backed up daily and weekly. For the purpose of offsite backup, the backup data is then sent to Google cloud for backup each week. The system data recovery test drills are carried out every year to ensure the normal operation of the information system and data preservation, which can reduce the risk of data loss caused by act of God and man-made disasters.

The operation of the information department can be carried out in accordance with the procedures prescribed by the company to ensure the integrity and safety of the data. The risk assessment results are still good. Therefore, the recent changes in the annual and final year reports have not had any significant adverse impact on the company's information security. There are no major operational risks.

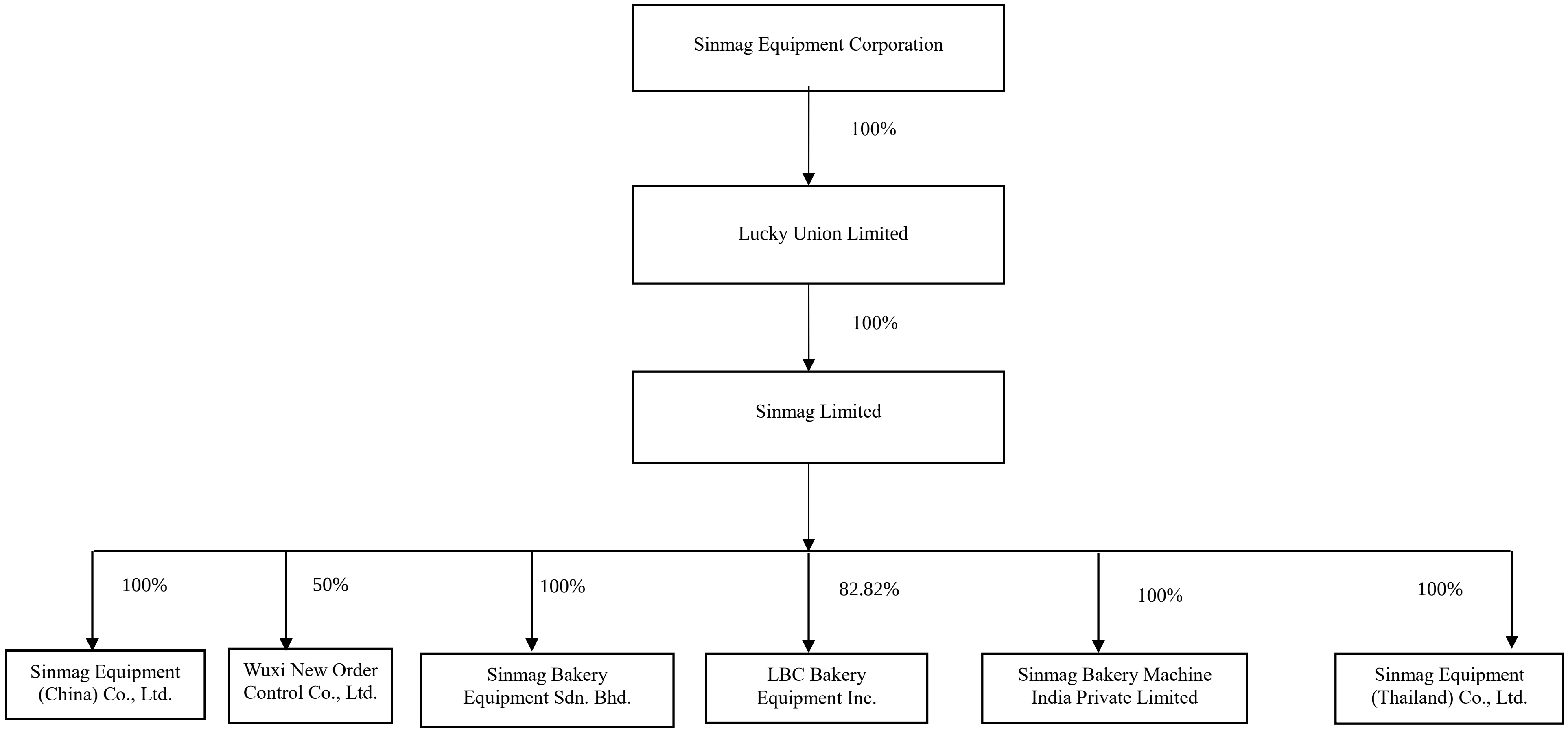
Chapter 8 Special Disclosure

I. Summary of Affiliated Companies

(I) Consolidated Business Report of Affiliated Companies

1. Overview of affiliated companies

(1) Organizational Structure of Affiliates



(2) Summary of Affiliated Companies

May 15, 2019

Name	Date of Incorporation	Address	Paid-in capital	Principal business activities or production
Lucky Union Limited	2003.10.27	Portcullis TrustNet Chambers P.O.Box 1225 Apia, Samoa	US$15,082,503	Holdings
Sinmag Limited	2003.10.27	Portcullis TrustNet Chambers P.O.Box 1225 Apia, Samoa	US$15,582,503	Holdings
Sinmag Equipment (China) Co., Ltd.	1994.12.28	No.312, Youyi North Road, Xishan Economic Development Zone, Wuxi, Jiangsu Province, China	US$28,850,000	Manufacture and sales of food machinery
Sinmag Bakery Equipment Sdn. Bhd.	1990.06.25	No.32, Jalan Tpp 5, Taman Perindustrian Putra, 47130 Puchong, Selangor, Malaysia.	MYR 300,000	Sales of food machinery equipment
Wuxi New Order Control Co., Ltd.	2002.05.08	No.312, Youyi North Road, Xishan Economic Development Zone, Wuxi, Jiangsu Province, China	US$150,000	Manufacture and sales of electronic meter for food service equipment
LBC Bakery Equipment Inc.	2005.07.26	6026 31st Ave Ne, Tulalip, Wa 98271, U.S.	US$1,465,000	Sales of food machinery equipment
Sinmag Bakery Machine India Private Limited	2009.03.16	204, Anand Estates, 189, Arthur Road, Chinchpokli, Mumbai-400011.Dist.-Maharashtra.	US$720,000	Manufacture and sales of food machinery
Sinmag Equipment (Thailand) Co., Ltd.	2009.11.20	21 Soi Phokrew 1 Yek 5,Sub District Klongjan, District Bangkapi Bangkok 10240 Thailand	US$6,000,000	Sales of food machinery equipment

(3) For those who are concluded as the existence of the controlling and subordinate relation, the information of the same shareholders: None.

(4) The overall relationship between the affiliates covered by the business operations and the division of labor:

The company's affiliates' business scope includes investment holding, manufacturing and sales of food machinery equipment and manufacturing and sales of baked goods.

a. Investment holding: Lucky Union Limited and Sinmag Limited.

b. Manufacturing and sales of food machinery equipment: Sinmag Equipment (China) Co., Ltd., Wuxi New Order Control Co., Ltd., Ltd. and Sinmag Bakery Machine India Private Limited.

c. Sales of food service equipment: LBC Bakery Equipment Inc., Sinmag Bakery Equipment Sdn. Bhd. and Sinmag Equipment (Thailand) Co., Ltd.

(5) Information on directors, supervisors, and presidents of affiliates

May 15th, 2019; Unit: NT$

Name	Title	Name or representative	Shareholding	
			Number of Shares or Capital Contributions	Shareholding %
Lucky Union Limited	Director	Sinmag Equipment Corporation Representative: Shun-Ho Hsieh	NT$454,955 thousand	100%
Sinmag Limited	Director	Lucky Union Limited Representative: Shun-Ho Hsieh	NT$470,207 thousand	100%
Sinmag Equipment (China) Co., Ltd.	Chairman	Shun-Ho Hsieh	NT$349,938 thousand	100%
	Director	Ming-Ching Hsieh		
	Director	Tzu-Chien Chang		
	President	Guo-Horng Lue		
	Supervisors	Yao-Tsung Wu		
Sinmag Bakery Equipment Sdn. Bhd.	Chairman	Shun-Ho Hsieh	NT$12,340 thousand	100%
	Director	Lian Choy Seng		
	Director	Yung-Chen Chen		
	Director	Lim Kang Cheng		
	President	Lian Choy Seng		
LBC Bakery Equipment Inc.	Director	Steve Hegge	NT$17,241 thousand	82.82%
	Director	Tzu-Chien Chang		
	Director	Ming-Ching Hsieh		
	President	Steve Hegge		
Wuxi New Order Control Co., Ltd.	Chairman	Ming-Ching Hsieh	NT$3,348 thousand	50%
	Director	Tseng-Wen Lee		
	Director	Yao-Tsung Wu		
	President	Tseng-Wen Lee		
	Supervisors	Sheng-Huei Yang		
Sinmag Bakery Machine India Private Limited	Chairman	Shun-Ho Hsieh	NT$54,748 thousand	100%
	Director	Yung-Chen Chen		
	Director	Mukesh Chachan		
Sinmag Equipment (Thailand) Co., Ltd.	Director	Tzu-Chien Chang	NT$18,199 thousand	100%
	Director	Ming-Ching Hsieh		
	Director	Ming-Hsiung Kuo		

2. Operational overview of affiliated companies

(I) Financial status and operating results of affiliated companies

December 31st, 2018

Name	Currency	Capital	Total assets	Total liabilities	Net worth	Gross Sales	Operating income (loss)	Current profit and loss	Earnings per Share
Lucky Union Limited	NTD	467,498,142	2,041,922,576	-	2,041,922,576	-	(96,903)	490,611,200	-
Sinmag Limited	NTD	482,744,964	2,037,651,536	-	2,037,651,536	-	(4,261)	490,557,182	-
Sinmag Equipment (China) Co., Ltd.	RMB	203,022,121	528,338,275	142,566,264	385,772,011	811,253,450	125,862,481	112,957,685	-
Sinmag Bakery Equipment Sdn. Bhd.	MYR	300,000	18,631,017	6,449,147	12,181,870	16,670,613	650,639	453,580	-
LBC Bakery Equipment Inc.	USD	1,789,527	12,094,678	4,315,125	7,779,553	17,320,675	1,367,160	931,810	-
Wuxi New Order Control Co., Ltd.	RMB	1,241,565	9,929,931	2,580,406	7,349,525	21,077,503	3,500,288	2,649,745	-
Sinmag Bakery Machine India Private Limited	INR	35,706,404	22,674,047	1,460,085	21,213,962	-	(7,206,503)	(9,350,207)	-
Sinmag Equipment (Thailand) Co., Ltd.	THB	18,409,873	61,308,392	28,875,140	32,433,252	101,088,878	12,032,589	9,891,760	-

(II) Consolidated financial statements of affiliated companies

Companies that shall be included in the preparation of the consolidated financial statements of affiliated companies are the same as the company that shall be included in the consolidated financial report of the parent company. Relevant information disclosed in the consolidated financial statements has been disclosed in the consolidated financial report of the parent company. A separate consolidated financial report of affiliated companies will therefore not be prepared. Please refer to pages 209 to 286.

