Securities Code: 1580

SINMAG EQUIPMENT CORPORATION

2019
Annual Report

May 15th 2020
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: Chao-Mei Chen and Chiang-Hsun 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. 2019 Business Report

(I) Implementation of Business Plan

In 2019, the global economic climate showed signs of recession due to the impact of the trade war launched by the United States. The monetary policy of the central banks of many countries returned to a loose tone, and the confidence in market investment turned weak. China, as the protagonist of this trade war, although continuing its economic transformation target strategy, was still vulnerable to the impact on the export side, and the economic growth force slowed down. The performance of the China market declined slightly due to the conservatism of store expansion by customers. In view of this, the Group has actively strengthened the process improvement and quality management, adjusted the cost structure, material loss control and internal process improvement, improved production efficiency and capacity utilization, reduced production costs, and benefited from the devaluation of RMB, which has increased the gross profit margin of export business. The consolidated operating income of the Group in 2019 is NT$4,164,628 thousand, down about 3.42% compared with NT$4,312,015 thousand in 2018, but the net profit after tax attributable to the Company is NT$503,361 thousand, after tax earnings per share is NT$10.02, up by 6.28% compared with the same period last year.

1. The Company's operating results and sales of its main products are as follows:

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

Unit: NT$ thousands

	2019	2018	Percent Change (%)
Gross Sales	4,164,628	4,312,015	-3.42%
Operating costs	2,459,103	2,593,709	-5.19%
Gross profit	1,705,525	1,718,306	-0.74%
Operating expenses	1,043,445	1,061,006	-1.66%
Operating income	662,080	657,300	0.73%
Non-operating income and expenses	25,471	31,961	-20.31%
Pre-tax income	687,551	689,261	-0.25%
Net profit after tax attributable to the Company	503,361	473,613	6.28%

(2) Budget implementation

The Company did not have a public financial forecasting for 2019.

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

Item			2019	2018
Financial Structure Analysis	Debt-to-asset ratio		32.29%	34.45%
	Long-term funds to fixed assets ratio (%)		217.98%	262.36%
Liquidity analysis	Current ratio		231.91%	236.68%
	Quick ratio		156.60%	162.03%
Profitability Analysis	Return on Assets		15.95%	15.05%
	Return on Shareholders' Equity		23.68%	23.31%
	Radio of paid-in capital	Operating income	131.80%	130.85%
		Pre-tax income	136.88%	137.22%
	Profit ratio		12.37%	11.25%
	Earnings per share (NT$)		10.02	9.43

2. Research and Development

The consumption growth of baking market in mainland China is still promising. In recent years, it has attracted many smaller baking equipment manufacturers to enter the market. Sinmag Group is the industry leader. It knows that in terms of product development, it must be able to meet customers' all-round needs and provide high added value and high-quality products in a timely and continuous manner. Otherwise, in the face of imitation and competition from many peers, it may be gradually replaced and eliminated. Therefore, we continue to invest in product R&D and innovation, and improve production technology, strengthen management physique, in response to the changing and fierce competition environment. In 2019, the Group invested a total of NT$161,088,000 in R&D for various process and technology development, and developed more diversified, more innovative and higher quality products. In addition to continuously consolidating and expanding the market share in China, the Group expects to create new market opportunities.

3. Summary of the Company’s Business Plan for 2020:

(1) Summary of the Company’s Business Plan for 2020:

With the continuous improvement of living standards, consumers in mainland China not only pay attention to the taste and texture of baked products, but also have higher and higher requirements for consumer experience. In addition to delicious food, environment and service also become the competitive focus of bakers. In recent years, more and more consumers will drink afternoon tea in the bakery, making bread, cake with tea or coffee start to become a new pattern of mainstream consumption. The rise of this consumption habit not only gradually leads bakery products such as bread to become main meal in mainland China, but also makes the area and space of bakery chain stores larger and larger, no longer a small store business. More and more bakeries start to reserve seats on a large scale and provide more perfect experience and services. The business model of bakery industry has gradually moved towards the trend of integration of bakery and catering, taking sales of baked products to new heights.

With the change of baking market operation, in addition to the continuous attention to market changes, Sinmag continues to expand different markets and business areas by using its own technology and channel advantages of years of deep cultivation, draws up contingency measures at any time, and strive to implement and focus on each step of the breakthrough. Looking forward to 2020, the market development plan is summarized as follows:

1. Expand the new market of retail supermarket, develop new customers, and promote the baking and cooling equipment.
2. Continue to develop large-scale bread machines to meet the demand of mass production of bread in central factories and wholesale factories, and strengthen the automatic function of bread machines to improve the efficiency of production of bread by customers.
3. In line with the upgrading and transforming trend of customers' stores in the market, promote the whole set of onsite baking equipment including refrigeration equipment, and promote the new portfolio assembly and high-end oven series.
4. Continue to deepen cooperation with baking training institutions, improve and construct online marketing platform, and develop new customer market (such as Internet celebrity store, personalized new store, personal studio, DIY classroom, etc.).
5. Expand cooperation with kitchenware manufacturers and raw material distributors all over the country, and establish a mutually beneficial cooperation model.
6. Seek strategic cooperation from international equipment manufacturers, integrate and build automatic production lines of products, and promote the sales of complete automatic production line equipment.

(2) Expected Sales Volume and Its Basis

The Company’s main products are the food machinery equipment. According to the expected growth rate of the food market and the estimated production capacity, it will continue to expand new customers and develop new products this year, other than sticking to the original market share and sales volume of China market, and will continue to expand India, Southeast Asia, Japan, Brazil, Africa markets. The Company’s sales volume is still expected to grow.

(3) Production and Sales Strategies

1. Strengthen production process improvement and quality management, strive to adjust the cost structure, control material loss and improve internal processes, 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. Follow up the trend of long-term products, transforming to short-term products in the wholesale market, integrate the equipment manufacturers of strategic partners, establish and improve the automated production line of various products, and promote the sales of automated equipment and production lines to customers.

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

With the change of consumer's demand for baking products, China's baking market has gradually changed from the original single baking product demand to the social, fashion and composite demand. The types of bakery providing tea and coffee, tea shop and coffee shop providing baking food are gradually accepted by consumers. The original boundary between competitive businesses is gradually blurred, and baking and catering are gradually integrated. In the future, the baking industry will continue to change and develop in different new forms. Due to the vigorous development of the market, more food equipment manufacturers will be attracted to the market, and the food equipment industry is still in a fierce competitive status.

In addition, the global economic environment in 2020 may be more challenging. Although the biggest drag on economic growth in 2019 - the US China trade dispute seems to have a respite, in early 2020, there was another black swan - COVID-19. Not only does China's economic activity stagnate, but also the global economic growth inevitably declines with the spread of the epidemic, and the degree of its subsequent impact is still uncertain. Faced with such a difficult business environment, the Company remains optimistic and brave to create the future. With 36 years of industrial foundation, flexible layout of business strategy, innovative thinking, excellent technology, and customer satisfaction as the basis, it has become the leader of baking equipment. Maintaining the stable growth of operation scale is the highest guiding principle of the Company since its establishment. We urge the team to cultivate a forward-looking business vision and pattern, and overcome difficulties, so as to stimulate the whole business team's eagerness and determination to succeed, create a business territory that keeps pace with the times, be brave in trying, be brave in the uncertain trend, adapt to the change of the trend, and actively use the inherent technology advantages, differentiated services and worldwide sales network, develop a unique and hard to imitate business model. We believe that as long as we work hard, market opportunities will always exist.

Looking into the future, the main axis of China's economic development will gradually adjust and increase its proportion of domestic demand. And it is expected that after the impact of China US trade and COVID-19, the long-term development momentum of China's economy will still be considerable. The Chinese people will continue to pursue a fast pace of life in their continuous economic growth, and the diversified diet culture will continue to change. Baked foods will become one of the consumer products necessary for daily life of residents. It is estimated that this trend will penetrate into the mainland and continue to increase the demand and consumption of baked foods by mainland residents in China.

We will continue to think from the perspective of customers, actively develop products suitable for customers, provide innovative services, with specially assigned personnel to assist customers in planning the configuration of plant equipment and professional bakers to help customers improve their bread making technique, establish a good relationship with customers, become the partner of customers' long-term cooperation, and continue to improve in the professional field and market position.

Chairman: Shun-Ho Hsieh
Manager: Shun-Ho Hsieh
Accounting Manager: Yu-Tung Huang

Chapter 2. Company Profile

I. Date of Incorporation:

September 27th, 1983

II. Company History

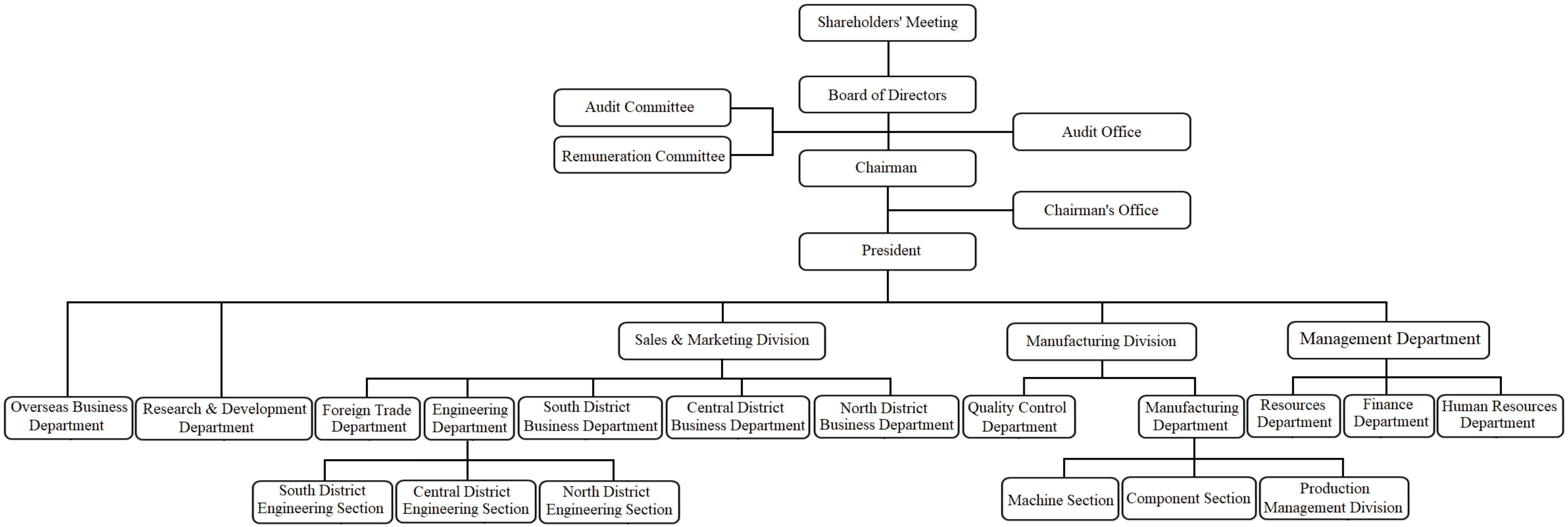
Year	Milestone
September 1983	The company was incorporated with international trade and importing baking equipment and raw materials as principal activities. The paid-in capital was NT$4 million.
December 2003	Invested in SINMAG EQUIPMENT (WUXI) CO., LTD., Wuxi Themag Bakery Equipment Co., Ltd. and SINMAG 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 Simco 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
Human Resource 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.
MIS Department	1. Management and maintenance of information systems and hardware devices and software. 2. 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.
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.

Department	Main Responsibilities
	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. Information on Directors, Supervisors, and Manager Team

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

(1) Directors

As of April 22, 2020

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected (Appointed)	Term	Date First Elected	Shares held when elected		Number of shares held now		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			Remark
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
Chairman	Republic of China	Hsieh, Shun-ho	Male	2019.6.14	3 years	1989.1.23	2,211,267	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 and President, 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 Division	Hsieh, Ming-Ching	Father-Son	(Note 3)
Director	Republic of China	Guo-Horng Lue (Note 1)	Male	2016.6.6	3 years	1983.8.24	2,102,782	4.33%	880,379	1.75%	Not applicable	0%	Not applicable	0%	Department of Mechanical Engineering, Provincial Taipei Institute of Technology 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 Corporation 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	None
Director	Republic of China	Wu, Yao-tsung	Male	2019.6.14	3 years	1989.1.23	1,788,616	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.	None	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected (Appointed)	Term	Date First Elected	Shares held when elected		Number of shares held now		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			Remark
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
																Chairman, Taiwan 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	Chang, Jui-jung	Male	2019.6.14	3 years	2016.6.6	380,981	0.76%	380,981	0.76%	3,105	0.01%	0	0%	Master of Business Administration, Asia University President, SAN NENG BAKEWARE CORPORATION President, San Neng Appliance (Wuxi) Co., Ltd. Supervisor, Sinmag Equipment Corporation	Chairman, SAN NENG BAKE WARE (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. Chairman, SAN NENG LIMITED Chairman, Jui Jung International Limited	None	None	None	None
Director	Republic of China	Sherman Chuang (Note 1)	Male	2016.6.6	3 years	2016.6.6	0	0%	0	0%	Not applicable	0%	Not applicable	0%	Department of Transportation and Communication Management Science, National Cheng Kung University Executives Program, National Chengchi University Vice President, Union Bank Of Taiwan Vice Chairman and General Manager, Macoto Bank Chief Administrative Officer, Sampo Corporation General Manager, Cipherlab Co., Ltd.	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	None
Director	Republic of China	Hsieh, Ming-ching	Male	2019.6.14	3 years	2016.6.6	1,398,980	2.79%	1,408,980	2.81%	98,508	0.20%	0	0%	Bachelor of Economics, Fu Jen Catholic University Azusa Pacific 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 Management Division, 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.	Chairperson and General Manager	Hsieh, Shun-ho	Father-Son	None
Director	Republic of China	Chen, Yung-chen (Note 2)	Male	2019.6.14	3 years	2019.6.14	0	0%	0	0%	0	0%	0	0%	Ph.D in Mechanical Engineering, Chung Yuan Christian University Deputy General Manager, Business and R&D, Amulaire Thermal	Deputy General Manager, Sales department, Sinmag Equipment (China) Co., Ltd. Director, Sinmag Bakery Equipment Sdn. Bhd. Director, Sinmag Bakery Machine	None	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected (Appointed)	Term	Date First Elected	Shares held when elected		Number of shares held now		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			Remark
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
															Technology, Inc. Deputy General Manager,Kaori Heat Treatment Co., Ltd. General Manager, Resource Technology Corporation Assistant President, Manufacturing Department, Loyalty Founder Enterprise Co., Ltd	India Private Limited				
Director	Republic of China	Chang, Yu-chuan (Note 2)	Male	2019.6.14	3 years	2019.6.14	6,517	0.01%	6,517	0.01%	0	0%	0	0%	Mechanical Engineering in the Industrial College of China in five Year Plant Manager, Chongjia Enterprise Co., Ltd. Plant Manager, Tech Control Enterprise Co., Ltd.	General Manager, Sinmag Fitting Corporation Chairman, Kingcraft Industrial Corp., Ltd.	None	None	None	None
Independent Director	Republic of China	Chan, Shih-hung	Male	2019.6.14	3 years	2005.6.25	0	0%	0	0%	0	0%	0	0%	Doctor of Mechanical Engineering of University of California Berkeley Dean of University of Wisconsin Milwaukee Research Engineer of 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)	Emeritus Lecture Professor, Yuan Ze University Honorary President, New Energy Association of Taiwan Member of the Advisory Committee, College of Chemistry, University of California Berkeley	None	None	None	None
Independent Director	Republic of China	Chia-Chun Sun (Note 1)	Male	2016.6.6	3 years	2006.6.13	0	0%	0	0%	Not applicable	0%	Not applicable	0%	Bachelor of Economics, Chinese Culture University Tax controller, Division of Property Tax, Tamsui Branch of the Revenue Service Office, New Taipei City 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	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 Association of Taiwan Investment Enterprises on the Mainland	None	None	None	None
Independent Director	Republic of China	Huang, Huei-wang (Note 2)	Male	2019.6.14	3 years	2019.6.14	0	0%	0	0%	0	0%	0	0%	Bachelor Degree in Business Administration, College of Law and Commerce, National Chung Hsing University Financial Technology Seminar, University of California Berkeley Principal consultant /Corporate Appraiser,	Representative, Bosch Think Tank Company Head/Corporate Appraiser/FRM®, Bosch Think Tank Corporate Appraiser Company Member of Remuneration Committee, Rotam Global Agrosciences Limited	None	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected (Appointed)	Term	Date First Elected	Shares held when elected		Number of shares held now		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			Remark
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
															Professional Actuary Management Consulting Co., Ltd. Chief Representative, Shanghai Representative Office of Dahua Securities Co., Ltd, Deputy Manager, Department of Securities & Finance, China Development Industrial Bank Deputy Manager, Underwriting Department, Dahua Securities Co., Ltd. Assistant Manager, Financial Trading Department, Chinatrust Commercial Bank					
Independent Director	Republic of China	Tu, San-chien	Male	2019.6.14	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, Dah Chung Bills Finance Corp. Supervisor, Jorjin Technologies Inc. Independent Director, Lin Bioscience, Inc.	None	None	None	None

Note 1. Director Lue, Guo-Horng, Director Chuang, Sherman, and Independent Director Sun, Chia-Chun resigned on June 14, 2019.

Note 2. Director Chen, Yung-Chen, Director Chang, Yu-Chuan and Independent Director Huang, Huei-Wang were appointed on June 14, 2019.

Note 3. If the chairman of the Company is the same person, spouse or relative of first degree as the general manager or the person holding equivalent position (top manager), he/she shall explain the reasons, rationality, necessity, corresponding measures (such as increasing the number of Independent Directors, keeping more than half of the Directors not concurrently serving as employees or managers, etc.) and other related information.

Mr. Lue, Guo-Horng, the former President of the Company, retired on June 14, 2019, in line with the shareholders' meeting in 2019 to comprehensively reelect directors (including independent directors). On the same day, the board of directors proposed Mr. Hsieh, Shun-Ho as Chairman and concurrently as President. The main reasons, rationality and necessity are as follows:

1. Mr. Hsieh, Shun-Ho is one of the founders of Sinmag Group. He has been deeply involved in the field of baking equipment. Over the years, he has led the marketing of Sinmag Group in more than 60 countries in the world and made Sinmag the largest baking equipment manufacturer in Asia. His professional ability, operation talents and international vision are among the best in the industry.
2. The competition in the baking industry has always been fierce, but Sinmag continues to take the leading position in the Asian market led by mainland China, mainly relying on the accumulated years of professional R&D and manufacturing capabilities, maintenance and service resources and market acumen; facing the bottleneck of business development encountered by the main market in recent years, Mr. Hsieh, Shun-Ho knows the problems in the Group's operation and knows the future development and niche of the industry, therefore, at this stage, he serves as the Chairman and President. By virtue of his rich experience and professional cultivation, he is not only able to stabilize the operation of the Group at this stage, but also the best candidate as the helmsman for the future operation plan.
3. Although Sinmag Group has actively promoted the succession plan, the current operation plan still relies on the leadership of Mr. Hsieh, Shun-Ho. However, in order to establish a good corporate governance structure, more than half of the directors have not concurrently served as employees or managers, and the Company has planned to increase the number of independent directors in the next election of directors, in order to strengthen the effectiveness of the board of directors and play the role of the highest decision-making body and substantive supervision function. To sum up, it should be reasonable and necessary for Chairman Hsieh, Shun-Ho to concurrently serve as the President at this stage.

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

(3) Directors

May 15th, 2020

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	11	12	
Hsieh, Shun-ho			✓						✓			✓		✓	✓	0
Wu, Yao-tsung			✓	✓			✓	✓	✓	✓		✓	✓	✓	✓	0
Chang, Jui-jung			✓	✓		✓	✓	✓	✓	✓		✓	✓	✓	✓	0
Hsieh, Ming-ching			✓						✓	✓	✓	✓		✓	✓	0
Chen, Yung-chen (Note 3)			✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Chang, Yu-chuan (Note 3)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chan, Shih-hung	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Huang, Huei-wang (Note 3)		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Tu, San-chien	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	2

Note 1. 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. ✓

(I) Not an employee of the Company or any of its affiliates.

(II) Not serving as a Director and Supervisor of the Company or any of its affiliates (except for independent directors set up by the Company and its parent company, subsidiaries or subsidiaries of the same parent company in accordance with this law or local laws and regulations).

(III) 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.

(IV) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship listed in (2) and (3).

(V) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company or of a corporate shareholder that ranks among the top five in shareholdings (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.).

(VI) Not a director, supervisor or employees of another company controlled by the same person with more than half of the Company's director seats or voting shares. 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.

(VII) Not a director, supervisor, or an employee of a company where the chairman, president or any equivalent position are held by the same person or by his/her spouse separately. 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.

(VIII) Not a director, supervisor, manager, 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 (excluding specified companies or institutions holding more than 20% but less than 50% of the total issued shares of the Company, and independent directors appointed by both the Company and its parent company, subsidiary or subsidiaries under the same parent company pursuant to this regulation or the local regulations).

(IX) Not a professional individual who is an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution, or a spouse thereof, that provides commercial, legal, financial, accounting services or consultation to the Company or its affiliated companies, or those made an accumulated profit of less than NT$500,00 over the last 2 years. However, members of the Remuneration Committee, Public Acquisition Review Committee, or Merger and Acquisition Special Committee who perform their functions and powers in accordance with the provisions of the Securities and Exchange Act or Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.

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

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

(XII) 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.

Note 2. Director Lue, Guo-Horng, Director Chuang, Sherman and Independent Director Sun, Chia-Chun were dismissed on June 14, 2019.

Note 3. Director Chen, Yung-Chen, Director Chang, Yu-Chuan and Independent Director Huang, Huei-Wang were newly appointed on June 14, 2019.

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

As of April 22, 2020

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other position concurrently held at the Company or other companies	Managers who are Spouses or within two Degrees of Kinship			Remark
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
President	Republic of China	Hsieh, Shun-ho (Note 1)	Male	2019.6	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 Division	Hsieh, Ming-ching	Father-Son	(Note 7)
President	Republic of China	Guo-Horng Lue (Note 2)	Male	2004.06	880,379	1.75%	Not applicable	0%	Not applicable	0%	Department of Mechanical Engineering, Provincial Taipei Institute of Technology Pan Land Union Corporation Chairman, Sinmag Equipment Corporation Chairman, Sinmag Equipment	President, Sinmag Equipment Corporation 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	None

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other position concurrently held at the Company or other companies	Managers who are Spouses or within two Degrees of Kinship			Remark
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
											(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					
Vice President - Global Marketing & Sales Division	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	None
Vice President of the Management Division	Republic of China	Hsieh, Ming-ching	Male	2016.06	1,408,980	2.81%	98,508	0.20%	0	0%	Bachelor of Economics, Fu Jen Catholic University Azusa Pacific 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 Management Division, Sinmag Equipment Corporation Director and vice president of the department of management, Sinmag Equipment (China) Co., Ltd. Supervisor, Squires Kitchen Sugarcraft	Chairperson and General Manager	Hsieh, Shun-ho	Father-Son	None

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other position concurrently held at the Company or other companies	Managers who are Spouses or within two Degrees of Kinship			Remark
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
												(Wuxi) Co., Ltd. Chairman, Wuxi New Order Control Co., Ltd.				
Vice President, Overseas Business Department	Republic of China	Chen, Yung-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	Deputy General Manager, Sales department, Sinmag Equipment (China) Co., Ltd. Director, Sinmag Bakery Equipment Sdn. Bhd. Director, Sinmag Bakery Machine India Private Limited	None	None	None	None
CFO	Republic of China	Yu-Tung Huang	Female	2015.05	16,361	0.03%	0	0%	0	0%	Department of Accounting, Fu Jen Catholic University Master of Finance, National Taiwan University	Independent Director/Member of Remuneration Committee of JIIN MING Industry Co., Ltd	None	None	None	None
Manager of Research and Development	Republic of China	Shiu-Tu Chen	Male	2009.05	0	0%	0	0%	0	0%	Long Yan Elementary School	None	None	None	None	None

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other position concurrently held at the Company or other companies	Managers who are Spouses or within two Degrees of Kinship			Remark
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
Department											Factory Manager, Sheng Chia Industry Co., Ltd.					
Manager, Manufacturing Department	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	None
Manager, Engineering Department	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	None
Auditing Manager	Republic of China	Chi-Wen Liang (Note 3)	Male	2012.08	0	0%	Not applicable	0%	Not applicable	0%	Industrial Management Department, Tamsui Institute of Business Administration Financial Officer, Da Ya Automobiles Co., Ltd. Auditor and Administration Manager, Ve Wong Corporation	None	None	None	None	None
Auditing Manager	Republic of China	Shu-Yuan Li (Note 4)	Female	2019.06	0	0 %	0	0%	0	0%	Department of Accounting, Hsing Wu University Audit specialist of Everspring Industry Co., Ltd. Audit specialist of	None	None	None	None	None

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other position concurrently held at the Company or other companies	Managers who are Spouses or within two Degrees of Kinship			Remark
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
											Quanxun Technology Co., Ltd.					
Manager of Human Resources Department	Republic of China	Zhi-Wei Hong (Note 5)	Male	2020.05	0	0%	0	0%	0	0%	Institute of Technology and Human Resource Development Ying Guan Da Co., Ltd. Director of Management Division Inventec Corporation Manager of Talent Management Department	Manager of Human Resources Department, Sinmag Equipment (China) Co., Ltd.	None	None	None	None
Manager, Foreign Trade Department	Republic of China	Yen-Ju Yeh (Note 6)	Female	2017.07	0	0 %	Not applicable	0%	Not applicable	0%	Master of Japanese Language, National Chengchi University Director, Nidec Copal Electroinics, Inc. Assistant Manager, Automotive Electronics SBU, Lite-On Technology Corp.	None	None	None	None	None
Manager, Overseas Business Department	Republic of China	Tzu-Chien Chang	Male	2009.11	47,569	0.09%	0	0%	0	0%	Department of Accounting, National Taiwan	Director, Sinmag Equipment (China) Co., Ltd. Director, LBC	None	None	None	None

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other position concurrently held at the Company or other companies	Managers who are Spouses or within two Degrees of Kinship			Remark
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
											University Manager, KPMG Director, Sinmag Equipment Corporation	Bakery Equipment Inc. Director, Sinmag Equipment Thailand Co., Ltd.				

Note 1. President Hsieh, Shun-Ho was appointed on June 14, 2019.

Note 2. President Lue, Guo-Horng retired on June 14, 2019.

Note 3. Liang, Chi-Wen, the Auditing Manager, was transferred to the special assistant of the Chairman on June 24, 2019.

Note 4. Li, Shu-Yuan, Auditing Chief, was promoted to Auditing Manager on June 24, 2019.

Note 5. Hong, Zhi-Wei, Manager of Human Resources Department, took office on May 5, 2020.

Note 6. Yeh, Yen-Ju, Manager of Foreign Trade Department, resigned on November 11, 2019.

Note 7. Where the company's general manager or personnel with equivalent position (chief manager) and chairman are the same person, spouses or relatives within one degree of kinship, please state the reasons, rationality, necessity and measures to be taken (e.g. increase the number of Independent Directors and have majority of Directors not serving as employees or managerial officers).

Mr. Lue, Guo-Horng, the former President of the Company, retired on June 14, 2019, in line with the shareholders' meeting in 2019 to comprehensively re-elect directors (including independent directors). On the same day, the board of directors proposed Mr. Hsieh, Shun-Ho as Chairman and concurrently as President. The main reasons, rationality and necessity are as follows:

1. Mr. Hsieh, Shun-Ho is one of the founders of Sinmag Group. He has been deeply involved in the field of baking equipment. Over the years, he has led the marketing of Sinmag Group in more than 60 countries in the world and made Sinmag the largest baking equipment manufacturer in Asia. His professional ability, operation talents and international vision are among the best in the industry.
2. The competition in the baking industry has always been fierce, but Sinmag continues to take the leading position in the Asian market led by mainland China, mainly relying on the accumulated years of professional R&D and manufacturing capabilities, maintenance and service resources and market acumen; facing the bottleneck of business development encountered by the main market in recent years, Mr. Hsieh, Shun-Ho knows the problems in the Group's operation and knows the future development and niche of the industry, therefore, at this stage, he serves as the Chairman and President. By virtue of his rich experience and professional cultivation, he is not only able to stabilize the operation of the Group at this stage, but also the best candidate as the helmsman for the future operation plan.
3. Although Sinmag Group has actively promoted the succession plan, the current operation plan still relies on the leadership of Mr. Hsieh, Shun-Ho. However, in order to establish a good corporate governance structure, more than half of the directors have not concurrently served as employees or managers, and the Company has planned to increase the number of independent directors in the next election of directors, in order to strengthen the effectiveness of the board of directors and play the role of the highest decision-making body and substantive supervision function. To sum up, it should be reasonable and necessary for Chairman Hsieh, Shun-Ho to concurrently serve as the President at this stage.

(III) Remuneration paid to general directors, independent directors, general manager and deputy general manager in the most recent year (2019):

1. Remuneration paid to general directors, 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 directors from an invested company other than the Company's subsidiaries or parent company
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)				Salary, Bonuses and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Chairman	Hsieh, Shun-ho	360	360	0	0	5,072	5,072	195	195	1.12%	1.12%	9,223	13,528	124	124	6,092	0	6,092	0	4.19%	5.04%	None
Director	Lue, Guo-Horng (Note 1)																					
Director	Wu, Yao-tsung																					
Director	Hsieh, Ming-ching																					
Director	Chen, Yung-chen (Note 2)																					
Director	Chang, Yu-chuan (Note 2)																					
Director	Chang, Jui-jung																					
Director	Sherman Chuang (Note 1)																					
Independent Director	Chan, Shih-hung	180	180	0	0	2,686	2,686	105	105	0.59%	0.59%	0	0	0	0	0	0	0	0	0.59%	0.59%	None
Independent Director	Chia-Chun Sun (Note 1)																					
Independent Director	Huang, Huei-wang (Note 2)																					
Independent Director	Tu, San-chien																					

(1) Please state the policies, systems, standards, and structure of independent directors' remuneration payment, and describe the relevance to the amount of remuneration according to their responsibilities, risks, and time of investment:
The remuneration of all directors shall be determined by the Board of Directors according to the degree of directors' participation in the operation of the Company and their contribution, and shall be determined by reference to the standard of the industry in accordance with the Articles of Incorporation of the Company.
It is also stipulated in the Articles of Incorporation that the director's remuneration shall be no more than 5% of the pre-tax profit before deducting the distribution to employees and directors' remuneration in the current year, and the payment of the directors' remuneration shall be handled in accordance with the Remuneration Payment Method for Directors and Functional Members.
(2) Except for those disclosed above, the remuneration of the Company's Directors for their services provided to companies included in the financial statements (e.g. serving as a non-employee consultant) in the latest year: None.

Note 1. Director Lue, Guo-Horng, Director Chuang, Sherman, and Independent Director Sun, Chia-Chun resigned on June 14, 2019.
Note 2. Director Chen, Yung-Chen, Director Chang, Yu-Chuan and Independent Director Huang, Huei-Wang were appointed on June 14, 2019.

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$1,000,000	Lue, Guo-Horng Wu, Yao-tsung Hsieh, Ming-ching Chen, Yung-chen Chang, Yu-chuan Chang, Jui-jung Sherman Chuang Chan, Shih-hung Chia-Chun Sun Huang, Huei-wang Tu, San-chien	Lue, Guo-Horng Wu, Yao-tsung Hsieh, Ming-ching Chen, Yung-chen Chang, Yu-chuan Chang, Jui-jung Sherman Chuang Chan, Shih-hung Chia-Chun Sun Huang, Huei-wang Tu, San-chien	Wu, Yao-tsung Chang, Yu-chuan Chang, Jui-jung Sherman Chuang Chan, Shih-hung Sun, Chia-Chun Huang, Huei-wang Tu, San-chien	Wu, Yao-tsung Chang, Yu-chuan Chang, Jui-jung Sherman Chuang Chan, Shih-hung Sun, Chia-Chun Huang, Huei-wang Tu, San-chien
NT$1,000,000 (included) - NT$2,000,000 (excluded)	0	0	Guo-Horng Lue	0
NT$2,000,000 (included) - NT$3,500,000 (excluded)	Hsieh, Shun-ho	Hsieh, Shun-ho	Hsieh, Ming-ching	0
NT$3,500,000 (included) - NT$5,000,000 (excluded)	0	0	Chen, Yung-chen	Lue, Guo-Horng Hsieh, Ming-ching Chen, Yung-chen
NT$5,000,000 (inclusive) - NT$10,000,000 (exclusive)	0	0	Hsieh, Shun-ho	0
NT$10,000,000 (inclusive) – NT$15,000,000 (exclusive)	0	0	0	Hsieh, Shun-ho
NT$15,000,000 (inclusive) – NT$30,000,000 (exclusive)	0	0	0	0
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	12	12	12	12

2.Remuneration of the President and Vice Presidents

Unit: NT$ thousands

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Bonuses and Special Allowance (C)</th><th colspan="4">Employee Compensation (D) (Note)</th><th colspan="2">Ratio of total compensation (A+B+C+D) to net income (%)</th><th rowspan="3">Compensation paid to directors from an invested company other than the Company’s subsidiaries or parent company</th></tr>
<tr><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th colspan="2">The company</th><th colspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>President</td><td>Hsieh, Shun-ho (Note 1)</td><td rowspan="5">10,131</td><td rowspan="5">14,437</td><td rowspan="5">311</td><td rowspan="5">311</td><td rowspan="5">1,693</td><td rowspan="5">1,693</td><td rowspan="5">6,692</td><td rowspan="5">0</td><td rowspan="5">6,692</td><td rowspan="5">0</td><td rowspan="5">18,827</td><td rowspan="5">23,459</td><td rowspan="5">None</td></tr>
<tr><td>President</td><td>Lue, Guo-Horng (Note 2)</td></tr>
<tr><td>Vice President - Global Marketing & Sales Division</td><td>Chih-Hsien Chen</td></tr>
<tr><td>Vice President of the Management Division</td><td>Hsieh, Ming-ching</td></tr>
<tr><td>Vice President, Overseas Business Department</td><td>Chen, Yung-chen</td></tr>
</table>

Note 1. President Hsieh, Shun-Ho was appointed on June 14, 2019.
Note 2. President Lue, Guo-Horng retired on June 14, 2019.