(III) Report of the affiliated companies: None.

II. Private Placement Securities in the Most Recent Year as of the Printing Date of This Annual Report: None.

III. Holding or Disposal of the Company's Shares by the Subsidiaries of the Most Recent Year as of the Date of Publication of This Report: None.

IV. Other Supplementary Information

(I) The following is the company's "Code of Conduct for Directors and Managers" with the disclosure pursuant to Article 16:

Sinmag Equipment Corporation
Code of Conduct for Directors and Managers

Article 1: (Purpose and Basis)
In order to pursue the best interests of the company as a whole, stay committed to sustainable development, and to make the company's stakeholders more aware of the ethical standards and code of conduct that should be followed when the company's directors and managers perform their duties, the Code is formulated to be followed.

Article 2: (Scope of application)
The term "Manager" as used herein refers to the president and the equivalent level, the vice president and equivalent level, associate vice presidents, and equivalent level, the head of the finance department, the head of the accounting department, and the other personnel who are responsible for the company's management affairs have the authorization to sign.

Article 3: (Due Diligence)
The Directors and managers shall comply with the laws and regulations and the code of conduct to promote the implementation of this code and seek highly ethical behavioral standards.

Directors and managers shall perform their duties with due diligence and shall aim to pursue the interests of the company as a whole and shall not harm the interests of the company for seek benefits for a specific person or group, and shall be fair in treating all shareholders while performing their duties.

Article 4: (Conflicts of Interest)
If the resolutions set by the board of directors involve conflicts arising from the director's

own interests and the interests of the company, the directors shall recuse themselves and shall not vote or act on behalf of other directors to exercise their voting rights.

The Directors and managers shall disclose to the company prior to engaging in any actions that might have legal implications, including transactions and loans as well as offering detailed explanations of such matters.

Conflicts of interest occur when personal interest intervenes or is likely to intervene in the overall interest of the company, as for example when a director, supervisor, or managerial officer of the company is unable to perform their duties in an objective and efficient manner, or when a person in such a position takes advantage of their position in the company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the second degree of kinship. The company shall pay special attention to the relationship between the above-mentioned personnel and the company's funds, or when engaging in guarantees, major asset transactions, and import (sales) transactions. The company shall establish a policy aimed at preventing conflicts of interest, and shall offer appropriate means for directors and managers to voluntarily explain whether there is any potential conflict between them and the Company.

Article 5: (Non-compete)

If a director engages in competitive behavior with the company, he shall report and obtain permission in advance to the shareholders' meeting in accordance with the provisions of the Company Act. If the manager engages in the act of competing with the company, he shall report to the board of directors in advance and obtain permission according to the provisions of the Company Act.

Article 6: (Avoidance of seeking self-interest)

The company shall prevent the Directors or managers engaging in the following actions: (1) opportunities for seeking personal gains through use of company properties, information or positions; (2) obtaining personal gains through use of company properties, information or through their positions; (3) to compete with the Company. When the company has a chance of making a profit, the directors and managers shall be responsible for increasing the legitimate interests that the company can obtain.

Article 7: (Fair Trade)

Directors and managers shall offer fair treatment to the company (sales) customers, competitors and employees, and shall not be able to obtain improper benefits from accessing information through manipulation, concealment, misuse of information obtained from his duties, misrepresentation of important matters or other unfair trading practices.

Article 8: (Insider Trading)

Any Director and manager who has received information on the company’s securities as a whole shall be kept in strict confidence in accordance with the Securities and Exchange Act, and shall not use such information to engage in insider trading until such information is publicly disclosed.

Article 9: (Confidentiality)

The Directors and managers shall be aware of the confidential information that is known through their duties and shall be carefully managed. Information shall not be disclosed to other parties or for use in the course of performing their duties unless it has been disclosed by the company or it is necessary to do so to perform their duties. The same shall apply when they resign.

The information to be kept confidential in the preceding paragraph includes the company's personnel and customer information, inventions, business secrets, technical information, product design, manufacturing expertise, financial accounting information, intellectual property rights, etc., and all other undisclosed information that may be exploited by competitors when leaked to damage the company or its customers.

Article 10: (Protection and appropriate use of company assets)

All directors and managerial officers have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes and to prevent theft, negligence in care, or the waste of the assets from directly impacting the company's profitability.

Article 11: (Compliance with laws and regulations)

The Directors and managers shall comply with the relevant laws and regulations and the relevant policies and regulations of the company.

Article 12: (Political donations and activities)

Directors and managers should avoid affecting the company’s employees by making political donations, supporting specific political parties or candidates, or participating in other political activities.

Article 13: (Encouraging the reporting of any violations or non-compliance for the Code of Conduct or Unethical Behavior)

The company should strengthen the promotion of ethics within the company and encourage employees to report to the manager, chief internal auditor or other appropriate personnel when they suspect or discover violations of laws and regulations or the Code. In order to encourage employees to report violations, the company should set a specific reporting system and let employees know that the company will do its utmost to protect the safety of the reporters from retaliation.

Article 14: (Handling the violation)

The Directors and managers have violated the provisions of this Code, it shall be reported to the Board of Directors for resolution.

Article 15: (Procedures for exemption)

If there is a justifiable reason for the Directors and the Managers, the specific provisions of this Code may be waived by the resolution of the Board of Directors, but the date of the waiver by the Board of Directors, the objection or reservation of the Independent Directors, and the waiver shall be disclosed immediately at the Public Information Observatory. Information on the applicable period, the reasons for the exemption and the criteria applicable to the exemption, and the profit-taking shareholders assess whether the resolutions of the board are appropriate to suppress any or suspected exemption from compliance with the guidelines, and ensure that any exemptions are subject to the guidelines in order to protect the company.

Article 16: (Implementation and disclosure)

The Guidelines shall be approved by the Audit Committee and submitted to the Board of Directors for resolution. It shall then be submitted to the shareholders' meeting for implementation. The same applies to the amendment.

The Guidelines shall be disclosed on the company's website, annual report, prospectuses and MOPS. The same shall apply to any amendments.

(II) The following is the disclosure of the regulations pursuant to Article 5 of the "Code of Ethical Conduct":

Sinmag Equipment Corporation

Code of Conduct for Employees

Article 1: Purpose and Basis

In order to align the conduct of our company's personnel with ethical standards and to make the company's stakeholders more aware of the company's ethical standards, we have established this Code for compliance.

Article 2: Scope

The company's managers and employees at all levels.

The term "Manager" as used herein refers to the president and the equivalent level, the vice president and equivalent level, associate vice presidents, and equivalent level, the head of the finance department, the head of the accounting department, and the other personnel who are responsible for the company's management affairs have the authorization to sign.

Article 3: Code of Ethics

(I) Conflicts of Interests:

The company's personnel shall not engage in any acts of loaning of funds, major asset transactions, guarantees, or other transactions that conflict with the company's interests in the name of themselves or others.

The employees should uphold the high degree of self-discipline. If there is a personal stake that will damage the interests of the company, it should be recused. If the company's personnel believe that they cannot handle the affairs in an objective or beneficial manner, or when the relevant transaction or relationship may cause a conflict of interest, they should take the initiative to notify their supervisors in writing and deal with or recuse themselves in a legally acceptable manner.

Where the manager of the company participates in the business dealings of the company with his relatives, spouses, direct blood relatives, and other relatives within a third degree of kinship based on his position, he shall take the initiative to write notify the president in writing as well as handling the matter or resusing in a legally acceptable manner.

(II) Opportunities to avoid the interest of the company:

The company's personnel shall not use their duties to obtain personal benefits from their positions. The company shall maintain the legitimate interests of the company and avoid the occurrence of the following:

(1) the opportunity for personal interest through the use of company property, information or through the use of duties;

(2) Obtain personal gains through the use of company property, information or position;

(3) Competition with the company.

When the company has a chance of making a profit, its personnel shall be responsible for increasing the legitimate interests that the company can obtain.

(III) Confidentiality:

Matters known to the company personnel in their duties shall be kept in a timely manner and classified as confidential information or customer information. The company shall carefully manage and assume confidentiality of its duties, and shall not disclose such information to other parties or work for use outside the company. The same shall apply to any non-employment after resignation.

Information regarding the aforementioned confidentiality includes undisclosed information that may be caused by the competitor or disclosed after a competitor’s actions, or leaks, or damage to the company or customers.

(IV) Fair Trade:

The company's personnel shall be treated fairly and fairly, and the company shall not be able to obtain any false or unfair means of doing so through the information, concealment, abuse of information that is known to its customers, the company's major events, and other unfair means of transaction.

(V) Safeguarding and proper use of company assets:

The company's personnel are responsible for protecting the company's assets and ensuring that it is effectively and lawfully used in the official business to avoid affecting the operations of the company.

(VI) Compliance with laws and regulations:

The company shall comply with laws and regulations, including the laws and regulations of the Securities and Exchange Act, when performing their duties.

(VII) Encouraging reporting on illegal or unethical behavior:

The managers shall promote ethics as well as encouraging employees to report to the Audit Committee, manager, chief internal auditor or other appropriate personnel who have no conflict of interest when they suspect or discover violations of laws and regulations or the Code. However, this shall not be done in a malicious manner.

The person with the reported misconduct shall not threaten the whistleblower. The personnel who are notified shall fully protect the safety and assume confidentiality of the whistleblower, so that they are safe from retaliation.

Depending on the rank of the person being reported, any suspicions are investigated by the personnel unit or the authorized personnel of the board of directors. Anyone who knows the suspicious circumstances during the investigation is responsible for the confidentiality.

(VIII) Punishment:

After the company's personnel violated this standard and the investigation was confirmed, the authority and responsibility unit should report the punishment according to the personnel management rules. If the unit supervisor is informed and does not correct it or fails to comply with the company's regulations, the company will pursue their civil and criminal liabilities to protect the interests of the company and its shareholders.

When the company punishes the offender, the offender may appeal to the investigating personnel authorized by the personnel unit or the president. The responsible unit shall refer to the complaints of the parties and divide them as appropriate.

If the company's personnel violates this Code and the court finds guilty in the first instance, or the personnel unit of the company deliberates that it violates the Code and addressed, the personnel unit shall immediately announce its title, name, date of violation, cause of violation, violation of the Code and the handling such as the situation.

Article 4: Procedures for Exemption

If the Manager has been exempted from the necessary provisions in the Guidelines, it shall be approved by a resolution of the Board of Directors.

The company shall immediately disclose the title, name, date of approval of the Board, date of waiver, and the applicable period, reasons and standards on the MOPS.

Article 5: Disclosure

The Guidelines shall be disclosed in the Annual Report, prospectus and MOPS, and the same shall apply to any amendments.

Article 6: Implementation

The Guidelines shall be implemented after the approval by the President. The same procedure applies to the amendments.

(III) The company's Procedures for Handling of Internal Material Information are as follows:

Sinmag Equipment Corporation

Internal Material Information Processing Procedures

Article 1 To establish a sound internal material information processing and disclosure mechanism of the company, it is necessary to prevent information from improper leakage and ensure the consistency and accuracy of the company's external information are in conformity with the accuracy and correctness of information.

Article 2 The handling and disclosure of internal material information by departments shall be handled in accordance with the relevant laws, orders and the rules and regulations of the TWSE or TPEx.

Article 3 The operating procedures are applicable to the following entities:

1. The company's Directors, Managers and the Natural Persons specified in Article 27-1 of the law who is appointed by a designated representative.
2. Shareholders holding more than 10% of the company's shares.
3. A person who obtained the information by reason of occupational or controlling relationship.
4. Less than six months have elapsed since those who lost the positions in the three preceding subparagraphs.
5. The person who has learned the information from those in the preceding four subparagraphs.

The spouses, minor children of the people in the preceding 5 subparagraphs and those who use others' names shall be applicable.

Article 4 The persons listed in Article 3 that have access to material information which may materially affect the company's share price shall not buy or sell the company's shares prior to the public disclosure of the material information or within 18 hours after its public disclosure.

Article 5 The internal material information referred to in this operating procedure includes the market supply/demand or tender offer involving the company's finance, business or securities, which has a significant impact on its stock price, or has a significant impact on the investment decisions of reasonably prudent investors is defined as follows:

1. Items stipulated in Article 7 of the Securities and Exchange Act Enforcement Rules.
2. The provisions of Articles 2 and 3 of Regulations Governing the Scope of Material Information and the Means of its Public Disclosure Under Article 157-1, Paragraphs 5 and 6 of the Securities and Exchange Act.
3. Items stipulated in Article 2 of Taipei Exchange Procedures for Verification and Disclosure of Material Information of Companies with TPEx Listed Securities.
4. Other market supply and demand information involving the company's finances, business or securities with a significant impact on the company's stock price or a significant impact on the investment decisions of reasonably prudent investors.

Article 6 In addition to the legal requirements to disclose material information on the Market Observation Post System (MOPS), the information disclosure methods stipulated in Article 4 can also be made in the following ways:

1. The market information section of the Taiwan Stock Exchange's website.
2. The market information section of the Taipei Exchange's website.
3. Coverage of the information by two or more daily national newspapers on non-local news pages, national television news, or electronic newspapers issued by any the aforesaid media.

When the disclosure is made through the third paragraph, the period of 18 hours shall begin with the later of the time of delivery of the newspaper, first broadcasting of the television news, or posting of the news on the electronic website, as the case may be. The time of delivery of a newspaper referred to in the preceding paragraph means 6 a.m. for morning newspapers and 3 p.m. for evening newspapers.

When an insider is appointed or dismissed, the information shall be submitted to the "Real-Time Reporting System of Insider Appointment/Dismissal" within two days after the fact occurs. The directors and managers shall sign the relevant regulation statement for insiders within 5 days from the date of their appointment, and the record shall be kept for future reference. The copy of the director's statement will be sent to the competent authority for reference within 10 days from the date of taking office.

Article 7 Items stipulated in Article 5 regarding the time when the news is established shall be the date of occurrence, date of the agreement, date of signing, date of payment, date of consignment trade, date of the transaction, date of transfer, date of resolution of the board of directors or other dates on which the specific evidence may be obtained, whichever is earlier.

Article 8 The internal material information is handled by the spokesperson or the person designated by the spokesperson. Their powers are as follows:

1. Draft and amend the Procedures.
2. Disclose internal material information according to law.
3. Accept the report on the leakage of internal material information and draft countermeasures.
4. Drafting the storage system of all documents, files and electronic records in relation to the Procedures.
5. Other matters related to this Procedure.

Article 9 The company's Directors, managers and employees shall exercise the care and duties of the Manager and perform the principle of good faith, as well as the principle of confidentiality.
Directors, managers and employees who are aware of the company’s internal material information shall not disclose it to other parties.

The directors, managers and employees of the company shall not inquire or collect information from companies that are not aware of the material information of the company, which are not related to their personal duties, and disclose internal information that is not relevant to the company's duties.

Institutions or personnel outside the company that are involved in a merger and acquisition, memorandum, strategic alliance, other business cooperation plan or important contract signing, it shall be required to sign a confidentiality agreement with the company to prevent the disclosure of any such information to other parties.

Article 10 When an internal material file/document is delivered in writing, it shall be handled in accordance with the "Regulations Governing the Administration of Financial and Non-financial Information".
When transmitted by e-mail or other electronic means, it must be handled by security techniques such as encryption.

The internal material file/document shall be backed up and stored in the security premises.

Article 11 The following records shall be kept for external information disclosure:

1. Personnel, date and time of information disclosure.
2. Information disclosure method.
3. Information disclosure and attachment.

Article 12 The Directors, managers and employees of the company who are aware of any material information leaking shall promptly report to the spokesperson.

After receiving the aforementioned report, the spokesperson shall formulate the countermeasures and also invite relevant departments to discuss the handling results and record for future reference.

Article 13 Where the directors, managers and employees and others who have been informed of material information within the company due to their identity, occupation or control are involved in one of the following circumstances, depending on the materiality of the circumstances, they shall be punished in accordance with Article 35 of the “Personnel Management Regulations”:

1. Unauthorized disclosure of material internal information or violation of this operating procedure or other laws and regulations.
2. The spokesperson or the deputy spokesperson who exceeds the scope of the company's authorization or violate the provisions of this operating procedure or other laws and regulations.

Should anyone outside the company leaks the company's material information and causes damage to the company's property or interests, the company shall pursue legal actions through relevant channels.

Article 14 This Procedure shall be implemented after the Board of Directors has adopted with approval. The same procedure applies to any amendment.

Chapter 9 Any event which has a material impact on the shareholders' equity or securities prices as prescribed in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act that has occurred in the most recent year up to the printing date of this annual report: None.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sinmag Equipment Corporation

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Key Audit Matter - Recognition of Revenue from Main Customers

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

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

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

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

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2019

Notice to Readers

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

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

SINMAG EQUIPMENT CORPORATION

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

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

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

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

SINMAG EQUIPMENT CORPORATION

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

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

(Continued)

SINMAG EQUIPMENT CORPORATION

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

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

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

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

SINMAG EQUIPMENT CORPORATION

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

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

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

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

SINMAG EQUIPMENT CORPORATION

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

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

(Continued)

SINMAG EQUIPMENT CORPORATION

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

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

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

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

1. GENERAL INFORMATION

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

a. Wholesale of machinery;

b. Retail sale of machinery and equipment;

c. Machinery and equipment manufacturing;

d. International trade; and

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

   1) IFRS 9 "Financial Instruments" and related amendments

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

Classification, measurement and impairment of financial assets

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

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

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

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

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

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

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

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

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

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

Impact on assets, liabilities and equity for the current year

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

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

Impact on assets, liabilities and equity for the current year

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

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

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

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

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

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

IFRS 16 "Leases"

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

Definition of a lease

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

The Company as lessee

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Foreign currencies

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

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

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

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

e. Inventories

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

f. Investments in subsidiaries

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

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

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

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

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

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

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

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

g. Property, plant and equipment

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

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

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

i. Impairment of tangible and intangible assets other than goodwill

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

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

2018

Financial assets are classified as financial assets at amortized cost.

- Financial assets at amortized cost

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

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

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

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

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

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

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

2017

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

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

b) Impairment of financial assets

2018

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

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

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

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

2017

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

k. Provisions

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

Warranties

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

l. Revenue recognition

2018

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

1) Revenue from the sale of goods

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

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

2) Revenue from the rendering of services

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

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

2017

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

1) Revenue from the sale of goods

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

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

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

   c) The amount of revenue can be measured reliably;

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

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

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

2) Revenue from the rendering of services

Service income is recognized when services are provided.

3) Interest income

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

m. Leasing

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

The Company as lessee

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

n. Borrowing costs

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

p. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

6. CASH AND CASH EQUIVALENTS

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

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

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

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

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

(Continued)

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

(Concluded)

a. Notes receivable

In 2018

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

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

In 2017

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

b. Trade receivables

In 2018

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

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

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

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

December 31, 2018

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

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

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

In 2017

The Company applied the same credit policy in 2018 and 2017. Historical experience show that most trade receivables were highly recoverable. Nonetheless, the Company recognized an allowance for impairment loss of 100% against all receivables aged over 300 days. Allowance for impairment loss was recognized against trade receivables within 300 days based on the estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The aging of receivables was as follows:

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

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

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

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

c. Overdue receivables

In 2018

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

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

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

In 2017

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

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

d. Other receivables

In 2018

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

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

In 2017

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

8. INVENTORIES

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

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

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Subsidiaries

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

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

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

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

10. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

11. OTHER INTANGIBLE ASSETS

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

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

12. OTHER ASSETS

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

13. BORROWINGS

Short-term Borrowings

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

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

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

14. OTHER LIABILITIES

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

15. PROVISIONS

	December 31	
	2018	2017
Current		
Warranties	$ 131	$ 131

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

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

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

Movements in net defined benefit liabilities were as follows:

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

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

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

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

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

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

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

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

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

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

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

17. EQUITY

a. Share capital

Ordinary shares

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

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

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

b. Capital surplus

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

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

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

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

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

Under Article 237 of the Company Law, an appropriation of 10% of net income to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

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

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

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

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

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

d. Special reserve

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

e. Other equity items

Exchange differences on translating the financial statements of foreign operations