Table of Remuneration Range for Presidents and Vice Presidents

Range of Remuneration	Names of President and Vice Presidents	
	The company	All Companies Listed in Financial Statements (E)
Under NT$1,000,000	0	0
NT$1,000,000 (included) - NT$2,000,000 (excluded)	Guo-Horng Lue	0
NT$2,000,000 (included) - NT$3,500,000 (excluded)	Chih-Hsien Chen Hsieh, Ming-ching	Chih-Hsien Chen Hsieh, Ming-ching
NT$3,500,000 (included) - NT$5,000,000 (excluded)	Chen, Yung-chen	Guo-Horng Lue Chen, Yung-chen
NT$5,000,000 (inclusive) - NT$10,000,000 (exclusive)	Hsieh, Shun-ho	Hsieh, Shun-ho
NT$10,000,000 (inclusive) – NT$15,000,000 (exclusive)	0	0
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	5	5

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

May 15th, 2020/Unit: NT$ thousands

	Title	Name	Stock	Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Hsieh, Shun-Ho (Note 1)	0	10,512	10,512	2.09%
	President	Lue, Guo-Horng (Note 2)				
	Vice President of the Management Division	Hsieh, Ming-ching				
	Vice President	Chen, Chih-Hsien				
	CFO	Huang, Yu-Tung				
	Manager of Research and Development Department	Chen, Shiu-Tu				
	Manager, Manufacturing Department	Huang, Tsai-Wang				
	Manager, Engineering Department	Wang, Tai-Sheng				
	Manager, Foreign Trade Department	Yeh, Yen-Ju (Note 3)				
	Vice President, Overseas Business Department	Chen, Yung-chen				
	Manager, Overseas Business Department	Chang, Tzu-Chien				
	Manager, Auditing Office	Liang, Chi-Wen (Note 4)				
	Manager, Auditing Office	Li, Shu-Yuan (Note 5)				
	Manager of Human Resources Department	Hong, Zhi-Wei (Note 6)				

Note 1. President Hsieh, Shun-Ho was appointed on June 14, 2019.
Note 2. President Lue, Guo-Horng retired on June 14, 2019.
Note 3. Yeh, Yen-Ju, Manager of Foreign Trade Department, resigned on November 11, 2019.
Note 4. Liang, Chi-Wen, the Auditing Manager, was transferred to the special assistant of the Chairman on June 24, 2019.
Note 5. Li, Shu-Yuan, Auditing Chief, was promoted to Auditing Manager on June 24, 2019.
Note 6. Hong, Zhi-Wei, Manager of Human Resources Department, took office on May 5, 2020.

(IV) Separate Comparisons and Descriptions of Total Remuneration, as a Percentage of Net Income Stated in the Parent Company only Financial Reports or Individual Financial Reports, as Paid by the Company and All Other Companies Included in the Consolidated Financial Statements During the Past 2 Fiscal Years to Directors, Supervisors, the President, and Vice Presidents, with Analysis and Description of Remuneration Policies, Standards, and Packages, Procedure for Determining Remuneration, and Link

Title	2019		2018	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Director	4.78%	5.70%	5.36%	6.15%
President and Vice Presidents	3.74%	4.66%	4.60%	5.51%

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 2019 Directors' remuneration was proposed by the Remuneration Committee meeting held on March 12th, 2020 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) Business execution fee: the traffic allowance and attendance fee shall be paid in accordance with the provisions of the "Payment Method for Remuneration of Directors and Functional Members" prescribed by the Company.

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.

(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.

In 2019, the ratio of remuneration paid to directors, president and vice president to the net profit after tax on the financial report decreased, mainly due to the decrease of allocation ratio for directors' remuneration and employees' remuneration in 2019.

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

The Company held two board meetings from January 1 to May 15, 2020.

The board of directors of the Company held 8 meetings in 2019, with at least 2 independent directors attending each meeting.

The attendance of directors is as follows:

Title	Name	Attendance (Appearance) in person	By Proxy	Attendance (Appearance) Rate	Remark
Chairman	Hsieh, Shun-ho	8	0	100%	Reelected on June 14th, 2019
Director	Lue, Guo-Horng (Note 1)	2	0	100%	Dismissed on June 14, 2019
Director	Wu, Yao-tsung	7	1	88%	Reelected on June 14th, 2019
Director	Chang, Jui-jung	7	0	88%	Reelected on June 14th, 2019
Director	Chuang, Sherman (Note 1)	1	1	50%	Dismissed on June 14, 2019
Director	Hsieh, Ming-ching	7	1	88%	Reelected on June 14th, 2019
Director	Chen, Yung-Chen	6	6	100%	Newly elected, June 14, 2019
Director	Chang, Yu-Chuan (Note 2)	6	6	100%	Newly elected, June 14, 2019
Independent Director	Chan, Shih-hung	7	1	88%	Reelected on June 14th, 2019
Independent Director	Sun, Chia-Chun (Noted 1)	2	0	100%	Dismissed on June 14, 2019
Independent Director	Huang, Huei-Wang (Note 2)	6	6	100%	Newly elected, June 14, 2019
Independent Director	Tu, San-chien	8	0	100%	Reelected on June 14th, 2019

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
2019.03.14 1st meeting of 2019	1. Approved the company's 2018 business report, financial statements, consolidated financial statements and CPA audit report.	V	None
	2. Approved the distribution of earnings for 2018.	V	None
	3. Approved the distribution of employee and director bonuses for 2018.	V	None

	4. Approved the acceptance of shareholders' proposal at annual shareholders' meeting for shareholders with more than 1% of shareholding in 2019.	V	None
	5. Approved the related matters for the Company's acceptance of the nomination of candidates for directors (including independent directors) by shareholders holding more than 1% of the total issued shares.		None
	6. Approved the re-election of Directors and Independent Directors of the Company.	V	None
	7. Approved the nomination of Directors and Independent Directors of the Company.	V	None
	8. Approved the release of the new Directors of the Company and their representatives from the non-compete clause.	V	None
	9. Approved the assessment of independence and competence of CPAs and the appointment and compensation of the CPAs for 2019.	V	None
	10. Approved the renewal of credit line from Changhua Bank and E.SUN Bank.	V	None
	11. Approved the re-appointment of Directors and Supervisors to the company's invested companies.	V	None
	12. Approved the capital increase by surplus of the company's third-tier subsidiary, Sinmag Equipment (China) Co., Ltd.	V	None
	13. Approved the review of the design and implementation of the effectiveness of the company's internal control system for 2018.	V	None
	14. Approved the 2018 Statement on Internal Control System.	V	None
	15. Approve the amendment to the company's "Articles of Incorporation."	V	None
	16. Approved the amendment to the company's "Operational Procedures for Acquisition or Disposal of Assets."	V	None
	17. Approved the amendment of the company's "Corporate Governance Best Practice Principles."	V	None
	18. Approved the amendment to the company's "Regulations Governing the Evaluation of the Performance of the Board of Directors."	V	None
	19. Approved the "Operating Procedures for Addressing Directors' Requests."		None
	20. Approved the amendment to the company's "Operating Procedures for Loaning Funds to Others."	V	None
	21. Approved the amendment to the "Operational Procedures for Making Endorsements/Guarantees."	V	None
	22. Approved the convening of the company's	V	None

	annual shareholders' meeting in 2019.		
	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.		
2019.05.02 2nd meeting of 2019	1. Approved the consolidated financial statements for the first quarter of 2019 and the CPA's review report.	V	None
	2. Approved the remuneration of individual directors and distribution of bonuses for employees and managers for 2018.	V	None
	3. Approved the credit line amount adjustment of the Company from Changhua Bank.	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.		
2019.06.14 3rd meeting of 2019 (1st meeting of the 13th Board)	1. Approved to elect the current Chairman through the new directors of the Company.	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.		
2019.06.14 4th meeting of 2019 (2nd meeting of the 13th Board)	1. Approved the appointment of the President of the Company.	V	None
	2. Approve the appointment of the fourth Remuneration Committee of the Company.	V	None
	3. Approved the 2nd Audit Committee members of the Company.	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.		
2019.06.24 The 5th meeting in 2019 (the 3rd meeting in the 13th Board	1. Approved the salary and car amount of the President.	V	None
	2. Approved the traffic allowance and executive business fee of the board of directors of the Company.	V	None
	3. Approved the case of paying special severance to Mr. Lue, Guo-Horng, former President of the Company.	V	None
	4. Approved the distribution of cash dividend.	V	None
	5. Approved the re-appointment of Directors and Supervisors to the company's invested companies.	V	None
	6. Approved the removal of the "Non-compete Clause" from the Company's newly appointed managerial officers.	V	None
	7. Approved the change of Head of Internal Audit.	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.		
2019.08.09 6th meeting of 2019 (4th Meeting of	1. Approved the consolidated financial statements for the second quarter of 2019 and the CPA's review report.	V	None
	Passed the amendment of the Company's	V	None

the 13th Board)	"Ethical Corporate Management Best Practice Principles".		
	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.		
2109.11.08 7th meeting of 2019 (5th meeting of 13th board)	1. Approved the consolidated financial statements for the third quarter of 2019 and the CPA's review report.	V	None
	2. Passed the re-appointment of a custodian for the Company's seal for signing warranty/endorsement.	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.		
2019.12.16 8th meeting of 2019 (6th meeting of 13th board)	1. Approved the company's 2020 business plan and budget plan.	V	None
	2. Approved the Company to carry out a capital reduction to make up for the loss of SINMAG BAKERY MACHINE INDIA PRIVATE LIMITED.	V	None
	3. Approved the company's audit plan for 2020.	V	None
	4. Approved the annual bonus distribution for managers for 2019.	V	None
	5. Approved the compensation structure and welfare adjustment plan for employees of the Company's overseas business department.	V	None
	6. Approved the 2020 donation budget.	V	None
	7. Approved the amendment of "Procedure for Acquisition or Disposal of Assets" of Sinmag Equipment (China) Co., Ltd., a third-tier subsidiary.		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. On March 14, 2019, for the case of candidates nominated for directors and independent directors of the board of directors, the Independent Director Chan, Shih-Hung and Independent Director Tu, San-Chien are the parties with their own interests in this case. In accordance with Article 206 of the Company Act, the provisions of Article 178 on interest recusal shall apply mutatis mutandis, and they recused during discussion and voting.
2. On March 14, 2019, for the evaluation of independence and competence of the CPA and the appointment and remuneration of the CPs in 2019 by the board of directors, Chen, Chiang-Hsun, the CPA of Deloitte & Touche, was a party with his own interests in this case. In accordance with Article 206 of the Company Act, the provisions of Article 178 on interest recusal shall apply mutatis mutandis, and he recused during discussion and voting.
3. On May 2, 2019, for the distribution of directors' individual remuneration and managers' employee bonus for 2018, when the board of directors discussed the bonus of individual managers, President Lue, Guo-Horng, Vice President Hsieh, Ming-Ching, CFO Huang, Yu-Tung and Auditing Manager Liang, Chi-Wen had their own interests, and were required to recuse from the discussion and voting according to law.
4. On June 14, 2019, for the proposal of selecting the Chairman of the 13th board of

directors of the Company, Director Hsieh, Shun-Ho recused participating in the discussion and voting according to law because the proposal involved his own interests and his own interests of self-examination.

5. On June 14, 2019, for the appointment of the President of the Company by the board of directors. Mr. Hsieh, Shun-Ho has his own interest and recused from participating in the discussion and voting in accordance with the law.
6. On June 14, 2019, for the appointment of members of the 4th Remuneration Committee of the Company, at the time of the resolution, the Independent Directors, Mr. Chan, Shih-Hung, Mr. Tu, San-Chien and Mr. Huang, Huei-Wang had their own interests and recused from participating in the discussion and voting in accordance with the law.
7. On June 24, 2019, for the amount of the President's salary and car, Director Hsieh, Shun-Ho was related person of this case with his own interests and recused from the discussion and voting according to law.
8. On June 24, 2019, the board of directors proposed to lift the restrictions on new managers' competing behaviors of the Company, Director Hsieh, Shun-Ho and Director Chen, Yong-Zheng were the related persons of the case with their own interests and recused from the discussion and voting according to law.
9. On June 24, 2019, the board of directors changed the head of the Auditing Office of the Company. Li, Shu-Yuan is a related person of the case with her own interests and recused from the discussion and voting according to the law.
10. On December 16, 2019, the board of directors made plans for the year-end bonus of the Company's managers in 2019. Director Hsieh, Shun-Ho, Director Hsieh, Ming-Ching, Director Chen, Yung-Chen, CFO Huang, Yu-Tung, Auditing Manager Li Shu-Yuan, Vice President of the Business Department Chen, Chih-Hsien and Vice President of Sinmag (China) Cheng, Ji-Jun were the parties with their own interests in this case. According to Article 206 of the Company Act, the provision of Article 178 shall apply mutatis mutandis, and the provisions of Article 15 of the "Rules of Procedure of the Board of Directors" of the Company on interest recusal shall apply, and they recused during the discussion and voting.
11. On December 16, 2019, the board of directors proposed to adjust the salary structure and welfare of employees of the Company's overseas business department. Director Chen Yong-Zheng is a party with his own interests in this case. In accordance with Article 206 of the Company Act, the provisions of Article 178 and Article 15 of the “Rules of Procedure of Board of Directors” of the Company shall apply mutatis mutandis, and they recused during discussion and voting.

III. TWSE/TPEx Listed Companies shall disclose the information on the evaluation cycle and period, evaluation scope, methods and evaluation contents of Board of Directors' self (or peer) evaluation, and fill in the following table "Implementation of Board of Directors Evaluation".

Evaluation of the performance for the Board of Directors

Evaluation cycle (Note 1)	Period of Evaluation (Note 2)	Scope (Note 3)	Evaluation methods (Note 4)	Assessment Content (Note 5)
The board of directors of the Company shall evaluate the performance of the internal board of directors once a year, and the evaluation shall be carried out by the external professional independent organization or the external expert and scholar team at least	Evaluation of the performance for the Board of Directors from January 1, 2019 to December 31, 2019	The scope of evaluation includes 1. The overall board of directors 2. Individual directors 3. Functional committee	The performance evaluation includes: internal self-assessment by the Board of Directors, self-assessment of members of the board, peer review or other appropriate methods.	**Content of Performance Evaluation of the Board of Directors** 1. Involvement in the company's business activities 2. Decision quality of the board of directors 3. Composition and structure of the board of directors 4. Elections and

once every three years.				continuous training of the directors 5. Internal control. **Content of performance evaluation of individual directors** 1. Control over the Company's goals and tasks 2. Understanding of director duties and functions. 3. Involvement in the company's business activities 4. Management of internal relations and communication 5. Directors' professional and continuing education and training 6. Internal Control **Content of Functional Committee Performance Evaluation** 1. Level of participation in corporate operations. 2. Recognition of the duties of the functional committee 3. Decision quality of functional committee 4. The composition of the functional committee, and election and appointment of committee members 5. Internal control

Note 1. Fill in the evaluation cycle of the Board of Directors. For example: once a year.

Note 2. Fill in the period covered by the evaluation covered by the Board of Directors. For example: The performance evaluation of the Board of Directors from January 1, 2019 to December 31, 2019.

Note 3. The scope of the evaluation includes the performance evaluation of the Board of Directors, individual board members and functional committees.

Note 4. The evaluation methods include self-evaluation of the Board of Directors, self-evaluation of the Directors, peer evaluation, appointment of external professional institutions or experts, or other appropriate methods.

Note 5. The evaluation content includes at least the following items according to the evaluation scope:

(1) The evaluation of performance for the board: at least include the level of participation in the operations for the Company, the quality of decisions for the board, the composition and

structure of the board, selection of Directors and training, internal control, etc.

(2) Performance evaluation of individual directors: at least including the mastery of the company's objectives and tasks, the cognition of directors' responsibilities, the degree of participation in the company's operation, internal relationship management and communication, directors' professional and continuous learning, internal control, etc.

(3) Performance evaluation of functional committee: the degree of participation in the company's operation, the cognition of the responsibilities of the functional committee, the quality of decision-making of the functional committee, the composition and selection of members of the functional committee, internal control, etc.

IV. 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.

Note 1. Director Lue, Guo-Horng, Director Chuang, Sherman, and Independent Director Sun, Chia-Chun resigned on June 14, 2019.

Note 2. Director Chen, Yung-Chen, Director Chang, Yu-Chuan and Independent Director Huang, Huei-Wang were appointed on June 14, 2019.

(II) Audit Committee

The Company held two Audit Committees from January 1 to May 15, 2020.

Seven meetings were held by the Audit Committee in 2019, with the attendance of independent directors listed as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate	Remark
Independent Director	Chan, Shih-hung	6	1	86%	Reelected on June 14th, 2019
Independent Director	Sun, Chia-Chun (Note 1)	2	0	100%	Dismissed on June 14, 2019
Independent Director	Huang, Huei-Wang (Note 2)	5	5	100%	Newly elected, June 14, 2019
Independent Director	Tu, San-chien	7	0	100%	Reelected on June 14th, 2019

Other mentionable items:

Work focus and operation of the Audit Committee in 2019

Audit Committee

The Company's Audit Committee is composed of 3 independent directors, and the purpose of the Audit Committee is to assist the Board of Directors in supervising the quality and integrity in respect of implementation of relevant accounting, auditing and financial reporting procedures and control over finance by the Company. The Audit Committee held 7 meetings in 2019, and the major matters reviewed include:

1. Adoption or amendment of internal control systems in accordance with Article 14-1 of the Securities and Exchange Act.
2. Evaluate the effectiveness of the internal control system.
3. Adoption or amendment, pursuant to Article 36-1 of the Act, of handling procedures for

financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.
4. Issues associated with the interests of the directors.
5. Significant asset or derivative transactions.
6. Significant lending, endorsement or provision of guarantees.
7. The hiring or dismissal of a certified public accountant, or their compensation.
8. Appoint or dismiss financial, accounting, or internal audit directors.
9. Annual financial report and quarterly financial report.
10. Other major matters stipulated by the Company or regulators.
11. Evaluation of the qualifications, independence, and performance of the CPAs
12. Review the performance of the Audit Committee
13. Self-assessment questionnaire for performance evaluation of the Audit committee.
14. Legal compliance

Review of Annual Financial Report
The board of directors submitted this company's 2019 business report, financial statements, and earnings distribution proposal. Of which, the financial report was given to the Deloitte accounting firm for review and completion, and for the accounting firm to produce an audit report. The abovementioned business report, financial reports and earnings distribution proposals have been reviewed and approved to be correct by the Audit Committee.

Assessment of the effectiveness of the internal control
The Audit Committee has assessed the effectiveness of the Company's internal control system policies and procedures (including control measures such as finance, operation, risk management, information security, regulatory compliance, etc.) and audited the Company's audit department and CPAs, as well as management's periodic reports. The Audit Committee believes that the Company's internal control systems are effective and that the Company has adopted the necessary control mechanisms to supervise and correct violations.

Appointment of CPA
In order to ensure the independence of the accounting firm, the Audit Committee evaluates the independence, professionalism and suitability of the CPA by referring to Article 47 of the Certified Public Accountant Act and the content system independence evaluation form of "integrity, impartiality, objectivity and independence" in the Bulletin No. 10 of the Code of Professional Ethics.

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 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.
2019.03.14 1st meeting of 2019	1. Approved the company's 2018 business report, financial statements, consolidated financial statements and CPA audit report.	V	None
	2. Approved the distribution of earnings for 2018.	V	None
	3. Approved the assessment of independence and competence of CPAs and the appointment and compensation of the CPAs for 2019.	V	None
	4. Approved the capital increase by retained earnings for the company's third-tier subsidiary, Sinmag Equipment (China) Co., Ltd.	V	None
	5. Approved the review of the effectiveness of the design and implementation of the company's internal control system for 2018.	V	None
	6. Approved the amendment to the company's "Operational Procedures for Acquisition or Disposal of Assets."	V	None
	7. Approved the amendment to the company's "Operating Procedures for Loaning Funds to Others."	V	None
	8. Approved the amendment of the company's "Endorsement and Guarantee Operation Procedure".	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.		
2019.05.02 2nd meeting of 2019	1. Approved the proposal for the Company's consolidated financial report for Q1 2019.	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.		
2019.06.14 3rd meeting in 2019 (1st meeting of the 2nd Board)	1. Approved the nomination of the Convener of the 2nd Audit Committee of the Company.	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.		
2019.06.24 4th meeting of 2019 (2nd meeting of the 2nd Audit Committee)	1. Approved the change of Head of Internal Audit.	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.		
2019.08.09 5th meeting of 2019 3rd meeting of the 2nd Audit Committee)	1. Approved the consolidated financial statements for the second quarter of 2019 and the CPA's review report.	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.		
2019.11.08 6th meeting of 2019 (4th meeting of the second term)	1. Approved the consolidated financial statements for the third quarter of 2019 and the CPA's review report.	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.		

2019.12.16 7th meeting of 2019 (5th meeting of the second term)	1. The plan of the audit in 2019 and the key audit items in the new audit report, and the communication between the CPA and the corporate governance unit.	V	None
	2. Approved the amendment of "Procedures for Acquisition or Disposal of Assets" of Sinmag Equipment (China) Co., Ltd., the third-tier subsidiary.	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 2019 did not have any independent directors' proposals regarding interested parties. 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
The head of internal audit of the Company reports the annual audit plan for the next year to the Audit Committee composed of all independent directors, attends each board of directors and audit committee, reports the implementation of internal control system operation of audit, and reports to the Audit Committee immediately in case of special conditions; the Audit Committee can also directly inquire the head of internal audit or accountant, and during the quarterly Audit Committee meeting to review the financial statements, the CPA is invited to explain the findings and suggestions of the quarterly review or annual audit, and the communication and interaction are in good condition.

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

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 company's Independent Directors have received good communications regarding the implementation and effectiveness of the audits. The summary of the major communications in 2019 are as follows:

Date	Communication	Implementation
2019.03.14	1. Review report of the design and effectiveness of the company's internal control system for 2018.	The chief internal auditor reported to the Audit Committee members, as well as discussing and communicating with the committee on the issues raised
	2. 2018 "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 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
2019.05.02	1. 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
2019.08.09	1. Implementation report of internal auditing during the period of May 2nd, 2019 - July 31st, 2019.	The chief internal auditor reported to the Audit Committee members, as well as discussing and communicating with the committee on the issues raised
2019.11.08	Implementation report of internal auditing during the period of August 9th, 2019 - October 31st, 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

1. 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.
2. The company's Independent Directors have had good communications with the CPAs. The summary of communications for 2019 are listed below:

Date	Communication	Implementation
20198.03.14	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 CPAs attended the Audit Committee meeting to discuss and communicate on questions raised by the Committee.
2019.08.09	The review process and results of the consolidated financial statements for the second quarter of 2019 were reported.	The CPAs attended the Audit Committee meeting to discuss and communicate on questions raised by the Committee.
2019.11.08	The review process and results of the consolidated financial statements for the third quarter of 2019 were reported.	The CPAs attended the Audit Committee meeting to discuss and communicate on questions raised by the Committee.
2019.12.16	Plan for the audit in 2019 and communication for key audit matters in the new audit report.	The CPAs attended the Audit Committee meeting to discuss and communicate on questions raised by the Committee.

Note 1. Independent Director Sun, Chia-Chun was dismissed on June 14, 2019.
Note 2. Independent Director Huang, Huei-Wang was appointed on June 14, 2019.

(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) In accordance with Article 25 of the Securities and Exchange Act, the Company shall report monthly to the website "Market Observation Post System" designated by the Securities and Futures Bureau for changes in the equity held by insiders (directors, managers and shareholders holding more than 10% of the total shares).	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	✓		(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, so that there is a good risk control mechanism among affiliated enterprises.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
	✓		(IV) The Company has established the "Operational Procedures for Handling Material Internal Information" and "Code of Ethical Conduct for Employees" 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

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
within its conglomerate structure? (IV) Does the company establish internal rules against insiders trading with undisclosed information?				Best Practice Principles for TWSE/TPEx Listed Companies.
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 has stipulated in Article 20 of the "Corporate Governance Best Practice Principles" that the composition of the board of directors shall be subject to diversification. In addition to the fact that the number of directors concurrently serving as the manager of the Company shall not exceed one third of the number of directors, an appropriate diversification policy has been formulated for its own operation, operation style and development needs, which shall include but not be limited to the following two major criteria: 1. Basic conditions and values: Gender, age, nationality, and culture, etc. 2. Professional knowledge and skills: Professional backgrounds (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience and so on. All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. In order to achieve the ideal goal of corporate governance, the board of directors as a whole should have the following abilities: (1) operation judgment ability; (2) accounting and financial analysis ability; (3) operation management ability; (4) crisis handling ability; (5) industrial knowledge; (6) international market insight; (7) leadership; (8) decision-making ability.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Diversity/Core Items/Name	Gender	Operational judgment	Operating and management ability	Accounting and financial analysis skills	Crisis management skills	Industry knowledge	International market insight	Leadership	Decision-making skills
Director Shun-Ho Hsieh	Male	V	V	V	V	V	V	V	V
Director Yao-Tsung Wu	Male	V	V		V	V		V	
Director Ming-Ching Hsieh	Male	V	V	V		V	V	V	V
Director, Chang, Yu-chuan	Male	V	V		V			V	V
Director Chen, Yung-Chen	Male	V	V		V	V	V	V	V
Director Jui-Jung Chang	Male	V	V		V	V		V	V
Independent Director Huang, Huei-Wang	Male	V	V	V	V		V		V

<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>
<table>
<tr><td>Independent Director Shih-Hung Chan</td><td>Male</td><td>V</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>V</td><td>V</td><td></td><td>V</td><td>V</td><td></td></tr>
</table>
1. The current board of directors of the Company has 9 members, of which 3 Independent Directors include Mr. Chan, Shih-Hung, Mr. Tu, San-Chien and Mr. Huang, Huei-Wang. The above Independent Directors are professionals who have important influence on the Company's operations, financial accounting, and international market insight. They can provide specific advice and supervise the operation of the management team. The proportion of independent directors of the Company is 33%, and the proportion of directors with employee status is 33%. The board members are between 43 and 77 years old. General Directors: Ph.D. of Mechanical Engineering Research Institute of Chung Yuan Christian University, Master of Financial Management of Azusa Pacific University, Master of Department of Business Administration of Asia University, President of Taiwan Lunchun Association and other professional backgrounds, skills and industrial experience. Members of independent directors: Ph.D. of Department of Mechanical Engineering, University of California Berkeley, Master of Accounting, Louisiana State University, Department of Business Administration at School of Law and Business of National Taipei University, Fintech workshop of Berkeley University, California, USA, etc. There are currently no female directors, and we strive to increase the number of female directors in the future.
2. The Board has established a policy of diversity on the composition of the Board and disclosed it on the corporate website and Market Observation Post System (MOPS).
</td><td>In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.</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></td></tr>
<tr><td>(III) Does the company formulate the performance evaluation methods for the Board of Directors, conduct performance evaluations annually and regularly, and</td><td>✓</td><td></td><td>(III) The Company has formulated the "Board Performance Evaluation Method" on March 9, 2012. The scope of the Company's board evaluation includes the performance evaluation of the overall board of directors, individual board members and functional committees. We conduct performance evaluation of the board of directors at the end of each year according to the method, and issue a performance self-assessment questionnaire to all board members at the end of December of the year. The performance evaluation of the board of directors is carried out regularly every year. After each director completes the evaluation on the operation, culture, internal and external relationship operation, self-evaluation and other aspects of the board of directors for the current year, the board of directors' affairs unit will make statistics and summary and report in the first board meeting of the next year. The performance evaluation of the board of directors</td><td>In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.</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	
report the results of the performance evaluations to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal?			of the Company covers five aspects: (1) participation in the operation of the company; (2) improvement of the decision-making quality of the board of directors; (3) composition and structure of the board of directors; (4) selection and continuous learning of directors; (5) internal control, there are 25 indicators in total, and the performance evaluation of board members covers 6 aspects: (1) mastery of the company's objectives and tasks, (2) cognition of the directors' responsibilities, (3) participation in the company's operation, (4) internal relationship operation and communication, (5) professional and continuing education of board members, (6) internal control with 25 indicators; the performance evaluation of the Audit Committee and the Remuneration Committee also includes five aspects: (1) the degree of participation in the company's operation, (2) the cognition of the responsibilities of the functional committee, (3) the improvement of the decision-making quality of the functional committee, (4) the composition and selection of the members of the functional committee, and (5) the internal control, and there are 25 indicators respectively. The "Board of Directors", "Audit Committee" and "Remuneration Committee" are evaluated on their performance, and the evaluation results are divided into four levels: Significantly Outperformed, Outperformed, Standard, and Underperformed. The self-evaluation of the performance of the board of directors in 2019 starts at the end of December 2019. The Chairman's Office of the meeting affairs unit provides the questionnaire according to the method, and issues the questionnaire and makes statistics at the end of December 2019. In 2019, the performance self-evaluation of the board of directors and the performance self-evaluation of the members of the board of directors, the results of self-evaluation of the measurement indicators all outperformed the standard; in the performance evaluation of the Audit Committee and the performance evaluation of the Remuneration Committee, the results of self-evaluation of the measurement indicators of the members all significantly outperformed the standard. There are no significant improvement items in the performance evaluation of the Company's "Board of Directors", "Audit Committee" and "Remuneration Committee" in 2019. Future optimization direction: 1. Consideration may be given to increasing the number of female directors in the future. 2. To plan professional refresher courses for directors in accordance with the overall needs of the Company to assist in the performance of their functions. The results of performance evaluation have been reported to the board of directors and functional committees on March 12, 2020. After the report of the board of directors, the company has disclosed the methods and evaluation results in the investor area of the Company's website (http://www.sinmag.com.tw/)。 The results of the performance evaluation of the board of directors of the Company will be used as a reference for the remuneration and nomination for renewal of individual directors.	
(IV) Does the company regularly evaluate the independence of	✓		(IV) The Financial Department of the Company regularly assesses the independence and competence of the CPA employed in accordance with the "Measures for the Examination of the Appointment of Certified Public Accountants" and the "Corporate Governance Best Practice Principals". It is evaluated that the personal	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed

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CPAs?			qualifications of the two CPAs of Deloitte & Touche, Chen, Chiang-Hsun and Chen, Chao-Mei, are in line with the practice of certified public accountants, and there is no direct or indirect financial interest relationship with the Company or the directors. In terms of audit, tax service quality and timeliness of the CPAs, all the evaluation items meet the standards and they are qualified to serve as the Company's CPAs.	Companies.
IV. Did the TWSE/TPEx listed company has qualified and an appropriate number of corporate governance personnel, and appointed corporate governance directors responsible for matters related to corporate governance (including but not limited to providing directors and supervisors with the necessary information for operation, assisting directors and supervisors in following regulations, handling matters related to Board meetings and the shareholders' meetings in accordance with the regulations, preparing minutes for Board meetings and the shareholders' meetings, etc.)?	✓		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 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.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
V. Does the company establish a communication channel and build a designated section on its website for stakeholders (including	✓		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.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

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<tr><td>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>
<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 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 onboard 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</td></tr>
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<tr><td></td><td></td><td>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, 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 Stock Affairs Agency Department of Taishin International Bank as its agency to assist the Company in carrying out tasks relevant to Shareholders' Meetings.</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</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</td><td>In compliance with the Corporate Governance Best Practice Principles</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
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website to disclose both financial standings and the status of corporate governance?			relevant rules and regulations and implementation. Corporate website: http://www.sinmag.com.tw/	for TWSE/TPEx Listed Companies.
(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)?	✓		(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 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.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
(III) Does the company announce and report the annual financial report within two months after the end of the fiscal year, and announce and report the financial report of the first, second and third quarters and the operation of each month in advance before the specified		✓	(III) The company shall, within the prescribed time limit, publicly announce the financial reports of the first, second and third quarters and the annual report and the operation of each month.	According to the evaluation of the cooperation between the internal operation time and the CPAs, it is not possible to make an announcement and report the annual financial report within two months after the end of the accounting year, and to make an announcement

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<tr><td>time limit?</td><td></td><td></td><td></td><td>and report the financial report of the first, second and third quarters and the operation of each month ahead of the specified time limit.</td></tr>
<tr><td>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)?</td><td>✓</td><td></td><td>(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 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 onboard 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'</td><td>In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
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Meeting. In order to ensure that 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 (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:

Title/Name	Training date	Organizer	Course	Training Hours	Whether the course meets the requirements (Note)
Director Hsieh, Shun-ho	2019/12/16	Taiwan Corporate Governance Association	CRS and tax heaven - latest trends and legislative impact	3	Yes
	2019/12/16	Taiwan Corporate Governance Association	A Probe into the Practice of Remittance of Overseas Funds	3	Yes

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Director Wu, Yao-tsung	2019/12/16	Taiwan Corporate Governance Association	CRS and tax heaven - latest trends and legislative impact	3	Yes
	2019/12/16	Taiwan Corporate Governance Association	A Probe into the Practice of Remittance of Overseas Funds	3	Yes
Director Hsieh, Ming-Ching	2019/12/16	Taiwan Corporate Governance Association	CRS and tax heaven - latest trends and legislative impact	3	Yes
	2019/12/16	Taiwan Corporate Governance Association	A Probe into the Practice of Remittance of Overseas Funds	3	Yes
Director Chang, Yu-chuan	2019/07/24	Taipei Exchange (TPEx)	Seminar on the Promotion of Internal Equity Ownership of Listed Companies and Emerging Companies in Taipei	3	Yes
	2019/08/27	Securities and Futures Institute	Legal issues that directors and supervisors of publicly traded companies need to pay attention to	3	Yes
	2019/12/16	Taiwan Corporate Governance Association	CRS and tax heaven - latest trends and legislative impact	3	Yes
	2019/12/16	Taiwan Corporate Governance Association	A Probe into the Practice of Remittance of Overseas Funds	3	Yes
Director Chen, Yung-chen	2019/09/11	Securities and Futures Institute	Discussion on Issues of the Integration of Human Resources and Mergers and Acquisitions during Corporate Mergers and Acquisitions Processes	3	Yes
	2019/09/11	Securities and Futures Institute	Corporate Strategies and Key Performance Indicators	3	Yes
	2019/12/16	Taiwan Corporate Governance	CRS and tax heaven - latest trends and legislative impact	3	Yes

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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	
			(see nested table below)	

		Association			
	2019/12/16	Taiwan Corporate Governance Association	A Probe into the Practice of Remittance of Overseas Funds	3	Yes
Director Chang, Jui-jung	2019/12/16	Taiwan Corporate Governance Association	CRS and tax heaven - latest trends and legislative impact	3	Yes
	2019/12/16	Taiwan Corporate Governance Association	A Probe into the Practice of Remittance of Overseas Funds	3	Yes
Independent Director Huang, Huei-wang	2019/07/24	Taipei Exchange (TPEx)	Seminar on the Promotion of Internal Equity Ownership of Listed Companies and Emerging Companies in Taipei	3	Yes
	2019/08/27	Securities and Futures Institute	How Directors and Supervisors of Listed Companies Perform Duties	3	Yes
	2019/12/16	Taiwan Corporate Governance Association	CRS and tax heaven - latest trends and legislative impact	3	Yes
	2019/12/16	Taiwan Corporate Governance Association	A Probe into the Practice of Remittance of Overseas Funds	3	Yes
Independent Director Chan, Shih-hung	2019/12/16	Taiwan Corporate Governance Association	CRS and tax heaven - latest trends and legislative impact	3	Yes
	2019/12/16	Taiwan Corporate Governance Association	A Probe into the Practice of Remittance of Overseas Funds	3	Yes
Independent Director Tu, San-chien	2019/12/16	Taiwan Corporate Governance Association	CRS and tax heaven - latest trends and legislative impact	3	Yes
	2019/12/16	Taiwan Corporate Governance Association	A Probe into the Practice of Remittance of Overseas Funds	3	Yes

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
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			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 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, 2020 to February 1st, 2021. This has been reported to the board meeting on March 12th, 2020.	