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

18. REVENUE

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

a. Contract information

1) Revenue from the sale of goods

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

2) Revenue from the rendering of services

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

b. Contract balances

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

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

c. Disaggregation of revenue

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

19. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

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

b. Other gains and losses

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

c. Finance costs

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

d. Depreciation and amortization

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

e. Employee benefits expense

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

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

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

f. Employees' compensation and remuneration of directors and supervisors

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

Accrual rate

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

Amount

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

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

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

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

g. Gains or losses on foreign currency exchange

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

20. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

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

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

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

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

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

b. Income tax recognized in other comprehensive income

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

c. Current tax assets and liabilities

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

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

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

For the year ended December 31, 2017

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

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

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

f. Income tax assessments

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

21. EARNINGS PER SHARE

Unit: NT$ Per Share

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

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

Unit: NT$ Per Share

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

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

Net profit for the year

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

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

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

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

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

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

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

23. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2018

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

24. OPERATING LEASE ARRANGEMENTS

The Company as Lessee

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

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

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

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

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

25. CAPITAL MANAGEMENT

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

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

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

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

26. FINANCIAL INSTRUMENTS

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

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

b. Categories of financial instruments

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

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

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

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

c. Financial risk management objectives and policies

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

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

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

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

Sensitivity analysis

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

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e. the functional currency) against the relevant foreign currency. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar weakening 1% against the relevant currency. For a 1% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

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

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

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

b) Interest rate risk

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

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

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

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

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

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

2) Credit risk

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

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

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

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company rated its major customers based on the information supplied by independent rating agencies where available and, if not available, other publicly available financial information and its own trading records. The Company's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Company's concentration of credit risk of 91% and 89% in total trade receivables as of December

31, 2018 and 2017, respectively, was related to the Company's ten largest customers.

3) Liquidity risk

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

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Company had available unutilized short-term bank loan facilities set out in (b) below.

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

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise this rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2018

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

December 31, 2017

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

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

b) Financing facilities

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

27. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and categories

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

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

b. Sales of goods

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

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

c. Purchases of goods

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

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

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

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

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

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

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

The outstanding trade payables from related parties are unsecured.

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

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

h. Endorsements and guarantees

Endorsements and guarantees provided by the Company

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

i. Other transactions from related parties

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

j. Compensation of key management personnel

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

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

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

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

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2018

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

December 31, 2017

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

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

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

30. SEPARATELY DISCLOSED ITEMS

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

1) Financing provided to others (none)

2) Endorsements/guarantees provided (Table 1)

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

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital (none)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (Table 2)

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

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

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

9) Trading in derivative instruments (none)

10) Information on investees (Table 5)

c. Information on investments in mainland China

   1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 6)

   2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 7):

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

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

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

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

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

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

SINMAG EQUIPMENT CORPORATION

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

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

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

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

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

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

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

SINMAG EQUIPMENT CORPORATION

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

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

Note: Counterparty is a non-related party.

TABLE 3

SINMAG EQUIPMENT CORPORATION

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

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

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

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

SINMAG EQUIPMENT CORPORATION

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

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

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

SINMAG EQUIPMENT CORPORATION

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

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

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

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

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

TABLE 6

SINMAG EQUIPMENT CORPORATION

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

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

Upper Limit on the amount of investments in mainland China:

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

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

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

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

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

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

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

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

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

SINMAG EQUIPMENT CORPORATION

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES

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

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

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

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

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

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

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

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

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates of Sinmag Equipment Corporation as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with International Financial Reporting Standard No. 10, “Consolidated Financial Statements.” Information required to 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 have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

SINMAG EQUIPMENT CORPORATION

By:

HSIEH, SHUN-HO
Chairman

March 14, 2019

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 and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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 (please 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, 2018 and 2017, 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.

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, 2018. 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.

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

Key Audit Matter - Recognition of Revenue from Main Customers

The consolidated operating revenue from the main customers of the Group accounted for approximately 21% of the total consolidated operating revenue. There is also a significant difference between the change in operating revenue growth (decline) of the main customers and the change in overall consolidated operating revenue growth (decline) of the Group, resulting in a significant impact on the financial performance of the Group. Therefore, we deemed the validity of occurrence of sales revenue from the main customers as a key audit matter. The revenue recognition accounting policy is disclosed in Note 4 (n) to the consolidated financial statements.

We performed the following audit procedures in response to the above-mentioned key audit matter:

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

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

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

Other Matter

We did not audit the financial statements of LBC Bakery Equipment Inc., a subsidiary included in the consolidated financial statements of the Group, but such financial statements were prepared using a different financial reporting framework and audited by other auditors. We have applied audit procedures on the conversion adjustments to the financial statements of LBC Bakery Equipment Inc., which conform to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, 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 11% (NT$356,975 thousand) and 11% (NT$363,781 thousand), respectively, of consolidated total assets as of December 31, 2018 and 2017, and total revenues constituted 12% (NT$501,596 thousand) and 12% (NT$567,736 thousand), respectively, of consolidated total revenues for the years then ended.

We have also audited the parent company only financial statements of Sinmag Equipment Corporation Company as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion with an 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, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2019

Notice to Readers

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 807,198	25	$ 828,127	25
Notes receivable (Notes 4, 7 and 21)	53,816	2	49,410	2
Trade receivables (Notes 4, 7 and 21)	611,712	19	727,270	22
Trade receivables from related parties (Notes 4, 21 and 30)	368	-	1,685	-
Other receivables (Notes 4, 7 and 26)	19,892	-	45,023	1
Current tax assets (Notes 4 and 23)	10,616	-	9,786	-
Inventories (Notes 4 and 8)	669,144	21	703,672	21
Prepayments (Notes 14 and 31)	27,833	1	40,993	1
Other financial assets (Notes 4, 15 and 31)	9,237	-	20,077	1
Total current assets	2,209,816	68	2,426,043	73
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 11 and 31)	843,929	26	736,700	23
Other intangible assets (Notes 4 and 13)	2,947	-	3,752	-
Goodwill (Notes 4 and 12)	3,254	-	3,254	-
Deferred tax assets (Notes 4 and 23)	26,156	1	21,240	1
Other financial assets - non-current (Notes 4, 15 and 31)	64	-	63	-
Long-term prepayments for leases (Notes 14 and 31)	85,876	3	41,248	1
Other non-current assets (Notes 4 and 15)	59,925	2	72,631	2
Total non-current assets	1,022,151	32	878,888	27
TOTAL	$ 3,231,967	100	$ 3,304,931	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 16 and 31)	$ 150,000	5	$ 209,314	7
Contract liabilities - current (Notes 3, 4 and 21)	82,284	2	-	-
Notes payable	27,566	1	37,114	1
Notes payable to related parties (Note 30)	973	-	893	-
Trade payables	257,649	8	297,382	9
Trade payables to related parties (Note 30)	9,579	-	10,760	-
Other payables (Note 17)	258,506	8	256,556	8
Current tax liabilities (Notes 4 and 23)	115,731	4	138,802	4
Provisions - current (Notes 4 and 18)	25,261	1	25,385	1
Advance receipts	-	-	73,187	2
Current portion of long-term borrowings and bonds payable (Notes 16 and 31)	6,121	-	5,968	-
Total current liabilities	933,670	29	1,055,361	32
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16 and 31)	89,615	3	93,659	3
Deferred tax liabilities (Notes 4 and 23)	87,298	2	91,240	3
Net defined benefit liabilities - non-current (Notes 4 and 19)	2,909	-	20,019	-
Total non-current liabilities	179,822	5	204,918	6
Total liabilities	1,113,492	34	1,260,279	38
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 20)				
Share capital				
Ordinary shares	502,302	16	485,316	15
Capital surplus	75,738	2	74,943	2
Retained earnings				
Legal reserve	455,057	14	401,642	12
Special reserve	84,646	3	70,718	2
Unappropriated earnings	1,046,591	32	1,039,971	32
Total retained earnings	1,586,294	49	1,512,331	46
Other equity	(101,655)	(3)	(84,646)	(3)
Total equity attributable to owners of the Company	2,062,679	64	1,987,944	60
NON-CONTROLLING INTERESTS (Note 20)	55,796	2	56,708	2
Total equity	2,118,475	66	2,044,652	62
TOTAL	$ 3,231,967	100	$ 3,304,931	100

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

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

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Notes 4, 21 and 30)	$ 4,290,585	100	$ 4,587,324	99
Service revenue (Note 4)	21,430	-	26,909	1
Total operating revenue	4,312,015	100	4,614,233	100
OPERATING COSTS				
Cost of goods sold (Notes 8, 22 and 30)	(2,591,100)	(60)	(2,713,721)	(59)
Service cost	(2,609)	-	(2,767)	-
Total operating costs	(2,593,709)	(60)	(2,716,488)	(59)
GROSS PROFIT	1,718,306	40	1,897,745	41
OPERATING EXPENSES (Notes 22 and 30)				
Selling and marketing expenses	(626,705)	(15)	(616,612)	(13)
General and administrative expenses	(277,929)	(6)	(288,550)	(6)
Research and development expenses	(163,455)	(4)	(164,385)	(4)
Gain on reversal of expected credit loss (Notes 4 and 7)	7,083	-	-	-
Total operating expenses	(1,061,006)	(25)	(1,069,547)	(23)
PROFIT FROM OPERATIONS	657,300	15	828,198	18
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 22)				
Other income	26,822	1	32,481	1
Other gains and losses	13,829	-	(47,107)	(1)
Finance costs	(8,690)	-	(6,795)	-
Share of profit or loss of associates and joint ventures (Note 10)	-	-	(16,541)	(1)
Total non-operating income and expenses	31,961	1	(37,962)	(1)
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	689,261	16	790,236	17
INCOME TAX EXPENSE (Notes 4 and 23)	(204,029)	(5)	(243,113)	(5)
NET PROFIT FOR THE YEAR	485,232	11	547,123	12

(Continued)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
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	$ 6,120	-	$ (2,471)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(531)	-	420	-
	5,589	-	(2,051)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(21,076)	-	(20,203)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss	5,324	-	2,854	-
	(15,752)	-	(17,349)	(1)
Other comprehensive loss for the year, net of income tax	(10,163)	-	(19,400)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 475,069	11	$ 527,723	11
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 473,613	11	$ 534,153	12
Non-controlling interests	11,619	-	12,970	-
	$ 485,232	11	$ 547,123	12
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 462,193	11	$ 518,174	11
Non-controlling interests	12,876	-	9,549	-
	$ 475,069	11	$ 527,723	11
EARNINGS PER SHARE (Note 24)				
From continuing operations				
Basic	$ 9.43		$ 11.01	
Diluted	$ 9.39		$ 10.96	