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 disclose the English versions of the meeting agenda handbook and supplemental meeting materials 30 days before the day of the shareholders' meeting?	Yes	The company will disclose the English version of the meeting agenda handbook 30 days before the day of the shareholders' meeting in 2020.
Has the Company established internal rules and disclosed them on the corporate website to prohibit insiders such as company Directors or employees from taking advantage of information not available in the market to make profits?	Yes	The project has been set up on the company's official website.

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.	
Does the company voluntarily establish more seats of Independent Directors than the minimum required number by the law? 【If seats for Independent Directors reaches the majority of all seats of Directors, 1 point will be added to the company's total score.】	Yes		The company had 3 independent directors at the end of 2019, which reached 1/3 of the board seats.	
Does the Company develop succession plans for board members and key management levels and disclose the operation status on the Company's website or in its annual report?		No	Currently under evaluation.	
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.	
Does the company have a corporate governance director who is responsible for corporate governance related matters, and explains the scope of duties, business execution priorities and further education in the company's website and annual report? 【If it is not concurrently held by personnel in other positions in the company, additional 1 point will be added to the total score. 】		No	Currently, there is no proper manpower and resources for the execution.	
Has the Company established a performance evaluation method for the Board of Directors? Is such evaluation conducted regularly every year? And are the evaluation results disclosed on the Company's website or annual report?	Yes		The project has been set up on the company's official website.	
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.	
Has the Company disclose interim financial reports in English on the Company’s website or the MOPS?		No	Currently, there is no proper manpower and resources for the timely execution.	

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 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.	
Has the Company's annual report voluntarily disclosed Directors' and Supervisors' remuneration?		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		The company will hold at least two road shows in 2020.	
Does the annual report of the company disclose the individual remuneration of the general manager and the deputy general manager?		No	The company has not disclosed the remuneration of individual general manager and deputy general manager.	
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 cooperation. The company will disclose the composition and operations in the annual report and on its website after coordination in the future.	
Does the company set up a full-time (part-time) unit to promote the ethical corporate management, responsible for the formulation, supervision and implementation of the ethical corporate management policy and prevention plan, and explain the operation and implementation of the setting unit on the company's website and annual report, and report to the board of directors regularly?		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.	

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 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.	
Does the Company adopt protect human rights policies and relevant management procedures referring to International Bill of Human Rights and disclose the information on its website or 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.	
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? 【If climate change issues are included in the risk management procedure, another point will be added to the total score. 】		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.	
Does the company's website or corporate social responsibility report disclose the supplier management policies formulated, require suppliers to follow relevant specifications on environmental protection, safety or health issues, and explain the 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

	Item	Evaluation Content	Results	Compliance with independence
	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
	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

	Item	Evaluation Content	Results	Compliance with independence
	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. On June 6, 2016, the Remuneration Committee appointed Independent Directors Chan, Shih-Hung, Sun, Chia-Chun and Tu, San-Chien as its members; on June 14, 2019, the Board of Directors re-appointed Independent Directors Chan, Shih-Hung, Huang, Huei-Wang and Tu, San-Chien as its members after re-election. In 2019, it held five Remuneration Committee meetings and operated 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 3)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remark End of this section
		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	9	10		
Independent Director	Chan, Shih-hung	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Chia-Chun Sun (Note 1)		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Huang, Huei-wang (Note 2)		✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	1	
Independent Director	Tu, San-chien	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	

Note 1. Independent Director Sun, Chia-Chun was dismissed on June 14, 2019.

Note 2. Independent Director Huang, Huei-Wang was appointed on June 14, 2019.

Note 3. For any committee member who fulfills the relevant condition(s) 2 years before being elected or during the term of office, please provide the [✓] sign in the field next to the corresponding condition(s).

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

(2) Not serving as a Director and Supervisor of the Company or any of its affiliates (except for independent directors set up by the Company and its parent company, subsidiaries or subsidiaries of the same parent company in accordance with this law or local laws and regulations).

(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 manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship listed in (2) and (3).

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company or of a corporate shareholder that ranks among the top five in shareholdings (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.).

(6) Not a director, supervisor or employees of another company controlled by the same person with more than half of the Company's director seats or voting shares. 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.

(7) Not a director, supervisor, or an employee of a company where the chairman, president or any equivalent

position are held by the same person or by his/her spouse separately. 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.

(8) Not a director, supervisor, manager, 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 (excluding specified companies or institutions holding more than 20% but less than 50% of the total issued shares of the Company, and independent directors appointed by both the Company and its parent company, subsidiary or subsidiaries under the same parent company pursuant to this regulation or the local regulations).

(9) Not a professional individual who is an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution, or a spouse thereof, that provides commercial, legal, financial, accounting services or consultation to the Company or its affiliated companies, or those made an accumulated profit of less than NT$500,00 over the last 2 years. However, members of the Remuneration Committee, Public Acquisition Review Committee, or Merger and Acquisition Special Committee who perform their functions and powers in accordance with the provisions of the Securities and Exchange Act or Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.

(10) Not a person of any conditions defined in Article 30 of the Company Act.

(2) Implementation status of the Remuneration Committee

A. The Remuneration Committee is comprised of 3 members.

B. The term of office of the current member is from June 14, 2019 to June 13, 2022.

In the most recent year (2019), the Remuneration Committee held 5 meetings (A). The attendance record of members is listed below:

Title	Name	Attendance in Person (B)	By Proxy	Actual attendance rate (%) (B/A)	Remark
Convener	Chan, Shih-hung	5	0	100%	Reelected on June 14th, 2019
Member	Chia-Chun Sun (Note 1)	2	0	100%	Dismissed on June 14, 2019
Member	Huang, Huei-wang (Note 2)	3	0	100%	Newly elected, June 14, 2019
Member	Tu, San-chien	5	0	100%	Reelected on June 14th, 2019
(A): The Remuneration Committee held 5 meetings in 2019. (B): Actual attendance.					

Other mentionable items:

(a) If the Board of Directors does not adopt or amend the recommendations made by the Audit Committee, the date and session of the Board of Directors' meeting, resolutions, voting results and handling of opinions from the Compensation Committee by the Company shall be disclosed (if the compensation and remuneration approved by the Board of Directors is better than that recommended by the Compensation Committee, the differences and related reasons shall be stated):

None.

(b) 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.

(c) Operation of the Remuneration Committee in the latest year:

Remuneration Committee	Content of Proposal and Follow-up Actions	Resolution	The Company's actions in response to the opinions of the Remuneration Committee
2019.03.14 1st meeting of 2019	Approved the distribution of Employee and Director bonuses for 2018.	Adopted with the approval of all attended members of the Committee	Proposed to the Board of Directors and adopted with the approval of all attended Directors
2019.05.02 2nd meeting of 2019	Approved the remuneration of individual directors and distribution of bonuses for employees and managers for	Adopted with the approval of all attended members of the Committee	Proposed to the Board of Directors and adopted with the approval of all

	2018.		attended Directors
2019.06.14 3rd meeting of 2019 (The 1st meeting of the 4th Board)	Approved the election of the convener of the 4th Remuneration Committee of the Company.	Adopted with the approval of all attended members of the Committee	Proposed to the Board of Directors and adopted with the approval of all attended Directors
2019.06.24 4th meeting of 2019 (The 2nd meeting of the 4th Board)	1. Approved the amount of salary and allocated car for the President of the Company. 2. Approved the traffic allowance and executive business fee of the board of directors of the Company. 3. Approved the case of paying special severance to Mr. Lue, Guo-Horng, former President of the Company.	Adopted with the approval of all attended members of the Committee	Proposed to the Board of Directors and adopted with the approval of all attended Directors
2019.12.16 5th meeting of 2019 (The 3rd meeting of the 4th Board)	1. Approved the annual bonus distribution for managers for 2019. 2. Approved the compensation structure and welfare adjustment plan for employees of the Company's overseas business department.	Adopted with the approval of all attended members of the Committee	Proposed to the Board of Directors and adopted with the approval of all attended Directors

Note 1. Independent Director Sun, Chia-Chun was dismissed on June 14, 2019.
Note 2. Independent Director Huang, Huei-Wang took office on June 14, 2019.

(V) Corporate Social Responsibility (CSR), Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies" and Reasons

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
I. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (Note 3)	✓		I. In accordance with the internal "Corporate Social Responsibility Best Practice Principles", the Company pays attention to environmental, social and corporate governance factors while pursuing sustainable operation and profitability, and incorporates them into the Company's management policies and operational activities.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies.
II. Does the Company establish an exclusively (or part-time) dedicated unit for promoting Corporate Social Responsibility? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?	✓		II. 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.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies.
III. Environmental Issues (I) Did the Company establish a suitable environmental management system based on its industrial characteristics?	✓		(I) 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.
(II) Is the company committed to improving the efficiency of utilizing	✓		(II) 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	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
various resources and using recycled materials with low impacts on the environment?			water conservation, electrification and innovative green service development to effectively save printing paper and significantly improve the service efficiency.	Companies.
(III) Does the Company assess the potential risks and opportunities brought by climate changes, both for now and in the future, and take measures to cope with?	✓		(III) When the company carries out its daily operation activities, it always pays attention to the relevant risks caused by climate change and takes corresponding measures when necessary.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.
(IV) Does the Company conduct statistics on the greenhouse gas emissions, water consumption, and total weight of waste for the past two years, and correspondingly formulate policies for energy conservation, carbon reduction, greenhouse gas reduction, water use reduction, or other waste management?	✓		(IV) In accordance with the "Corporate Social Responsibility Best Practice Principle", the company has implemented energy conservation and carbon reduction, greenhouse gas reduction, water use reduction and other waste management measures.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.
IV. Social Issues (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.

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
(II) Has the company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?	✓		(II) According to the Articles of Incorporation, if the company has any surplus in the current year, it shall allocate 2-10% as the employees' bonus and no more than 5% as the directors' bonus. Relevant resolutions shall be adopted by the board of directors and reported to the shareholders' meeting. Other leave and other welfare matters shall be handled in accordance with relevant laws and regulations.	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 safety and health 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) Has the company established effective career and competence development and training plans?	✓		(IV) The company provides employees with effective professional training programs.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.
(V) Has the company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established related consumer protection policies and grievance procedures?	✓		(V) In accordance with the internal regulations of the "Code of Ethical Corporate Management", the company follows relevant laws and regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services, and formulates relevant policies and complaint procedures to protect the rights and interests of consumers.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.
				In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
(VI) Has the company formulated a vendor management policy requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health, or labor rights, and supervised their compliance?			(VI) The company has established a supplier management policy that requires suppliers to comply with the relevant regulations on issues such as environmental protection, occupational safety and health, or labor and human rights.	
V. Did the company, following internationally recognized standards or guidelines, prepare and publish reports such as its Corporate Social Responsibility report to disclose non-financial information of the company? Has the company received assurance or certification of the aforesaid reports from a third party accreditation institution?		✓	V. The company abides by the relevant corporate social responsibility standards and requirements, but has not yet prepared the corporate social responsibility report	Not eligible
VI. 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.				
VII. 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				

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary (Note 2)	

The company is dedicated public welfare activities. Donations are made to disadvantaged groups that require assistance through professional institutions. The company's donations in 2019 are as follows:

Donation Unit	Donation Amount
Children Are Us Foundation, Chung-Hua Foundation for Persons with Intellectual Disabilities, 1919 Food Bank, Taipei City Yangming Home for the Disabled, Wang Zhen An Gong, Dongshi Township, Jiayi County, Sunmerry	NT$372,955
Wu Xi Shi Xi Shan Qu Ci Shan Hui	RMB 35,000

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 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 onboard training, and regularly arranging health checkups for all staff members in order to provide a comfortable and safe working environment.

Note 1. If "Yes" is checked in the operating status column, please explain the important policies, strategies, measures and implementation situations; if "No" is checked in the operating status column, please explain the reasons, as well as give relevant policies, strategies and measures to counter the situation.
Note 2. Companies that have compiled CSR reports may specify ways to access the report and indicate the page numbers of the cited pages for the operation.
Note 3. The principle of materiality refers to environmental, social and corporate governance issues that have significant impacts on the Company's investors and other stakeholders.

(VI) Implementation of Ethical Corporate Management and the Gaps With the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the Causes Thereof

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
I. Establishment of ethical corporate management policies and programs (I) Does the Company formulate its ethical corporate management policies that have been approved by the Board of Directors? Has the Company declared its ethical corporate management policies and procedures in its guidelines and external documents, and does the Board of Directors and management work proactively to implement their commitment to those management policies?	✓		(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.	In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.
(II) Does the Company establish an assessment mechanism for unethical risks, according to which it analyzes and assesses operating activities with high potential unethical risks? Does the mechanism include any precautionary measures against all the conducts as stated in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?		✓	(II) The company has not established an evaluation mechanism for the risk of unethical conduct.	The company has not established an evaluation mechanism for the risk of unethical conduct.
(III) Has the Company established policies to prevent unethical conduct, with clear statements regarding relevant procedures, conduct guidelines, punishments for	✓		(III) The company has a "Code of Ethical Conduct" which punishes violation of unethical conduct such as violation of social laws, public security management, corruption, collection of kickbacks and conflicts of interest. The code of ethical conduct is included in the induction and on-the-job training of employees, and it will	In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.

<table>
<tr><th rowspan="3">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="3">Deviations from “the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th rowspan="2">Yes</th><th rowspan="2">No</th><th>Abstract Illustration</th></tr>
<tr><th></th></tr>
<tr><td>violation, and rules for appeal, and does the Company implement them accordingly, and regularly review and correct such measures?</td><td></td><td></td><td>be included in the performance appraisal system of employees for regular evaluation to ensure the implementation of the ethical corporate management. There is also a smooth appeal channel. 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>2019</td><td>27</td><td>2</td></tr></table></td><td></td></tr>
<tr><td>II. Fulfill operations integrity
(I) Does the company evaluate business partners’ ethical records and include ethics related clauses in business contracts?</td><td>✓</td><td></td><td>(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.</td><td>In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
<tr><td>(II) Has the Company established an exclusively (or concurrently) dedicated unit under the Board to implement ethical corporate management, and report to the Board on a regular basis (at least annually) about the ethical corporate management policies, precautionary measures against unethical conducts, as well as the implementation and supervision thereof?</td><td>✓</td><td></td><td>(II) The auditing department is responsible for the formulation and supervision of the ethical corporate management policy and the implementation of the plan, and reports to the Board of Directors on a regular basis. There were 4 reports in total in 2019.</td><td>In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
<tr><td>(III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and</td><td>✓</td><td></td><td>(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</td><td>In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
</table>

Evaluation Item	Implementation Status: Yes	Implementation Status: No	Implementation Status: Abstract Illustration	Deviations from "the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
implement it?	✓		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.	
(IV) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?	✓		(IV) In order to ensure the implementation of ethical management, the company has established effective accounting system and internal control, and the internal auditors have formulated and implemented the annual audit plan according to the risk assessment results.	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 trainings on operational integrity?			(V) The company has incorporated integrity in the corporate culture by reinforcing the concept during various meetings.	In compliance with the Ethical Corporate 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) Has the Company established standard operating procedures for the reported matters, the measures to be taken after investigation is completed, and the relevant	✓		(II) The company has dedicated unit responsible for relevant affairs and keeps the information of the complainant and the whisleblower confidential. After the incident investigation is completed, it shall be handled in accordance with the personnel management rules.	In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
confidential mechanism? (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) Has the company disclosed the content of its ethical management code and its result of implementation on its 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- the corporate governance-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.				
VI. Other important information helpful to understand the company's operation in ethical management: on August 9, 2019, the board of directors passed the amendment to the code of ethical corporate management. (e.g., review and amend its Ethical Corporate Management Best Practice Principles)				

(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- the corporate governance-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 2020 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 12, 2020

The self-evaluation results of company's internal control system for 2019 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 findings of such evaluation, the Company believes that, on December 31, 2019, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.

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 12th, 2020. Among 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: Shun-Ho Hsieh

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

(X) In the most recent fiscal year up to the publication date of this annual report, if there has punishment of the company or its internal personnel, or punishment of the company to its internal personnel for violating internal control system regulation, and its punishment results might have significant influence on shareholders' equity or securities' price, the punishment, main deficiencies and improvements shall be listed: 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
2019.03.14 1st meeting of 2019	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 of the nomination of candidates for directors (including independent directors) by shareholders holding more than 1% of the total issued shares. 6. Approved the re-election of Directors and Independent Directors of the Company. 7. Approved the nomination of Directors and Independent Directors of the Company. 8. Approved the release of the new Directors of the Company 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."

Date	Major Resolutions
	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 2nd meeting of 2019	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 change in credit line amount from Changhua Bank made by the Company.
2019.06.14 3rd meeting of 2019 (1st meeting of the 13th Board)	1. Approved to elect the current Chairman through the new directors of the Company.
2019.06.14 4th meeting of 2019 (2nd meeting of the 13th Board)	1. Approved the appointment of the President of the Company. 2. Approve the appointment of the fourth Remuneration Committee of the Company. 3. Approved the 2nd Audit Committee members of the Company.
2019.06.24 5th meeting of 2019 (3rd meeting of the 13th Board)	1. Approved the salary and car amount of the President. 2. Approved the traffic allowance and executive business fee of the board of directors of the Company. 3. Approved the case of paying special severance to Mr. Lue, Guo-Horng, former President of the Company. 4. Approved the distribution of cash dividend. 5. Approved the re-appointment of Directors and Supervisors to the company's invested companies. 6. Approved the removal of the "Non-compete Clause" from the Company's newly appointed managerial officers. 7. Approved the change of Head of Internal Audit.
2019.08.09 6th meeting of 2019 (4th Meeting of the 13th Board)	1. Approved the consolidated financial statements for the second quarter of 2019 and the CPA's review report. 2. Passed the amendment of the Company's "Ethical Corporate Management Best Practice Principles".
2019.11.08 7th meeting of 2019 (5th meeting of 13th board)	1. Approved the consolidated financial statements for the third quarter of 2019 and the CPA's review report. 2. Passed the re-appointment of a custodian for the Company's seal for signing warranty/endorsement.
2019.12.16 8th meeting of 2019 (6th meeting of 13th board)	1. Approved the company's 2020 business plan and budget plan. 2. Approved the company to reduce the capital of SINMAG BAKERY MACHINE INDIA PRIVATE LIMITED to make up for the loss. 3. Approved the company's audit plan for 2020. 4. Approved the annual bonus distribution for managers for 2019. 5. Approved the compensation structure and welfare adjustment plan for employees of the Company's overseas business department. 6. Approved the 2020 donation budget. 7. Approved the amendment of "Procedure for Acquisition or Disposal of Assets" of Sinmag Equipment (China) Co., Ltd., a third-tier subsidiary.
2020.03.12 1st meeting of 2020	1. Approved the distribution of Employee and Director bonuses for 2019. 2. Approved the 2019 Business Report, Individual Financial Report and Consolidated Financial Report of the Company.

Date	Major Resolutions
(7th meeting of the 13th Board)	3. Approved the assessment of independence and competence of CPAs and the appointment and compensation of the CPAs for 2020. 4. Approved the review of the effectiveness of the design and implementation of the company's internal control system for 2019. 5. Approved the declaration of internal control system in 2019. 6. Approved the proposal to adjust the investment structure of the third-tier subsidiary, Sinmag Equipment (Thailand) Co., Ltd. and handle capital increase in response to the development of the company's operation. 7. Approved the proposal to establish a maintenance service company in Thailand to improve the operation and development of the Group in Thailand. 8. Approved the acceptance of shareholders' proposal at annual shareholders' meeting for shareholders with more than 1% of shareholding in 2020. 9. Approved the convening of the company's annual shareholders' meeting in 2020.
2020.05.05 2nd meeting of 2020 (The 8th meeting of the 13th Board)	1. Approved the proposal for the Company's consolidated financial report for Q1 2020. 2. Approved the distribution of earnings for 2019. 3. Approved the amendment of the "Procedures for Remuneration of the Company's Directors and Functional Committees." 4. Approved the remuneration of individual directors and distribution of bonuses for employees and managers for 2019. 5. Approved the adjustment of the company's manager salary plan. 6. Approved the adjustment of the company's organization and personnel promotion plan. 7. Approved the amendment of the company's "Rules of Procedure of the Board of Directors". 8. Approved the amendment to the "Rules of Procedure for Shareholders' Meetings". 9. Approved the amendment of the company's "Code of Ethical Corporate Management". 10. Approved the amendment to the company's "Organizational Procedures of the Audit Committee". 11. Approved the amendment of the company's "Organizational Procedures of the Remuneration Committee”. 12. Approved the amendment of the company's "Corporate Social Responsibility Best Practice Principles". 13. Approved the amendment of the company's "Corporate Governance Best Practice Principles.” 14. Approved the amendment to the company's "Regulations Governing the Evaluation of the Performance of the Board of Directors." 15. Approved the amendment to the company's "Procedures Governing the Acquisition or Disposition of Assets".

2. Major resolutions and implementation status of the company's shareholders' meeting on June 14th, 2019

   (1) Major Resolutions

      1. To approve the proposal for 2018 Earnings Distribution.

2. To approve 2018 Business Report and Financial Statements.
3. Approved the amendment to the company's "Articles of Incorporation".
4. Approved the re-election of Directors and Independent Directors
5. Approved the amendment to the company's "Operational Procedures for Acquisition or Disposal of Assets."
6. Approved the amendment to the company's "Operating Procedures for Loaning Funds to Others."
7. Approved the amendment to the "Operational Procedures for Making Endorsements/Guarantees."
8. Approved the release of the new Directors and their representatives from the non-compete clause.

(2) Status of Implementation

1. The company's earnings distribution proposal for 2018 was passed by the Shareholders' Meeting. The Board of Directors convened a meeting on June 24th, 2019 to set the record date. The cash dividend for shareholders of NT$326,496,573 was distributed on August 6th, 2019.
2. The company's Articles of Incorporation and the registration of changes in the election of directors and independent directors have been approved by Jing-Shou-Shang-Zi No. 10801089750 on July 8, 2019.
3. The company has uploaded the revised "Procedures for Loan of Funds to Others", "Procedures for Endorsement and Guarantee", "Procedures for Acquisition or Disposal of Assets" to the MOPS.
4. A notice has been posted to lift the restrictions on non competition for Directors Hsieh, Shun-Ho, Wu, Yao-Tsung, Chang, Jui-Jung, Hsieh, Ming-Ching, Chen, Yung-Chen and Chang, Yu-Chuan.

3. 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.

(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) For the past year and as of the date of printing the annual report, a summary of the resignation and dismissal of the Company personnel including the Chairman, President, head of the accounting, head of the finance, head of the internal audit, head of corporate governance and head of the R&D:

Title	Name	Date of Assumption of Duty	Date of Dismissal	Reasons for Resignation or Dismissal
President	Lue, Guo-Horng	2004/06/16	2019/06/14	Retirement and dismissal
Audit Supervisor	Liang, Chi-Wen	2012/08/10	2019/06/24	Internal work adjustment or reassignment

(XIV) The company's personnel related to financial information transparency have obtained relevant certificates specified by the competent authority: the company's audit department has obtained one Certified Internal Auditor (CIA) certificate.

IV. Information on Certified Public Accountant Fees

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remark
Deloitte & Touche	Chao-Mei Chen	Chiang- Hsun Chen	2019.1.1~2019.12.31	

Unit: NT$ thousands

Fee Range	Professional Fees	Audit Fees	Non-Audit Fee	Total
1	Under NT$2,000,000		1,011	
2	NT$2,000,000 (inclusive) - NT$4,000,000	3,860		
3	NT$4,000,000 (inclusive) - NT$6,000,000			4,871
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:

In 2019, the Company's payments for non-audit accounting services constituted 26.19% of the audit fees, and the services provided were as follows:

Unit: NT$ thousands

<table>
<tr><th rowspan="2">Accounting Firm</th><th rowspan="2">Name of CPA</th><th rowspan="2">Audit Fees</th><th colspan="5">Non-Audit Fee</th><th rowspan="2">Period Covered by CPA's Audit</th><th rowspan="2">Remark</th></tr>
<tr><th>System of Design</th><th>Company Registration</th><th>Human Resource</th><th>Others</th><th>Subtotal</th></tr>
<tr><td rowspan="2">Deloitte & Touche</td><td>Chao-Mei Chen</td><td rowspan="2">3,860</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">1,011</td><td rowspan="2">1,011</td><td rowspan="2">2019.01.01
~
2019.12.31</td><td rowspan="2">Note 2</td></tr>
<tr><td>Chiang-Hsun Chen</td></tr>
</table>

Note 1. The company's audit fees for 2019 were NT$3,860 thousand including the issuance of the English financial statements of NT$270 thousand.

Note 2. Other non-audit fees include transfer pricing report of NT$300 thousand, tax consultation of NT$30 thousand, overseas subsidiaries' travel expenses for audit and financial typing and printing of NT$681 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 10% 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: None.

VI. The Company's Chairman, General Manager, Managers in Charge of Finance and Accounting who have served with the office of a certifying Certified Public Accountant over the past one year, please disclose the name, position title and the information regarding the Certified Public Accountant Office or the affiliated enterprise thereof: 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 22, 2020; Unit: Shares

Title	Name	2019		As of the current year through to April 22, 2020	
		Shareholding Increase (Decrease)	Addition (reduction) of shares pledged	Shareholding Increase (Decrease)	Addition (reduction) of shares pledged
Chairperson and General Manager	Hsieh, Shun-ho (Note 1)	0	0	0	0
Director and President	Lue, Guo-Horng (Note 3)	0	0	Not applicable	Not applicable
Director	Wu, Yao-tsung	0	0	0	0
Director	Chang, Jui-jung	0	0	0	0
Director	Chuang, Sherman (Note 3)	0	0	Not applicable	Not applicable
Director and Vice President of the Management Division	Hsieh, Ming-ching	0	0	10,000	0
Director	Chen, Yung-chen (Note 2)	0	0	0	0
Director	Chang, Yu-chuan (Note 2)	0	0	0	0
Independent Director	Chan, Shih-hung	0	0	0	0
Independent Director	Sun, Chia-Chun (Note 3)	0	0	Not applicable	Not applicable
Independent Director	Huang, Huei-wang (Note 2)	0	0	0	0
Independent Director	Tu, San-chien	0	0	0	0
CFO	Huang, Yu-Tung	0	0	0	0
Vice President	Chen, Chih-Hsien	0	0	0	0
Manager, Technical Department	Chen, Shiu-Tu	0	0	0	0
Manager, Manufacturing Department	Huang, Tsai-Wang	0	0	0	0
Manager, Engineering Department	Wang, Tai-Sheng	0	0	0	0
Manager, Foreign Trade Department	Yeh, Yen-Ju (Note 4)	0	0	Not applicable	Not applicable

Title	Name	2019		As of the current year through to April 22, 2020	
		Shareholding Increase (Decrease)	Addition (reduction) of shares pledged	Shareholding Increase (Decrease)	Addition (reduction) of shares pledged
Director and Vice President, Overseas Business Department	Chen, Yung-chen (Note 2)	0	0	0	0
Manager, Overseas Business Department	Chang, Tzu-Chien	46,000	0	0	0
Manager of Human Resources Department	Hong, Zhi-Wei (Note 5)	Not applicable	Not applicable	0	0

Note 1. President Hsieh, Shun-Ho was appointed on June 14, 2019.
Note 2. Director Chen, Yung-Chen, Director Chang, Yu-Chuan and Independent Director Huang, Huei-Wang were appointed on June 14, 2019.
Note 3. Director Lue, Guo-Horng, Director Chuang, Sherman and Independent Director Sun, Chia-Chun were dismissed on June 14, 2019.
Note 4. Yeh, Yen-Ju, manager of Foreign Trade Department, resigned on November 11, 2019.
Note 5. Hong, Zhi-Wei, manager of Human Resources Department, took office on May 5, 2020.

(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 22, 2020 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	Meeting (OR NAME)	Relation	
JPMorgan Chase Bank, N.A., Taipei Branch In Custody For Stichting Depositary APG Emerging Markets Equity	4,001,115	7.97%	0	0%	0	0%	None	None	Note

Pool									
Sheng Chia Investment Co., Ltd.	3,009,545	5.99%	0	0%	0	0%	Hsieh, Shun-ho Hsieh, Ming-ching	Director Director	None
Representative of Sheng Chia Investment Co., Ltd.: Hsieh, Ming-Hsiao	713,869	1.42%	107,645	0.21%	0	0%	Hsieh, Shun-ho Hsieh, Ming-ching	Father-Son Brothers	None
Somerset Emerging Markets Small Cap Fund Llc	2,523,884	5.02%	0	0%	0	0%	None	None	Note
Hsieh, Shun-ho	2,211,267	4.40%	398,564	0.79%	0	0%	Sheng Chia Investment Co., Ltd. Hsieh, Ming-ching	Invested companies Father-Son	None
Wu, Yao-tsung	1,788,616	3.56%	1,459,555	2.91%	0	0%	Pi-Yu Jen	Spouse	None
Mawer Global Small Cap Fund	1,774,840	3.53%	0	0%	0	0%	None	None	Note
Taiwan Life Insurance Co., Ltd.	1,773,918	3.53%	0	0%	0	0%	None	None	None
Pi-Yu Jen	1,459,555	2.91%	1,788,616	3.56%	0	0%	Wu, Yao-tsung	Spouse	None
Hsieh, Ming-ching	1,408,980	2.81%	98,508	0.20%	0	0%	Hsieh, Shun-ho Sheng Chia Investment Co., Ltd.	Father-Son Invested companies	None
Morgan Stanley & Co. International Plc	1,165,433	2.32%	0	0%	0	0%	None	None	Note

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

Major Institutional 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
Taiwan Life Insurance Co., Ltd.	Huang, Si-Guo	CTBC Financial Holding Co., Ltd.
Morgan Stanley & Co. International Plc	Note	Note

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

The main shareholders of the major corporate shareholders:

April 26, 2019; %

Name of institutional shareholder	Major shareholders	Shareholding Ratio
CTBC Financial Holding Co., Ltd.	China Life Insurance Co., Ltd.	2.92%
	Yi Gao Investment Corporation	2.84%
	Fubon Life Insurance	2.21%
	Government of Singapore Investment Corp. under the custody of Citibank (Taiwan) Limited	1.88%
	Nan Shan Life Insurance Company	1.87%
	Shin Kong Life Insurance Co., Ltd.	1.81%
	CTBC Bank entrusted by CTBC FHC Co., Ltd. for asset special account of Employee Welfare Savings Trust Fund Committee	1.68%
	Quanwei Investment Co., Ltd.	1.57%
	New Labor Pension Funds	1.57%
	Bank of Taiwan	1.55%

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, 2020; 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 and Shares

(I) Source of Capital

May 15th, 2020; Unit: NT$ thousands, thousand shares

Month/Year	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT$ thousands)	Shares	Amount (NT$ thousands)	Share Capital Source 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, 2020; 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) Shareholder Structure

April 22, 2020; 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	1	7	33	6,323	73	6,437
Shareholding (Shares)	41,000	2,666,833	3,329,220	27,959,357	16,233,832	50,230,242
Shareholding Ratio	0.08%	5.31%	6.63%	55.66%	32.32%	100.00%

(III) Shareholding Distribution Status

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

April 22, 2020 Unit: Shares; Person

Stock holding classification	Number of Shareholders	Shareholding (Shares)	Shareholding Ratio (%)
1 -999	1,574	256,480	0.51%
1,000 - 5,000	4,080	7,427,126	14.79%
5,001 - 10,000	418	3,068,112	6.11%
10,001 - 15,000	131	1,621,940	3.23%
15,001 - 20,000	65	1,166,292	2.32%
20,001 - 30,000	68	1,693,368	3.37%
30,001 - 50,000	33	1,313,604	2.62%
50,001 - 100,000	26	1,901,192	3.79%
100,001 - 200,000	15	2,101,656	4.18%
200,001 - 400,000	9	2,819,288	5.61%
400,001 - 600,000	1	416,158	0.83%
600,001 - 800,000	5	3,628,992	7.22%
800,001 - 1,000,000	2	1,698,881	3.38%
Over 1,000,001	10	21,117,153	42.04%
Total	6,437	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 22, 2020 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	4,001,115	7.97%
Sheng Chia Investment Co., Ltd.	3,009,545	5.99%
Somerset Emerging Markets Small Cap Fund Llc	2,523,884	5.02%
Hsieh, Shun-ho	2,211,267	4.40%
Wu, Yao-tsung	1,788,616	3.56%
Mawer Global Small Cap Fund	1,774,840	3.53%
Taiwan Life Insurance Co., Ltd.	1,773,918	3.53%
Pi-Yu Jen	1,459,555	2.91%
Hsieh, Ming-ching	1,408,980	2.81%
Morgan Stanley & Co. International Plc	1,165,433	2.32%

(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:

As of April 22, 2020

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
Taiwan Life Insurance Co., Ltd.	CTBC Financial Holding Co., Ltd.
Morgan Stanley & Co. International Plc	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	2018	2019	Up to May 15th, 2020 (Note 2)
Market price per share	Highest Market Price		173	129.5	129.50
	Lowest Market Price		110	98.80	110
	Average Market Price		145.46	110.33	121.54
Net Worth per Share	Before Distribution		41.06	43.34	43.51
	After Distribution		34.56	38.34 Note 1	38.51 Note 1
Earnings per Share	Weighted Average Shares (thousand shares)	Diluted Earnings Per Share	50,230,242	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	9.43	10.02	0.61
		Adjusted Diluted Earnings Per Share	9.43	10.02 Note 1	0.61 Note 1
Dividends per Share	Cash Dividends (NT$)		6.5	5 Note 1	-
	Stock Dividends	Dividends from Retained Earnings	0	0	-
		Dividends from Capital Surplus	0	0	-
	Accumulated Undistributed Dividends		0	0	-
Return on Investments Analysis	Price / Earnings Ratio		15.43	11.01	-
	Price / Dividend Ratio		22.38	22.07	-
	Cash Dividend Yield Rate		4.47%	4.53%	-

Note 1. The Company's earnings distribution proposal for 2019 has been approved by the Board of Directors, pending approval by the Shareholders' Meetings.