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

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

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(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, 2017	$ 485,316	$ 74,943	$ 346,956	$ 54,501	$ 991,291	$ (70,718)	$ 1,882,289	$ 53,694	$ 1,935,983
Appropriation of 2016 earnings (Note 20)									
Legal reserve	-	-	54,686	-	(54,686)	-	-	-	-
Special reserve	-	-	-	16,217	(16,217)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(412,519)	-	(412,519)	-	(412,519)
Net profit for the year ended December 31, 2017	-	-	-	-	534,153	-	534,153	12,970	547,123
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	(2,051)	(13,928)	(15,979)	(3,421)	(19,400)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	532,102	(13,928)	518,174	9,549	527,723
Cash dividends distributed by subsidiaries (Note 20)	-	-	-	-	-	-	-	(6,535)	(6,535)
BALANCE AT DECEMBER 31, 2017	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 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

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

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

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 689,261	$ 790,236
Adjustments for:		
Impairment loss recognized on trade receivables	-	12,938
Gain on reversal of expected credit loss of trade receivables	(7,084)	-
Depreciation expenses	64,965	60,111
Amortization expenses	1,563	1,613
Share of loss of associates and joint ventures	-	16,541
Amortization of prepayments for leases	1,598	769
Loss on disposal of associates	-	19,605
Write-downs of inventories	8,427	3,999
Finance costs	8,690	6,795
Interest income	(16,172)	(16,329)
Loss on disposal of property, plant and equipment	1,698	1,774
Net (gain) loss on foreign currency exchange	(4,181)	13,907
Changes in operating assets and liabilities		
Notes receivable	(4,301)	(2,874)
Trade receivables	115,514	(51,990)
Trade receivables from related parties	1,307	(1,246)
Other receivables	(1,590)	(1,142)
Inventories	19,279	(92,174)
Prepayments	12,091	(11,466)
Notes payable	(9,548)	10,091
Notes payable from related parties	80	(141)
Trade payables	(34,861)	21,041
Trade payables from related parties	(1,034)	1,547
Other payables	6,017	(21,051)
Contract liabilities - current	10,898	-
Advance receipts	(306)	(3,112)
Net defined benefit liabilities	(10,990)	(2,862)
Cash generated from operations	851,321	756,580
Interest received	16,172	16,329
Income tax paid	(230,171)	(242,461)
Net cash generated from operating activities	637,322	530,448
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of associates	-	(16,438)
Net cash inflow on disposal of associates	25,641	-
Payments for property, plant and equipment	(149,717)	(51,908)
Proceeds from disposal of property, plant and equipment	1,096	3,960
Payments for intangible assets	(810)	(1,489)
Increase in prepayments for leases	(48,918)	(20,443)
Increase in other financial assets	-	(5,344)

(Continued)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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

	2018	2017
Decrease in other financial assets	$ 10,111	$ -
Increase in other non-current assets	(19,360)	(42,432)
Net cash used in investing activities	(181,957)	(134,094)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	60,000	119,046
Repayments of short-term borrowings	(119,184)	(35,000)
Proceeds from long-term borrowings	-	39,547
Repayments of long-term borrowings	(6,013)	(1,599)
Dividends paid to owners of the Company	(388,253)	(412,519)
Interests paid	(9,334)	(6,099)
Dividends paid to non-controlling interests	(7,341)	(6,535)
Acquisition of subsidiaries	(5,652)	-
Net cash used in financing activities	(475,777)	(303,159)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(517)	(20,685)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(20,929)	72,510
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	828,127	755,617
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 807,198	$ 828,127

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

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

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

a. Wholesale of machinery;

b. Retail sale of machinery and equipment;

c. Machinery and equipment manufacturing;

d. International trade; and

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

The Company's shares have been listed on 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 FINANCIAL STATEMENTS

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

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

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

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

   1) IFRS 9 "Financial Instruments" and related amendments

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

      Classification, measurement and impairment of financial assets

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

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

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 828,127	$ 828,127	*
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	822,648	822,648	*
Refundable deposits	Loans and receivables	Amortized cost	8,251	8,251	*
Other financial assets	Loans and receivables	Amortized cost	20,140	20,140	*

Financial Assets	**IAS 39 Carrying Amount as of January 1, 2018**	**Reclassifications**	**Remeasurements**	**IFRS 9 Carrying Amount as of January 1, 2018**	**Retained Earnings Effect on January 1, 2018**	**Other Equity Effect on January 1, 2018**	**Remark**
Amortized cost	$ -	$ -	$ -	$ -	$ -	$ -	
Add: Reclassification from loans and receivables (IAS 39)	-	1,679,166	-	1,679,166	-	-	*
	$ -	$ 1,679,166	$ -	$ 1,679,166	$ -	$ -	

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

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

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

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

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

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

Impact on assets, liabilities and equity for the current year

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Contract liabilities - advance receipts	$ -	$ 72,881	$ 72,881
Advance receipts	72,881	(72,881)	-
Total effect on liabilities		$ -	

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

Impact on assets, liabilities and equity for the current year

	December 31, 2018
Increase in contract liabilities - advance receipts	$ 82,284
Decrease in advance receipts	(82,284)
Total effect on liabilities	$ -

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

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

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

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

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

IFRS 16 "Leases"

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

Definition of a lease

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

The Group as lessee

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

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be 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 will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

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

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

3) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of 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

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

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

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

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

Note 2: The 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 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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, including structured entities).

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 6 and 7 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual group 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 the group entities (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; 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).

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

When a group entity transacts with an associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are 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.

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

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

i. 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 when 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 entity 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.

j. 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.

k. 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 any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the 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 for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. 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

      2018

      Financial assets are classified as financial assets at amortized cost.

      - Financial assets at amortized cost

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

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

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

        Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable, trade receivables and other receivables (excluding tax refund receivables), other financial assets and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined by 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.

2017

Financial assets held by the Group are classified as loans and receivables.

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

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

2018

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

The Group always recognizes lifetime expected credit losses (i.e. 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.

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

2017

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

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

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

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

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

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

c) Derecognition of financial assets

The 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.

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

m. Provisions

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

Warranties

Provisions for the expected cost of warranty obligations 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.

n. Revenue recognition

2018

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.

2017

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

1) Revenue from the sale of goods

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

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

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

   c) The amount of revenue can be measured reliably;

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

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

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

2) Revenue from the rendering of services and interest income

Service income is recognized when services are provided.

3) Interest income

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

o. Leasing

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

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

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

3) 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 Group. 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.

p. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. 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.

r. 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 10% 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.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand	$ 7,516	$ 6,416
Checking accounts	92,681	65,944
Demand deposits	707,001	744,763
Cash equivalents		
Bank acceptances	-	1,810
Time deposits with original maturities of less than 3 months	-	9,194
	$ 807,198	$ 828,127

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

	December 31	
	2018	**2017**
Bank balance (including time deposits)	0.001%-4.00%	0.001%-6.75%

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

	December 31	
	2018	**2017**
Notes receivable		
At amortized cost	$ 53,910	$ 49,503
Less: Allowance for impairment loss	(94)	(93)
	$ 53,816	$ 49,410
Trade receivables		
At amortized cost	$ 646,040	$ 770,809
Less: Allowance for impairment loss	(34,328)	(43,539)
	$ 611,712	$ 727,270
Overdue receivables		
At amortized cost	$ 5,112	$ 4,738
Less: Allowance for impairment loss	(5,112)	(4,738)
	$ -	$ -
Other receivables		
Tax refund receivables	$ 3,541	$ 740
Receivables from disposal of investments (Note 26)	-	26,189
Others	16,351	18,094
	$ 19,892	$ 45,023

a. Notes receivable

In 2018

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 applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated 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, 2018

	Total
Expected credit loss rate	0.17%
Gross carrying amount	$ 53,910
Loss allowance (Lifetime ECL)	(94)
Amortized cost	$ 53,816

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

	Total
Balance at January 1, 2018 per IAS 39	$ 93
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	93
Add: Impairment losses recognized on receivables	-
Foreign exchange gains and losses	1
Balance at December 31, 2018	$ 94

In 2017

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

	Individually Assessed for Impairment	**Collectively Assessed for Impairment**	**Total**
Balance at January 1, 2017	$ -	$ 91	$ 91
Add: Impairment losses recognized on receivables	-	-	-
Foreign exchange translation gains and losses	-	2	2
Balance at December 31, 2017	$ -	$ 93	$ 93

b. Trade receivables

In 2018

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 applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor 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, 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	0.77%	2.17%	1.16%	9.51%	79.04%	100%	-
Gross carrying amount	$ 369,946	$ 171,147	$ 57,847	$ 20,385	$ 7,380	$ 19,335	$ 646,040
Loss allowance (Lifetime ECL)	(2,835)	(3,713)	(673)	(1,939)	(5,833)	(19,335)	(34,328)
Amortized cost	$ 367,111	$ 167,434	$ 57,174	$ 18,446	$ 1,547	$ -	$ 611,712

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

	2018
Balance at January 1, 2018 per IAS 39	$ 43,539
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	43,539
Less: Net remeasurement of loss allowance	(7,539)
Less: Amounts written off	(1,304)
Foreign exchange gains and losses	(368)
Balance at December 31, 2018	$ 34,328

In 2017

The Group applied the same credit policy in 2018 and 2017. Historical experience show that most trade receivables were highly recoverable. Nonetheless, the Group recognized an allowance for impairment loss of 100% against all receivables aged over 300 days. Allowance for impairment loss was recognized against trade receivables within 300 days based on the estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The aging of receivables was as follows:

	December 31, 2017
Up to 90 days	$ 588,762
91-180 days	135,061
181-360 days	36,291
More than 361 days	10,695
	$ 770,809

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

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

	Individually Assessed for Impairment	**Collectively Assessed for Impairment**	**Total**
Balance at January 1, 2017	$ -	$ 33,316	$ 33,316
Add: Impairment losses recognized on receivables	-	10,952	10,952
Less: Amounts written off during the year as uncollectible	-	(467)	(467)
Foreign exchange translation gains and losses	-	(262)	(262)
Balance at December 31, 2017	$ -	$ 43,539	$ 43,539

c. Overdue receivables

In 2018

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

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

	2018
Balance at January 1, 2018 per IAS 39	$ 4,738
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	4,738
Add: Net remeasurement of loss allowance	455
Foreign exchange gains and losses	(81)
Balance at December 31, 2018	$ 5,112

In 2017

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

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

d. Other receivables

In 2018

Other receivables consist of tax refund receivables and advances to employees. The 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, 2018, the ratio of allowance for impairment loss of other receivables was 100%.