Note 2. Net Worth per Share and Earnings per Share present the data reviewed by CPAs for the first quarter of 2020. Other columns present the data from the year up to May 15th, 2020.

(VII) Dividend Policy and Implementation Status

1. Dividend Policy

According to the dividend policy stipulated in the Articles of Incorporation, if there is net profit after tax in the annual final accounts of the company for the current period, the company shall make up the accumulated loss first (including adjusting the undistributed earning amount), and then allocate 10% as the legal surplus reserve according to law, except when the legal surplus reserve has reached the paid in capital of the company.

Secondly, special surplus reserve shall be allocated or reversed in accordance with laws and regulations or regulations of the competent authority. The board of directors shall prepare a proposal for earning distribution, together with the undistributed surplus at the beginning of the period (including adjusting the amount of undistributed surplus), and submit it to the shareholders' meeting for resolution on dividend distribution to the shareholders.

The dividend policy of the company is to be in line with the current and future development plans, consider the investment environment, fund demand and domestic and foreign competition, and take into account the shareholders' interests and other factors. Every year, no less than 20% of the earnings available for distribution are allocated to distribute shareholders' dividends. When distributing shareholders' dividends, cash or stock can be used, of which cash dividends shall not be 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 2019 was proposed by the Board of Directors on May 5th, 2020. NT$251,151,210 was proposed as cash dividends at NT$5 per share, all distributed in cash. The proposal will be submitted for ratification on June 20th, 2020.

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:

The shareholders' meeting does not propose to distribute stock dividends, so it has no significant impact on the company's operating performance and earnings per share.

(IX) Compensations for Employees and Directors

1. Percentage or range of rewards distributed to employees and directors as stipulated in the Company's Articles of Incorporation:

In accordance with the Articles of Incorporation of the company, if the company has any profit in the year, the company shall allocate 2% to 10% of the pre-tax profit of the current period before deducting the distribution of employees' and directors' remuneration in the current year as the employees' remuneration. The board of directors shall resolve to distribute the profit by shares or cash, and the distributed parties may include the subordinate company's employees meeting certain conditions; the company may, by resolution of the board of directors, allocate not more than 5% of the pre-tax profits of the current period before deducting the remuneration to employees and directors in the current year as directors' remuneration. 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. Basis for estimating the amount of rewards to be distributed to employees and directors, basis for calculating the number of shares to be distributed as employee rewards and accounting treatment for discrepancies between the actual and estimated amount of rewards to be distributed for this 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) Amount of remuneration distributed to employees and directors in the form of cash or stock

   On March 12, 2020, the board of directors of the company passed a resolution to allocate NT$17,051,794 of employees' remuneration and NT$7,757,504 of directors' remuneration, which is not different from the annual estimated amount of the recognized expenses.

   (2) Sum of employees' compensation provided in distributed shares and its proportion of the net income after tax (NIAT) provided in the individual financial report and the total sum of employees' compensation:

   In 2019, the company did not propose to distribute employee stock compensation.

4. Actual distribution of employees' and Directors' compensation for the previous fiscal year:

   The company's Board of Directors resolved to distribute NT$21,847,173 for cash compensation for employees and NT$8,538,869 for Directors' remuneration in cash for 2018 on March 14th, 2019. 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 Content

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) The Group’s Business Activities and Weight of Each Activity

Unit: NT$ thousands

Main Products	2019	% of total annual sales
Mixer	844,705	20.28%
Divider Rounder and Moulder	270,957	6.51%
Sheeter	142,765	3.43%
Proofer	516,945	12.41%
Oven	1,452,914	34.89%
Slicer	105,512	2.53%
Fryer	12,396	0.30%
Refrigerator	107,916	2.59%
Show Case	110,391	2.65%
Food Service Equipment	75,985	1.82%
Other machine	118,267	2.84%
Other Parts (Note)	351,181	8.44%
Bakeware	54,694	1.31%
Total	4,164,628	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. Three bags powder pliers type mixer: the latest three bags powder pliers type mixer can reduce the weight of the trolley and make the trolley move more easily.
2. Pliers type bowl lift: the upside down of the trolley in line with the new type of pliers type mixer.
3. Enlarge capacity of production toast depanner: the production capacity of toast was increased from 300 to 500 units / per hour.
4. Jenny-cookie depositor: cookies are layered and made with little exercise load, which is conducive to the continuous production of the production line.
5. Stainless steel egg beater SM-80LS: perfect model of stainless steel egg beater series.
6. Noise reduction and crumb gathering system of air suction depanner: as a supporting system of suction type toast demoulding machine, it can improve the system of toast demoulding machine with a capacity of 6,000 units / per hour.

7. Water boiling and water spraying type of proofer humidity adding system research: choose a better way of humidification.
8. Research of oven thermal insulation: study the heat insulation principle of oven and improve the quality of oven.
9. Research of rack oven explosion proof: in order to further improve the safe production operation, the converter gas index system was tested.
10. New dough divider SMD-2PB and SMD-4P series: electric adjustment of dough and dividing weight.
11. Stainless steel divider: in response to food safety problems, the research on parts in contact with food was changed from cast steel to stainless steel.
12. New type of rounding machine: improve the performance of the rounding machine.
13. Five Pockets Continuous Divider SMD-K5P: electric adjustment of dough and dividing weight.

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.

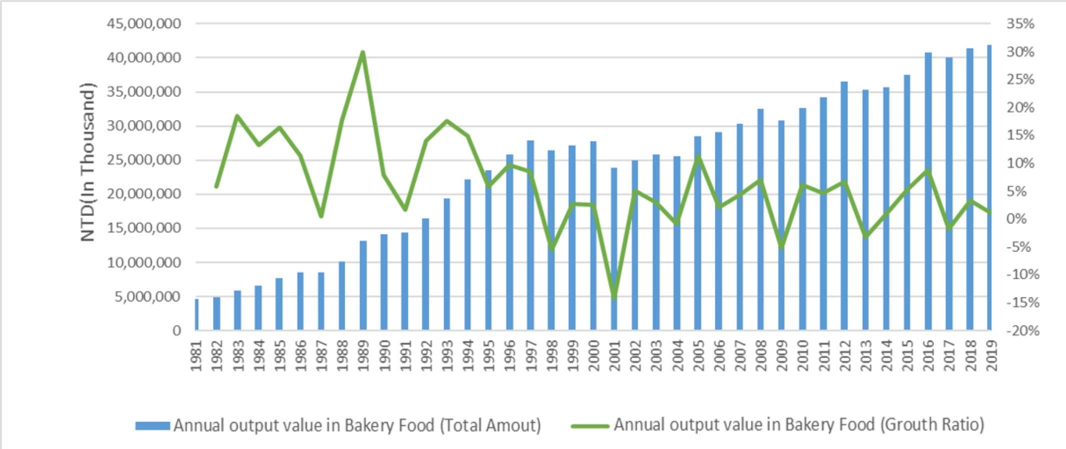
The baking industry in Taiwan is spread out with many bakeries that are small in size. The customers are usually local residents. In small-scale bakeries, the business model is focuses on selling what is produced in store with no franchise. This has the highest percentage of almost 77%. There are also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

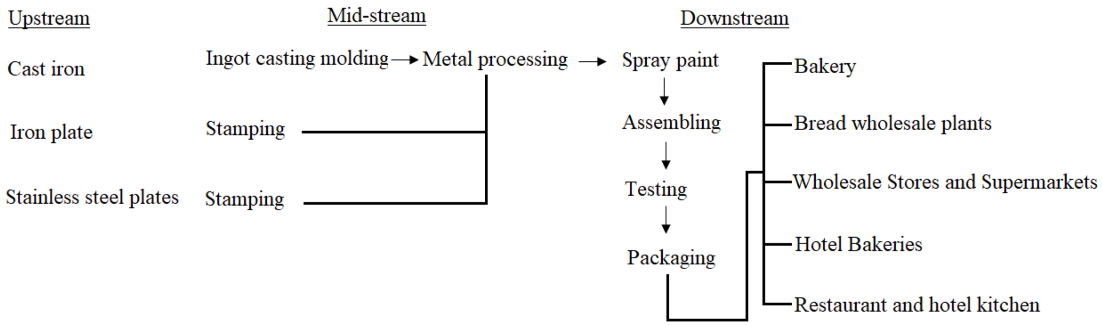
In recent years, the impact of the e-commerce and real estate depression have contributed to rapid changes in supermarket sales models. Walmart for example, has launched an online store. Rt-Mart on the other hand has been investing in Feiniu, an online shopping website. In 2016, supermarkets began to 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	2019	Financial Data As of March 31, 2020
R&D expenses	161,088	22,735
Net sales	4,164,628	488,656
Ratio of R&D expenses to net sales (%)	3.87%	4.65%

(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. Three bags powder pliers type mixer: the latest three bags powder pliers type mixer can reduce the weight of the trolley and make the trolley move more easily.
2. Pliers type bowl lift: the upside down of the trolley in line with the new type of pliers type mixer.
3. Enlarge capacity of production toast depanner: the production capacity of toast was increased from 300 to 500 units / per hour.
4. Jenny-cookie depositor: cookies are layered and made with little exercise load, which is conducive to the continuous production of the production line.
5. Stainless steel egg beater SM-80LS: perfect model of stainless steel egg beater series.
6. Noise reduction and crumb gathering system of air suction depanner: as a supporting system of suction type toast demoulding machine, it can improve the system of toast demoulding machine with a capacity of 6,000 units / per hour.
7. Water boiling and water spraying type of proofer humidity adding system research: choose a better way of humidification.
8. Research of oven thermal insulation: study the heat insulation principle of oven

and improve the quality of oven.

9. Research of rack oven explosion proof: in order to further improve the safe production operation, the converter gas index system was tested.
10. New dough divider SMD-2PB and SMD-4P series: electric adjustment of dough and dividing weight.
11. Stainless steel divider: in response to food safety problems, the research on parts in contact with food was changed from cast steel to stainless steel.
12. New type of rounding machine: improve the performance of the rounding machine.
13. Five Pockets Continuous Divider SMD-K5P: electric adjustment of dough and dividing weight.

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 production machines for different specifications and requirements of baking market.

C. Expand bakery and peripheral derivative compound market, increase the breadth and diversification of market application of equipment, and increase market share.

D. Expand the channel base of export sales, set up sales base in overseas market, and promote the sales of new equipment to expand the export market.

E. Develop the sales mode of the whole set of equipment in front and back of the baking store.

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 profit ability.

D. Strengthen the precise production and manufacturing management, improve product quality, reduce costs, produce better baking effect, more stable and durable production equipment, and improve market competitiveness.

E. 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

Area \ Year		2018		2019	
		Consolidated Sales	Ratio	Consolidated Sales	Ratio
Domestic Sales		124,582	2.89%	153,997	3.70%
Export	America	701,699	16.27%	675,676	16.22%
	Asia	3,156,206	73.20%	2,967,080	71.24%
	Africa	149,326	3.46%	127,032	3.05%
	Europe	123,612	2.87%	157,647	3.79%
	Others	56,590	1.31%	83,196	2.00%
	Subtotal	4,187,433	97.11%	4,010,631	96.30%
Total		4,312,015	100.00%	4,164,628	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.

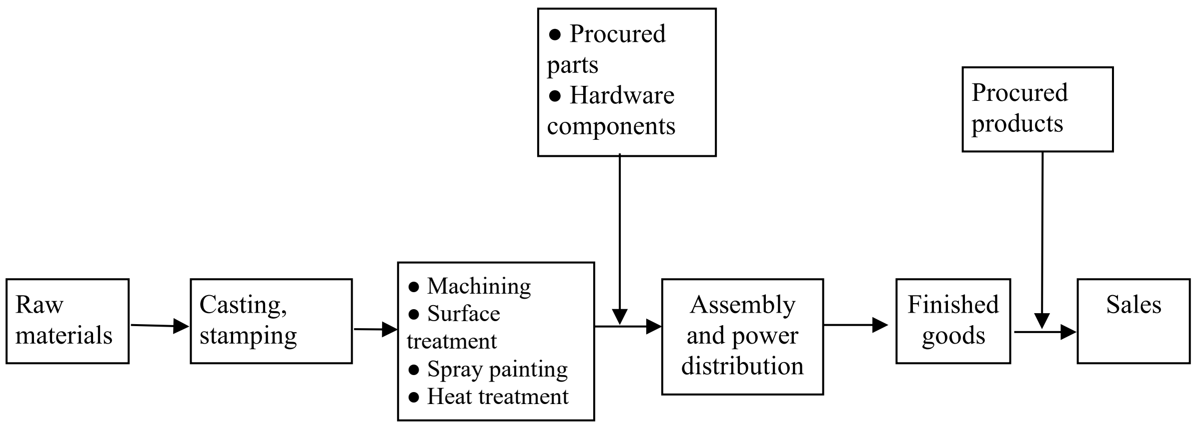
Countermeasures: To reduce the impact of labor wages on the operating costs, the company has continuously evaluated the introduction of automated machinery and equipment to increase the proportion of automated production in response to the continuous rising labor costs and recruitment difficulties.

(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. The name of the manufacturer (customer's name) who has accounted for more than 10% of the total amount of goods purchased (sold) in any year of the last two years, and the amount and proportion of goods purchased (sold), and the reasons for the increase or decrease.
   (1) The company did not purchase more than 10% of the total purchases from the same supplier for 2019, 2019 and up to March 31st, 2020.
   (2) The company did not sell more than 10% of the total production to the same customer for 2018, 2019 and up to March 31st, 2020.

5. The Group's Production Volume and Value for the Past Two Years: (consolidated statement)

Unit: NT$ thousands per unit

Year / Production volume / Main Products	2018			2019		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Mixer	21,814	18,033	484,321	27,842	25,555	509,816
Divider Rounder and Moulder	3,982	3,330	158,950	4,150	3,800	163,917
Sheeter	2,457	2,056	89,524	2,162	1,994	85,374
Proofer	7,357	6,055	263,401	5,876	5,388	232,393
Oven	27,890	22,929	678,284	23,775	21,841	688,331
Slicer	11,138	9,144	54,364	13,166	12,080	73,562
Fryer	262	215	3,512	143	131	2,212
Refrigerator	5,295	4,347	134,159	2,715	2,491	82,564
Show Case	4,958	4,071	199,919	2,110	1,936	104,144
Food Service Equipment	1,300	1,068	48,401	1,127	1,034	44,366
Other machine	6,607	5,425	43,477	4,469	4,094	33,024
Other Parts	Note	Note	151,125	Note	Note	155,296
Bakeware	Note	Note	0	Note	Note	0
Total	93,060	76,673	2,309,437	87,535	80,344	2,174,999

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

6. The Group's Sales Volume and Value for the Past Two Years. (consolidated statement)

Unit: NT$ thousands per unit

Year / Sales Volume / Main Products	2018				2019			
	Domestic Sales		Export		Domestic Sales		Export	
	Number of Shareholders	Sales	Number of Shareholders	Sales	Number of Shareholders	Sales	Number of Shareholders	Sales
Mixer	234	14,694	19,222	787,753	194	14,902	23,763	829,803
Divider Rounder and Moulder	93	15,009	3,418	266,296	83	19,834	3,133	251,123
Sheeter	48	5,596	2,215	161,012	34	3,262	2,016	139,503
Proofer	140	12,667	6,743	540,148	117	13,533	6,168	503,412
Oven	331	44,750	14,630	1,355,137	362	47,700	15,487	1,405,214
Slicer	61	2,268	3,242	89,233	56	1,561	3,355	103,951
Fryer	2	90	290	12,098	1	40	259	12,356
Refrigerator	20	910	4,315	177,447	11	735	2,570	107,181
Show Case	0	0	3,221	232,843	0	0	1,495	110,391
Food Service Equipment	22	1,960	1,040	98,377	8	783	882	75,202
Other machine	459	2,554	8,140	103,473	213	28,726	6,555	89,541
Other parts (Note 2)	Note 1	22,970	Note 1	314,230	Note 1	22,153	Note 1	329,029
Bakeware	Note 1	1,114	Note 1	49,386	Note 1	768	Note 1	53,926
Total	1,410	124,582	66,476	4,187,433	1,079	153,997	65,683	4,010,632

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		2018	2019	Up to May 15th, 2020
Number of employees	Executive personnel	1,014	997	993
	Direct labor	594	557	549
	Total	1,608	1554	1542
Average age		37.46	37.46	42.22
Average Years of Service		8.87	8.87	9.74
Education	Ph.D.	0.12%	0.13%	0.13%
	Masters	0.62%	0.58%	0.58%
	Bachelor's Degree	39.30%	40.28%	40.14%
	Senior high school	37.50%	36.42%	36.38%
	Below senior high school	22.46%	22.59%	22.77%

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 2019 are as follows:

Unit: NT$

Items	Total Number of Employees	Total hours	Total expenses
Orientation Training	50	320	30,024
Professional Competency Training	341	7,751	575,056
Management Skills Training	1	12	8,000
Safety and Health Training	421	303	18,289
Firefighting Team Training	1,429	2,774	0
Total	2,242	11,160	631,369

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.