In 2017

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

8. INVENTORIES

	December 31	
	2018	2017
Merchandise	$ 125,133	$ 122,060
Finished goods	147,638	121,660
Work in progress	161,675	191,503
Raw materials	214,066	249,885
Inventory in transit	20,632	18,564
	$ 669,144	$ 703,672

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $2,591,100 thousand and $2,713,721 thousand, respectively. The cost of goods sold included inventory write-downs of $8,427 thousand and $3,999 thousand, respectively.

9. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

			Proportion of Ownership (%) December 31	
Investor	Investee	Nature of Activities	2018	2017
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
	Wuxi New Order Control Co., Ltd.	Manufacturing and selling of control panel and electromechanical control system	50.00	50.00
	Sinmag Bakery Equipment Sdn. Bhd.	Selling of bakery equipment	100.00	100.00
	Lipang Mixing Equipment (Wuxi) Co., Ltd. (Note 2)	Manufacturing and selling of bakery equipment	-	-
	LBC Bakery Equipment Inc. (Note 3)	Selling of bakery equipment	82.82	80
	Sinmag Bakery Machine India Private Limited	Manufacturing and selling of bakery equipment	100.00	100.00
	Sinmag Equipment (Thailand) Co., Ltd.	Selling of bakery equipment	100.00	100.00

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

Note 2: Lipang Mixing Equipment (Wuxi) Co., Ltd. completed liquidation on December 15, 2017.

Note 3: 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, 2019 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. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31, 2017
Associates that are not individually material	
Societe Agro- Industrielle De Kinshasa (Saik)	$ -

At each balance sheet date, the proportion of ownership and voting rights held by the Group were as follows:

Name of Associate	December 31, 2017
Saik	$ -

In June 2017, the Group subscribed for the issuance of new shares of SAIK with $16,438 thousand in cash. After the subscription, the Group's percentage of ownership in SAIK remained the same.

The Group disposed of 50% of its interest in SAIK in December 2017 and recognized a loss of $15,977 thousand from the disposal.

The associates are accounted for using the equity method.

- Aggregate information of associates that are not individually material

	For the Year Ended December 31, 2017
The Group's share of:	
Loss from continuing operations	$ (16,541)
Other comprehensive loss	-
Total comprehensive loss for the year	$ (16,541)

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of the investments in associates were calculated based on financial statements which have not been audited. Management believes, however, that there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of the associates which have not been audited.

11. 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, 2017	$ 87,393	$ 516,135	$ 373,484	$ 12,616	$ 51,113	$ 82,590	$ -	$ 1,123,331
Additions	13,200	6,915	23,763	459	4,995	2,576	-	51,908
Disposals	-	-	(17,124)	(12)	(2,508)	(3,329)	-	(22,973)
Effects of foreign currency exchange differences	(1,977)	(8,970)	(4,691)	(110)	(1,559)	(939)	-	(18,246)
Reclassification (Note)	-	73,495	941	-	54	599	-	75,089
Balance at December 31, 2017	$ 98,616	$ 587,575	$ 376,373	$ 12,953	$ 52,095	$ 81,497	$ -	$ 1,209,109
Accumulated depreciation and impairment								
Balance at January 1, 2017	$ -	$ 141,576	$ 192,434	$ 6,738	$ 34,126	$ 59,923	$ -	$ 434,797
Disposals	-	-	(12,339)	(11)	(2,188)	(2,701)	-	(17,239)
Depreciation expenses	-	19,134	28,631	1,606	5,788	4,952	-	60,111
Effect of foreign currency exchange differences	-	(1,440)	(2,173)	(46)	(981)	(660)	-	(5,260)
Balance at December 31, 2017	$ -	$ 159,310	$ 206,553	$ 8,287	$ 36,745	$ 61,514	$ -	$ 472,409
Carrying amounts at December 31, 2017	$ 98,616	$ 428,265	$ 169,820	$ 4,666	$ 15,350	$ 19,983	$ -	$ 736,700
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)
Reclassification (Note)	-	21,605	7,754	-	-	3,429	-	32,788
Effects of foreign currency exchange differences	759	(5,443)	(6,850)	(213)	182	(1,795)	(2,452)	(15,812)
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

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

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 significant part of the Group’s buildings include main buildings, mechanical and electrical power equipment etc., and are depreciated over their estimated useful lives of 3 to 50 years, 5 to 10 years and 5 to 10 years, respectively.

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 31.

12. GOODWILL

	For the Year Ended December 31	
	2018	2017
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, 2017	$ 13,942
Additions	1,489
Effect of foreign currency exchange differences	(110)
Balance at December 31, 2017	$ 15,321
Accumulated amortization and impairment	
Balance at January 1, 2017	$ 10,036
Amortization expenses	1,613
Effect of foreign currency exchange differences	(80)
Balance at December 31, 2017	$ 11,569
Carrying amount at December 31, 2017	$ 3,752
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 was amortized on a straight-line basis over its estimated useful life of 3 to 5 years.

14. REPAYMENTS FOR LEASES

	December 31 2018	 2017
Current assets (included in prepayments)	$ 1,724	$ 785
Non-current assets	85,876	41,248
	$ 87,600	$ 42,033

a. As of December 31, 2018 and 2017, prepaid lease payments consist of land use rights, which are for land located in mainland China and Malaysia with a period of 50 years to 99 years respectively.

b. The land use rights pledged to financial institution as collateral for borrowings are set out in Note 31.

15. OTHER ASSETS

	December 31 2018	 2017
Current		
Other financial assets (Note)		
Time deposits with original maturities within 3 months from the date of acquisition	$ 8,944	$ 19,814
Other financial assets	293	263
	$ 9,237	$ 20,077
Non-current		
Other financial assets (Note)	$ 64	$ 63
Other assets		
Refundable deposits (Note)	$ 17,033	$ 8,251
Prepayments for equipment	21,392	45,654
Prepayments - non-current	21,500	18,726
	$ 59,925	$ 72,631

Note: 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.

Other financial assets of the Group pledged as collateral for contracts are set out in Note 31.

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	2017
Secured borrowings (Note 31)		
Bank loans	$ 50,000	$ -
Unsecured borrowings		
Line of credit borrowings	100,000	209,314
	$ 150,000	$ 209,314

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 bank line of credit borrowings was 1.15% and 1.15%-2.38% per annum as of December 31, 2018 and 2017, respectively.

b. Long-term borrowings

	December 31	
	2018	2017
Secured borrowings (Note 31)		
Bank loans - Banner Bank	$ 60,022	$ 59,605
Bank loans - UOB	35,418	39,547
Bank loans - Tisco Bank	296	475
Less: Current portions	(6,121)	(5,968)
Long-term borrowings	$ 89,615	$ 93,659

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 31) and will be repayable on September 1, 2025. As of December 31, 2018 and 2017, the Group used $60,022 thousand (US$1,954 thousand) and $59,605 thousand (US$2,003 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 land use rights and buildings (see Note 31) and will be repayable on May 5, 2022. As of December 31, 2018 and 2017, the Group used $35,418 thousand (RMB 4,980 thousand) and $39,547 thousand (RM5,592 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 rights and plants.

The long-term borrowings from Tisco in the amount of $753 thousand (THB829 thousand) are secured by the Group's transportation equipment (see Note 31) and will be repayable on July 20, 2020. As of December 31, 2018 and 2017, the outstanding balance of the long-term borrowing facilities is $296 thousand (THB311 thousand) and $475 thousand (THB518 thousand), respectively, with an interest rate of 5.3%. 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. The purpose of this bank borrowing facility was for the acquisition of transportation equipment.

17. OTHER LIABILITIES

	December 31	
	2018	**2017**
Current		
Other payables		
Payables for salaries or bonuses	$ 168,881	$ 173,577
Payables for professional service fees	3,193	3,052
Payables for employee welfare fund	3,798	4,025
Accrued interest payable	77	721
Payables for business tax	27,779	18,966
Others	54,778	56,215
	$ 258,506	$ 256,556

18. PROVISIONS

	December 31	
	2018	**2017**
Current		
Warranties	$ 25,261	$ 25,385

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 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the 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	
	2018	**2017**
Present value of defined benefit obligation	$ 56,195	$ 60,024
Fair value of plan assets	(53,286)	(40,005)
Deficit (surplus)	2,909	20,019
Asset ceiling	-	-
Net defined benefit liabilities	$ 2,909	$ 20,019

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2017	$ 57,764	$ (37,354)	$ 20,410
Service cost			
Current service cost	452	-	452
Net interest expense (income)	669	(433)	236
Recognized in profit or loss	1,121	(433)	688
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	74	74
Actuarial loss - changes in demographic assumptions	761	-	761
Actuarial loss - changes in financial assumptions	764	-	764
Actuarial loss - experience adjustments	872	-	872
Recognized in other comprehensive income	2,397	74	2,471
Contributions from the employer	-	(3,550)	(3,550)
Benefits paid	(1,258)	1,258	-
Balance at December 31, 2017	60,024	(40,005)	20,019
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

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

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

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

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

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

20. EQUITY

a. Share capital

Ordinary shares

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

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

In the meeting on June 13, 2018, the Company's shareholders approved the transfer of retained earnings of $16,986 thousand to 1,698,608 new shares with a par value of NT$10. The transfer was approved by 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	
	2018	**2017**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Arising from issuance of ordinary shares	$ 74,811	$ 74,811
Arising from the difference between consideration received and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	927	132
	$ 75,738	$ 74,943

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

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

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

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

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

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

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

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

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

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

d. Special reserve

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

e. Other equity items

Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2018	**2017**
Balance at January 1	$ (84,646)	$ (70,718)
Effect of change in tax rate	858	-
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(22,333)	(39,971)
Related income tax	4,466	6,795
Reclassification adjustment		
Disposal of foreign operations	-	23,189
Related income tax	-	(3,941)
Other comprehensive income recognized for the year	(17,009)	(13,928)
Balance at December 31	$ (101,655)	$ (84,646)

f. Non-controlling interests

	For the Year Ended December 31	
	2018	**2017**
Balance at January 1	$ 56,708	$ 53,694
Share in profit for the year	11,619	12,970
Other comprehensive income during the year		
Cash dividend	(7,341)	(6,535)
Exchange differences on translating the financial statements of foreign operations	(1,257)	(3,421)
Acquisition of non-controlling interests in subsidiaries (see Note 25)	(6,447)	-
Balance at December 31	$ 55,796	$ 56,708

21. REVENUE

	For the Year Ended December 31	
	2018	**2017**
Revenue from contracts with customers		
Revenue from the sale of goods	$ 4,290,585	$ 4,587,324
Revenue from the rendering of services	21,430	26,909
	$ 4,312,015	$ 4,614,233

a. Contract information

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

2) Revenue from the rendering of services

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

b. Contract balances

	December 31, 2018
Notes receivable (Note 7)	$ 53,816
Trade receivables (Note 7)	611,712
Trade receivables from related Parties (Note 30)	368
	$ 665,896
Contract liabilities	
Sale of goods	$ 82,284

Revenue of the current reporting period recognized from the contract liabilities at the beginning of the year was $64,662 thousand.

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	
	2018	2017
Rental income		
Operating lease rental income	$ -	$ 416
Interest income		
Bank deposits	16,172	16,329
Others	10,650	15,736
	$ 26,822	$ 32,481

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Loss on disposal of property, plant and equipment	$ (1,698)	$ (1,774)
Loss on disposal of investment	-	(19,605)
Net foreign exchange gains (losses)	17,499	(24,741)
Others	(1,972)	(987)
	$ 13,829	$ (47,107)

c. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	$ 8,690	$ 6,795

d. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
An analysis of depreciation by function		
Operating costs	$ 39,917	$ 37,972
Operating expenses	25,048	22,139
	$ 64,965	$ 60,111
An analysis of amortization by function		
Operating costs	$ 182	$ 282
Selling and marketing expenses	276	273
General and administrative expenses	659	763
Research and development expenses	446	295
	$ 1,563	$ 1,613

e. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Short-term benefits	$ 967,562	$ 982,717
Post-employment benefits		
Defined contribution plans	91,351	92,344
Defined benefit plans (see Note 19)	665	688
	92,016	93,032
Total employee benefits expense	$ 1,059,578	$ 1,075,749
An analysis of employee benefits expense by function		
Operating costs	$ 426,466	$ 449,771
Operating expenses	633,112	625,978
	$ 1,059,578	$ 1,075,749

f. Employees' compensation and remuneration of directors and supervisors

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

Accrual rate

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

Amount

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

If there is a change in the amounts after the annual 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 and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

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

g. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2018	**2017**
Foreign exchange gains	$ 57,033	$ 25,179
Foreign exchange losses	(39,534)	(49,920)
	$ (17,499)	$ (24,741)

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	
	2018	2017
Current tax		
In respect of the current year	$ 307,655	$ 366,484
Income tax on unappropriated earnings	5,952	6,314
Adjustments for prior years	(6,530)	(2,508)
Withholding tax credits from overseas profits of the current year	(38,783)	(49,885)
Tax deduction	(60,365)	(70,569)
	207,929	249,836
Deferred tax		
In respect of the current year	(18,658)	(6,723)
Adjustments to deferred tax attributable to changes in tax rates and laws	14,758	-
	(3,900)	(6,723)
Income tax expense recognized in profit or loss	$ 204,029	$ 243,113

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

	For the Year Ended December 31	
	2018	2017
Profit before tax from continuing operations	$ 689,261	$ 790,236
Income tax expense calculated at the statutory rate	$ 137,852	$ 134,340
Unrecognized deductible temporary differences - share of (profit) loss of subsidiaries accounted for equity method	(41,981)	(13,557)
Nondeductible expenses in determining taxable income	60,303	69,299
Income tax on unappropriated earnings	5,952	6,314
Withholding tax credits from overseas profits	(38,783)	(49,885)
Effect of different tax rates of group entities operating in other jurisdictions	87,216	99,110
Adjustments for prior years' tax	(6,530)	(2,508)
Income tax expense recognized in profit or loss	$ 204,029	$ 243,113

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

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%.

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

b. Income tax recognized in other comprehensive income

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

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Tax refund receivable	$ 10,616	$ 9,786
Current tax liabilities		
Income tax payable	$ 115,731	$ 138,802

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	Opening Balance	**Recognized in Profit or Loss**	**Recognized in Other 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, associates and joint ventures	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, associates and joint ventures 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

For the year ended December 31, 2017

	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	$ 1,038	$ 1,796	$ -	$ (30)	$ 2,804
Unrealized loss on inventories	3,760	(298)	-	(110)	3,352
Unrealized gain on transactions with subsidiaries, associates and joint ventures	2,221	(12)	-	-	2,209
Provisions	3,036	(837)	-	(212)	1,987
Defined benefit obligations	3,498	-	420	-	3,918
Exchange differences on translating the financial statements of foreign operations	2,016	-	2,854	-	4,870
Others	4,347	(1,992)	-	(255)	2,100
	$ 19,916	$ (1,343)	$ 3,274	$ (607)	$ 21,240
Deferred tax liabilities					
Temporary differences					
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method	$ 97,610	$ (8,140)	$ -	$ -	$ 89,470
Pensions	809	486	-	-	1,295
Others	887	(412)	-	-	475
	$ 99,306	$ (8,066)	$ -	$ -	$ 91,240

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

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

f. Income tax assessments

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

24. EARNINGS PER SHARE

Unit: NT$ Per Share

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

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

Unit: NT$ Per Share

	Before Retro-spective Adjust-ment	**After Retro-spective Adjust-ment**
Basic earnings per share	$ 11.01	$ 10.63
Diluted earnings per share	$ 10.96	$ 10.60

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

Net profit for the year

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

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

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of ordinary shares used in the computation of basic earnings per share	50,230	50,230
Effect of potentially dilutive ordinary shares		
Employees' compensation	225	183
Weighted average number of ordinary shares used in the computation of diluted earnings per share	50,455	50.413

If the 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 completed the liquidation of Lipang Mixing Equipment (Wuxi) Co., Ltd., on December 15, 2017. Lipang Mixing Equipment (Wuxi) Co., Ltd. is engaged in the manufacturing and selling of bakery equipment.

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, 2018 and 2017, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statements of cash flows:

As of December 31, 2018 and 2017, proceeds in respect of the Group's disposal of investments amounting to $0 thousand and $26,189 thousand had not been received in cash, which were included in other receivables.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2018

	Balance at January 1, 2018	Cash Flows	Non-cash Changes Exchange Differences on Translating the Financial Statements	Balance at December 31, 2018
Short-term borrowings	$ 209,314	$ (59,184)	$ (130)	$ 150,000
Long-term borrowings	99,627	(6,013)	2,122	95,736
	$ 308,941	$ (65,197)	$ 1,992	$ 245,736

27. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

Operating leases relate to leases of commercial spaces, printers etc. with lease terms between 1 to 50 years. The Group does not have a bargain purchase option to acquire the leased subject matter at the expiration of the lease periods.

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

	December 31	
	2018	2017
Not later than 1 year	$ 5,431	$ 4,271
Later than 1 year and not later than 5 years	6,760	5,687
Later than 5 years	17,483	18,171
	$ 29,674	$ 28,129

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

	For the Year Ended December 31	
	2018	2017
Minimum lease payments	$ 19,236	$ 19,607

28. 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, and the amount of new debt issued or existing debt redeemed.

29. 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	
	2018	**2017**
Financial assets		
Loans and receivables (1)	$ -	$ 1,679,166
Financial assets at amortized cost (2)	1,515,779	-
Financial liabilities		
Financial liabilities at amortized cost (3)	599,551	715,078

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

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

3) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, long-term loans and payables (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 (excluding tax refund receivables), other financial assets, payables and short-term and long-term loans. Risks on the financial instruments include market risk (such as currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The 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 New Taiwan dollar (i.e. the functional currency) against the relevant foreign currency. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar weakening 1% against the relevant currency. For a 1% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2018	**2017**
Profit or loss	$ 3,800	$ 2,926

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

The Group's sensitivity to the USD increased during the current year mainly due to the decrease in USD denominated payables and short-term loans.

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	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 9,199	$ 20,061
Financial liabilities	210,318	269,394
Cash flow interest rate risk		
Financial assets	707,103	754,036
Financial liabilities	35,418	39,547

<u>Sensitivity analysis</u>

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, 2018 and 2017 would increase/decrease by $1,679 thousand and $1,786 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 decreased during the current period mainly due to the decrease in floating interest rate financial assets.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the 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 and financial guarantees provided by the Group, 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 52% and 55% of the total trade receivables as of December 31, 2018 and 2017, 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 (c) below for more information about unused amounts of financing facilities at December 31, 2018 and 2017.

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, 2018

	1-3 Months	**3 Months to 1 Year**	**1-5 Years**	**5+ Years**
Non-derivative financial liabilities				
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

December 31, 2017

	1-3 Months	**3 Months to 1 Year**	**1-5 Years**	**5+ Years**
Non-derivative financial liabilities				
Short-term borrowings	$ 210,304	$ -	$ -	$ -
Non-interest bearing liabilities	398,679	7,458	-	-
Long-term borrowings	2,699	8,019	57,460	58,210
	$ 611,682	$ 15,477	$ 57,460	$ 58,210

b) Financing facilities

	December 31 2018	December 31 2017
Unsecured bank loan facilities, reviewed annually and payable on demand:		
Amount used	$ 100,000	$ 209,314
Amount unused	693,480	526,915
	$ 793,480	$ 736,229
Secured bank loan facilities:		
Amount used	$ 145,736	$ 99,627
Amount unused	101,330	342,923
	$ 247,066	$ 442,550

30. 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.	Associates
Auto Control Co., Ltd.	Associates
Wuxi Temma Paper Cup Co., Ltd.	Associates
Sinmag Fitting Corporation	Associates
Tehmag Foods Corporation Sdn. Bhd.	Associates

b. Sales of goods

Line Item	Related Party Category/Name	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Sales	Associates	$ 1,158	$ 3,455

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 Bill of Lading. The sales prices to third parties were determined in accordance with mutual agreements, and the collection terms to third parties was 90 days.

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2018	2017
Associates	$ 55,793	$ 48,207

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 2018	2017
Trade receivables	Associates	$ 368	$ 1,685

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

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

Line Item	Related Party Category/Name	December 31 2018	2017
Trade payables	Associates	$ 973	$ 893
Notes payable	Associates	$ 9,579	$ 10,760

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 2018	2017
General and administrative expenses - other expenses	Associates	$ 10	$ 9

g. Compensation of key management personnel

	For the Year Ended December 31 2018	2017
Short-term employee benefits	$ 56,632	$ 61,774
Post-employment benefits	1,023	1,161
	$ 57,655	$ 62,935

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

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31	
	2018	**2017**
Other financial assets - current		
Pledged deposits	$ 191	$ 184
Taxpayer accounts	102	79
	$ 293	$ 263
Other financial assets - non-current		
Pledged deposits	$ 64	$ 63
Others		
Land use rights	20,933	41,727
Freehold land	82,145	85,416
Buildings, net	154,987	296,366
Transportation equipment, net	296	475
	$ 258,361	$ 423,984

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Unrecognized commitments were as follows:

	December 31	
	2018	**2017**
Acquisition of property, plant and equipment	$ 258,660	$ 11,782

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, 2018

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
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

December 31, 2017

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
USD	$ 9,751	29.76 (USD:NTD)	$ 290,195
USD	11,880	6.52 (USD:RMB)	353,547
USD	47	4.21 (USD:MYR)	1,409
			$ 645,151
Financial liabilities			
Monetary items			
USD	6,291	29.76 (USD:NTD)	$ 187,206
USD	4,766	6.52 (USD:RMB)	141,844
USD	298	4.21 (USD:MYR)	8,883
USD	492	32.43 (USD:THB)	14,641
			$ 352,574

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gains (losses) were $17,499 thousand and $(24,741) 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 (Table 2)

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

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

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

9) Trading in derivative instruments (none)

10) Intercompany relationships and significant intercompany transactions (Table 5)

11) Information on investees (Table 6)

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 7)

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 8):

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

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

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

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

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

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

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 6 and 7
2	Increases, decreases, or changes in the subordinate companies included in the current consolidated financial statements of the affiliates.	Note 9
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.	None
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 5
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.	None
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 6 and 7
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 amended Articles, the Company shall allocate reserve funds, expansion funds and welfare funds for employees of Sinmag Equipment (China) Co., Ltd. after payment of taxes. The Company accrued the reserve funds 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 can no longer be withdrawn. 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 are similar;
- The pricing strategy of the products are 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	
	2018	2017	2018	2017
Manufacturing and selling of bakery equipment segment	$ 5,382,621	$ 5,931,502	$ 791,378	$ 973,907
Manufacturing and selling of control panel and electromechanical control system segment	96,113	105,459	(76,423)	(82,774)
Eliminations	(1,166,719)	(1,422,728)	-	-
Continuing operations	$ 4,312,015	$ 4,614,233	714,955	891,133
Other income			26,822	32,481
Other gains and losses			13,829	(47,107)
Compensation of key management personnel			(57,655)	(62,935)
Finance costs			(8,690)	(6,795)
Share of profit or loss of associates and joint ventures			-	(16,541)
Profit before tax (continuing operations			$ 689,261	$ 790,236

Segment profit represents the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profit of associates, interest 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	
	2018	2017
Segment assets		
Continuing operations		
Manufacturing and selling of bakery equipment segment	$ 3,152,406	$ 3,214,255
Manufacturing and selling of control panel and electromechanical control system segment	33,488	39,510
Unallocated	46,073	51,166
Consolidated total assets	$ 3,231,967	$ 3,304,931
Segment liabilities		
Continuing operations		
Manufacturing and selling of bakery equipment segment	$ 654,181	$ 711,380
Manufacturing and selling of control panel and electromechanical control system segment	10,546	9,916
Unallocated	448,765	538,983
Consolidated total liabilities	$ 1,113,492	$ 1,260,279

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		**Non-current Assets**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2018	**2017**	**2018**	**2017**
Manufacturing and selling of bakery equipment segment	$ 66,263	$ 61,417	$ 105,266	$ 53,111
Manufacturing and selling of control panel and electromechanical control system segment	265	307	261	286
	$ 66,528	$ 61,724	$ 105,527	$ 53,397

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	
	2018	**2017**
Bakery equipment products	$ 4,290,585	$ 4,587,324
Services	21,430	26,909
	$ 4,312,015	$ 4,614,233

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	
	2018	2017	2018	2017
Taiwan	$ 615,245	$ 748,715	$ 119,929	$ 124,576
China	2,980,431	3,111,891	683,065	546,268
United States	501,596	567,736	117,736	117,170
Others	214,743	185,891	75,265	69,634
	$ 4,312,015	$ 4,614,233	$ 995,995	$ 857,648

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 2018 and 2017.

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 1)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 5)										
0	Sinmag Equipment Corporation	Sinmag Bakery Equipment Sdn. Bhd.	(b)	Net value 50% $ 1,031,340	$ 42,672 (RM 6,000)	$ 42,672 (RM 6,000)	$ 35,418 (RM 4,980)	$ -	2	Net value 50% $ 1,031,340	Y	-	-

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

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

Note 3: 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, 2018.

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

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

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

Note: Counterparty is a non-related party.

SINMAG EQUIPMENT CORPORATION 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, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transactions		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Sinmag Equipment Corporation	Sinmag Equipment (China) Co., Ltd.	Subsidiary	Purchase	$ 666,936	85	B/L 45 Day	Note 1	Note 2	$ (155,324)	(82)	Note 3
Sinmag Equipment (China) Co., Ltd.	Sinmag Equipment Corporation	Parent company	(Sale)	(666,936)	(18)	B/L 45 Day	〃	〃	155,324	28	〃
LBC Bakery Equipment Inc.	Sinmag Equipment Corporation	Parent company	Purchase	233,511	88	B/L 180 Day	〃	〃	(33,790)	(80)	〃
Sinmag Equipment Corporation	LBC Bakery Equipment Inc.	Subsidiary	(Sale)	(233,511)	(25)	B/L 180 Day	〃	〃	33,790	16	〃

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

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

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, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance (Note 2)	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note 1)	Allowance for Impairment Loss
					Amount	Actions Taken		
Sinmag Equipment (China) Co., Ltd.	Sinmag Equipment Corporation	Parent company	Trade receivables $155,324	3.90	$ -	-	$ 94,938	$ -

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

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

TABLE 5

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	$ 52,276	Cost with a margin, B/L 90 days	1
				Trade receivables	5,244	-	-
		Sinmag Bakery Equipment Sdn. Bhd.	From parent to subsidiary	Sales	46,292	Cost with a margin, B/L 60 days	1
				Guarantees provided	42,672	-	1
		Lucky Union Limited	From parent to subsidiary	Capital increased by cash	5,652	Capital increased by cash	-
		LBC Bakery Equipment Inc.	From parent to subsidiary	Sales	233,511	Cost with a margin, B/L 180 days	5
				Trade receivables	33,790	-	1
1	Lucky Union Limited	Sinmag Equipment Corporation	From subsidiary to parent	Surplus repatriation	376,987	-	12
		Sinmag Limited	Between subsidiaries	Capital increased by cash	5,652	-	-
2	Sinmag Limited	Lucky Union Limited	Between subsidiaries	Surplus repatriation	376,987	-	12
3	Sinmag Equipment (China) Co., Ltd.	Sinmag Limited	Between subsidiaries	Surplus repatriation	382,449	-	12
		Sinmag Equipment Corporation	Between subsidiaries	Sales	666,936	Cost with a margin, B/L 45 days	15
				Trade receivables	155,324	-	5
		Sinmag Equipment (Thailand) Co., Ltd.	Between subsidiaries	Sales	51,858	Cost with a margin, monthly payment: 90 days	1
				Trade receivables	19,370	-	1
4	Wuxi New Order Control Co., Ltd.	Sinmag Equipment (China) Co., Ltd.	Between subsidiaries	Sales	96,113	Negotiated case by case, monthly payment: 30 days	2
				Trade receivables	10,817	-	-
		Sinmag Limited	Between subsidiaries	Surplus repatriation	7,341	-	-
5	LBC Bakery Equipment Inc.	Sinmag Equipment (China) Co., Ltd.	Between subsidiaries	Sales	19,606	Negotiated case by case, monthly payment: 60 days	-
				Trade receivables	8,400	-	-

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 and 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.

TABLE 6

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
Sinmag Equipment Corporation	Lucky Union Limited	Samoa	Holding Company	$ 454,955	$ 449,303	-	100.00	$ 2,030,490	$ 490,611	$ 490,611	Notes 1, 2, 3 and 4
Lucky Union Limited	Sinmag Limited	Samoa	Holding Company	470,207	464,555	-	100.00	2,037,652	490,557	490,557	Notes 1, 2, 3 and 4
Sinmag Limited	Sinmag Bakery Equipment Sdn. Bhd.	Malaysia	Selling of bakery equipment.	12,340	12,340	300,000	100.00	86,637	3,265	3,265	Notes 1, 2, 3 and 4
	LBC Bakery Equipment Inc.	United States	Selling of bakery equipment.	17,241	11,589	882,000	82.82	188,743	28,039	22,467	Notes 1, 2, 3 and 4
	Sinmag Bakery Machine India Private Limited	India	Manufacturing and selling of bakery equipment.	54,748	54,748	-	100.00	9,321	(4,121)	(4,121)	Notes 1, 2, 3 and 4
	Sinmag Equipment (Thailand) Co., Ltd.	Thailand	Selling of bakery equipment.	18,199	18,199	-	100.00	30,915	9,276	9,276	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 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 7.

TABLE 7

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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

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

Upper Limit on the amount of investments in mainland China:

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

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

a. Direct investments in mainland China.
b. Investment in mainland China through an existing company established in a third region (Lucky Union Limited and Sinmag Limited)
c. Others.

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

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

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

1) Based on financial statements audited by an international accounting firm that has a business relationship with an accounting firm in the ROC.
2) Based on financial statements audited by the accounting firm of the parent company in Taiwan.
3) 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 $3,243,229 thousand was not deducted from the amount.

Note 5: 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, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

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

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with General Transactions	Ending Balance	%		
Sinmag Equipment (China) Co., Ltd.	Sales	$ (52,276)	(6)	Cost with a margin	B/L 90 days	Note 1	$ 5,244	2	$ 4,215	Note 2
	Purchase	666,936	85	Cost with a margin	B/L 45 days	〃	(155,324)	(82)	22,381	〃

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.

SINMAG EQUIPMENT CORPORATION

Chairman, Shun-Ho Hsieh