Build a safe working environment	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 onsite 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,	1. Set up a first aid box for each floor and workshop. 2. New recruits shall provide health	In accordance with health protection regulations: 1. The first aid equipment and

Number	Goal/Target	Plan	Description	Implementation status
		employee health examination and special health check (dust and noise).	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.	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.
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 5. 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 data up to March 31, 2020
		2015	2016	2017	2018	2019	
Current assets		2,013,955	2,205,604	2,426,043	2,209,816	2,022,326	1,787,466
Property, plant and equipment		718,530	688,534	736,700	843,929	1,065,760	1,039,191
Intangible assets		29,309	28,393	48,254	92,077	5,433	5,123
Other assets		167,116	194,772	93,934	86,145	207,928	218,737
Total assets		2,928,910	3,117,303	3,304,931	3,231,967	3,301,447	3,050,517
Current liabilities	Before distribution	867,691	966,543	1,055,361	933,670	871,996	614,140
	After distribution	1,207,412	1,409,062	1,443,614	1,260,167	1,123,147 (Note 1)	865,291 (Note 1)
Non-current liabilities		202,947	184,777	204,918	179,822	194,073	191,430
Total liabilities	Before distribution	1,070,638	1,181,320	1,260,279	1,113,492	1,066,069	805,570
	After distribution	1,410,359	1,593,839	1,648,532	1,439,989	1,317,220 (Note 1)	1,056,721 (Note 1)
Equity attributable to shareholders of the parent		1,794,325	1,882,289	1,987,944	2,062,679	2,176,933	2,185,373
Share capital		485,316	485,316	485,316	502,302	502,302	502,302
Capital reserve		74,811	74,943	74,943	75,738	75,738	75,738
Retained earnings	Before distribution	1,185,912	1,392,748	1,512,331	1,586,294	1,759,646	1,790,160
	After distribution	846,191	980,229	1,107,092	1,259,797	1,508,495 (Note 1)	1,539,009 (Note 1)
Other equity		48,286	(70,718)	(84,646)	(101,655)	(160,753)	(182,827)
Treasury stock		0	0	0	0	0	0
Non-controlling interest		63,947	53,694	56,708	55,796	58,445	59,574
Total equity	Before distribution	1,858,272	1,935,983	2,044,652	2,118,475	2,235,378	2,244,947
	After distribution	1,518,551	1,523,464	1,656,399	1,791,978	1,984,227 (Note 1)	1,993,796 (Note 1)

Note 1. .The earnings distribution proposal for 2019 has been approved by the Board of Directors, pending approval by the Shareholders' Meetings.

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

Item \ Year		Financial information for the most recent 5 years (Note 2)				
		2015	2016	2017	2018	2019
Current assets		448,681	475,205	424,223	384,573	333,617
Property, plant and equipment		110,323	108,979	122,917	118,988	111,894
Intangible assets		625	1,057	846	486	238
Other assets		1,760,631	1,861,564	1,948,367	2,051,658	2,245,849
Total assets		2,320,260	2,446,805	2,496,353	2,555,705	2,691,598
Current liabilities	Before distribution	390,257	444,800	397,154	402,819	421,931
	After distribution	729,978	857,319	785,407	729,316	673,082 (Note 1)
Non-current liabilities		135,678	119,716	111,255	90,207	92,734
Total liabilities	Before distribution	525,935	564,516	508,409	493,026	514,665
	After distribution	865,656	977,035	896,662	819,523	765,816 (Note 1)
Share capital		485,316	485,316	485,316	502,302	502,302
Capital reserve		74,811	74,943	74,943	75,738	75,738
Retained earnings	Before distribution	1,185,912	1,392,748	1,512,331	1,586,294	1,759,646
	After distribution	846,191	980,229	1,107,092	1,259,797	1,508,495 (Note 1)
Other equity		48,286	(70,718)	(84,646)	(101,655)	(160,753)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	1,794,325	1,882,289	1,987,944	2,062,679	2,176,933
	After distribution	1,454,604	1,469,770	1,599,691	1,736,182	1,925,782 (Note 1)

Note 1. The earnings distribution proposal for 2019 has been approved by the Board of Directors, pending approval by the Shareholders' Meetings.

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

Item \ Year	Financial Information in the Most Recent Five Years (Note)					Financial data up to March 31, 2020
	2015	2016	2017	2018	2019	
Gross Sales	4,108,932	4,297,545	4,614,233	4,312,015	4,164,628	488,656
Gross profit	1,644,482	1,810,713	1,897,745	1,718,306	1,705,525	201,414
Operating income (loss)	674,740	777,282	828,198	657,300	662,080	35,907
Non-operating income and expenses	5,756	13,486	(37,962)	31,961	25,471	4,736
Pre-tax income	680,496	790,768	790,236	689,261	687,551	40,643
Net Income from Continuing Operations	486,940	560,223	547,123	485,232	515,502	31,420
Loss from discontinued operations	0	0	0	0	0	0
Net income	486,940	560,223	547,123	485,232	515,502	31,420
Other comprehensive income (net of income tax)	(26,685)	(121,204)	(19,400)	(10,163)	(64,266)	(21,851)
Total comprehensive income (loss)	460,255	439,019	527,723	475,069	451,236	9,569
Net income attributable to shareholders of the parent	471,817	546,858	534,153	473,613	503,361	30,514
Net income attributable to non-controlling interest	15,123	13,365	12,970	11,619	12,141	906
Total comprehensive income or loss attributable to shareholders of the parent	444,562	427,553	518,174	462,193	440,751	8,440
Total comprehensive income attributable to non-controlling interest	15,693	11,466	9,549	12,876	10,485	1,129
Earnings per Share	9.72	11.27	11.01	9.43	10.02	0.61

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

Year / Item	Financial Information in the Most Recent Five Years (Note)				
	2015	2016	2017	2018	2019
Gross Sales	1,145,649	1,101,701	1,134,163	947,326	981,102
Gross profit	189,037	180,301	187,640	147,524	150,503
Operating income (loss)	71,565	38,207	34,587	18,130	11,597
Non-operating income and expenses	440,670	573,116	541,965	497,570	531,787
Pre-tax income	512,235	611,323	576,552	515,700	543,384
Net Income from Continuing Operations	512,235	611,323	576,552	515,700	543,384
Loss from discontinued operations	0	0	0	0	0
Net income	471,817	546,858	534,153	473,613	503,361
Other comprehensive income (net of income tax)	(27,255)	(119,305)	(15,979)	(11,420)	(62,610)
Total comprehensive income (loss)	444,562	427,553	518,174	462,193	440,751
Earnings per Share	9.72	11.27	11.01	9.43	10.02

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

Year / Item		Financial information for the most recent 5 years (Note)					Current year up to March 31, 2020
		2015	2016	2017	2018	2019	
1. Financial structure (%)	Debt to asset ratio	36.55	37.89	38.13	34.45	32.29	26.40
	Long-term capital to property, plant and equipment	268.18	290.86	291.06	262.36	217.98	224.24
2. Debt service ability (%)	Current ratio	232.11	221.32	229.87	236.68	231.91	291.05
	Quick ratio	153.22	155.43	159.31	162.03	156.60	173.18
	Interest earned ratio	6,697.79	16,632.88	11,729.66	8,031.65	9,621.54	2,673.97
Operating Ability	Account Receivables Turnover (Times)	4.55	5.34	6.03	5.97	7.11	4.64
	Average Collection Days	80	68	60	61	51	79
	Inventory Turnover (times)	3.68	3.86	4.08	3.77	3.78	1.73
	Account Payables Turnover (Times)	7.11	7.66	8.19	8.08	8.67	5.44
	Average days in sales	99	95	89	97	97	211

Item		Financial information for the most recent 5 years (Note) 2015	2016	2017	2018	2019	Current year up to March 31, 2020
	Property, plant and equipment turnover (times)	6.32	6.10	6.47	5.45	4.36	1.85
	Total assets turnover (times)	1.31	1.42	1.43	1.31	1.27	0.61
Profitability	Return on assets (%)	15.84	18.66	17.21	15.05	15.95	4.11
	Return on Equity (%)	26.56	29.53	27.48	23.31	23.68	5.61
	Pre-tax income to paid-in capital (%)	140.22	162.93	162.82	137.22	136.88	32.36
	Profit ratio (%)	11.85	13.03	11.85	11.25	12.37	6.42
	Earnings per share (NT$)	9.72	11.27	11.01	9.43	10.02	0.61
Cash flow	Cash flow ratio (%)	67.67	82.56	50.26	68.25	85.09	(15.43)
	Cash flow adequacy ratio (%)	105.87	129.50	122.61	119.62	119.38	117.63
	Cash reinvestment ratio (%)	7.26	19.10	4.19	8.94	14.51	(3.35)
Leverage	Operating leverage	1.09	1.08	1.07	1.10	1.11	1.58
	Financial leverage	1.02	1.00	1.00	1.01	1.01	1.05

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

1. Interest coverage ratio: it is caused by the decrease of loan in this year, resulting in the decrease of interest expense.
2. Turnover of PP&E: mainly due to the increase of PP&E in this year.
3. 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.
4. 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.

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

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

Item	Year	Financial information for the most recent 5 years (Note) 2015	2016	2017	2018	2019
1. Financial structure (%)	Debt to asset ratio	22.67	23.07	20.36	19.29	19.12
	Long-term capital to property, plant and equipment	1,626.43	1,727.20	1,617.30	1,733.51	1,945.53
2. Debt	Current ratio	114.97	106.83	106.81	95.47	79.06

service ability (%)	Quick ratio	97.60	91.32	86.39	70.10	62.42
	Interest earned ratio	58,775.26	65,552.14	76,871.23	54,961.70	38,665.22
Operating Ability	Account Receivables Turnover (Times)	3.73	3.80	4.17	3.95	4.71
	Average Collection Days	98	96	87	92	77
	Inventory Turnover (times)	15.06	13.96	13.90	9.46	9.81
	Account payables turnover (times)	4.30	4.01	3.98	3.82	3.78
	Average days in sales	24	26	26	39	37
	Property, plant and equipment turnover (times)	10.29	10.04	9.78	7.83	8.49
	Total assets turnover (times)	0.49	0.46	0.45	0.37	0.37
Profitability	Return on assets (%)	20.19	22.97	21.63	18.77	19.22
	Return on Equity (%)	26.59	29.74	27.60	23.38	23.74
	Pre-tax income to paid-in capital (%)	105.55	125.96	118.79	102.66	108.17
	Profit ratio (%)	41.18	49.63	47.09	49.99	51.3
	Earnings per share (NT$)	9.72	11.27	11.01	9.43	10.02
Cash flow	Cash flow ratio (%)	(3.03)	5.71	(7.47)	(12.91)	20.46
	Cash flow adequacy ratio (%)	25.35	11.29	4.26	(2.94)	0.90
	Cash reinvestment ratio (%)	(21.34)	(15.52)	(20.85)	(20.22)	(10.56)
Leverage	Operating leverage	1.06	1.12	1.12	1.37	1.34
	Financial leverage	1.01	1.02	1.02	1.05	1.13

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

1. Interest coverage ratio: it is caused by the increase of interest expense due to the increase of external financing demand in this year.
2. Cash flow ratio: it is caused by the increase of net cash inflow from operating activities of the company in the current year.
3. Cash flow adequacy ratio: this is due to the increase of net cash inflow from operating activities due to the increase of profit in the current year.
4. Cash reinvestment ratio: this is due to the increase of net cash inflow from operating activities and the decrease of dividend distribution in the current year.

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
2015	Deloitte & Touche	Chang, Keng-Hsi Chung Wei	Modified unqualified opinion
2016	Deloitte & Touche	Chang, Keng-Hsi Yu, Cheng-Chuan	Unqualified opinion with opinion paragraph
2017	Deloitte & Touche	Chang, Keng-Hsi Chiang- Hsun Chen	Unqualified opinion with opinion paragraph
2018	Deloitte & Touche	Chiang- Hsun Chen Chao-Mei Chen	Unqualified opinion with opinion paragraph
2019	Deloitte & Touche	Chao-Mei Chen Chiang- Hsun Chen	Unqualified opinion with opinion paragraph

II. Audit Committee's Audit Report on 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 2019 Business Report, Financial Statements and Earnings Distribution Proposal of the Company. The financial statements have been audited by CPAs Chen, Chiang-Hsun and Chen, Chao-Mei of Deloitte & Touche, and audit report has been issued. The abovementioned business report, financial statements and surplus distribution proposal have been reviewed and approved by the Audit Committee. All members believe that there is no disagreement. The above documents have been reported according to Article 14 (4) of the Securities Exchange Law and Article 219 of the Company Law. Please kindly check.

Sincerely,

Annual Shareholders' Meeting of Sinmag Equipment Corporation (2020)

Sinmag Equipment Corporation

Convener of the Audit Committee

May 5, 2020

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 2019, please refer to page 152 to page 234 of this annual report.

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

For the consolidated financial statements for 2019, please refer to page 235 to page 304 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 and Analysis of Financial Conditions and Performance and Risk Issues

I. Financial Position

(I) Comparison Analysis of Financial Position

(1) Consolidated financial statements - Based on IFRS

Unit: NT$ thousands

Item \ Year	2019 31st December	2018 31st December	Difference	
			Increases (decreases)	%
Current assets	2,022,326	2,209,816	(187,490)	-8%
Property, plant and equipment	1,065,760	843,929	221,831	26%
Intangible assets	5,433	92,077	(86,644)	-94%
Other assets	207,928	86,145	121,783	141%
Total assets	3,301,447	3,231,967	69,480	2%
Current liabilities	871,996	933,670	(61,674)	-7%
Non-current liabilities	194,073	179,822	14,251	8%
Total liabilities	1,066,069	1,113,492	(47,423)	-4%
Attributable to the shareholders of the parent company	2,176,933	2,062,679	114,254	6%
Share capital	502,302	502,302	0	0%
Capital reserve	75,738	75,738	0	0%
Retained earnings	1,759,646	1,586,294	173,352	11%
Other equity	(160,753)	(101,655)	(59,098)	58%
Treasury stock	0	0	0	0%
Non-controlling interest	58,445	55,796	2,649	5%
Total equity	2,235,378	2,118,475	116,903	6%

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

Increase in property, plant and equipment: This is due to the construction of a plant and the addition of equipment in Sinmag China.

Decrease of intangible assets: It is due to the application of IFRS 16 Lease in 2019, which reclassified long-term prepaid lease payments to right-of-use assets.

Increase in other assets: includes deferred income tax assets, other financial assets—non-current, right-of-use assets and other non-current assets. In 2019, the IFRS 16 Lease was applied, which reclassifies long-term prepaid lease payments to right-of-use assets, resulting in an increase in other assets.

Decrease in other equity: Due to exchange rate fluctuations, the difference in the net worth 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

Item \ Year	2019 31st December	2018 31st December	Difference	
			Increases (decreases)	%
Current assets	333,617	384,573	(50,956)	-13%
Property, plant and equipment	111,894	118,988	(7,094)	-6%
Intangible assets	238	486	(248)	-51%
Other assets	2,245,849	2,051,658	194,191	9%
Total assets	2,691,598	2,555,705	135,893	5%
Current liabilities	421,931	402,819	19,112	5%
Non-current liabilities	92,734	90,207	2,527	3%
Total liabilities	514,665	493,026	21,639	4%
Share capital	502,302	502,302	0	0%
Capital reserve	75,738	75,738	0	0%
Retained earnings	1,759,646	1,586,294	173,352	11%
Other equity	(160,753)	(101,655)	(59,098)	-58%
Treasury stock	0	0	0	0%
Non-controlling interest	0	0	0	0%
Total equity	2,176,933	2,062,679	114,254	6%
Analysis of increase/decrease for the last two years that exceed 20% with the amount reaching NT$ 10 million: Decrease in other equity: due to exchange rate fluctuations, causing the fluctuation of exchange difference in the translation of financial statements of foreign operations.				

II. Financial Performance

(I) Analysis of Financial Performance

(1) Consolidated financial statements - Based on IFRS

Unit: NT$ thousands

Item \ Year	2019	2018	Difference	
			Increases (decreases)	%
Gross Sales	4,164,628	4,312,015	(147,387)	-3%
Operating costs	(2,459,103)	(2,593,709)	(134,606)	-5%
Gross profit	1,705,525	1,718,306	(12,781)	-1%
Operating expenses	(1,043,445)	(1,061,006)	(17,561)	-2%
Operating income	662,080	657,300	4,780	1%
Non-operating income and expenses	25,471	31,961	(6,490)	-20%
Pre-tax income	687,551	689,261	(1,710)	0%
Income tax expenses	(172,049)	(204,029)	(31,980)	-16%
Net income	515,502	485,232	30,270	6%
Analysis of changes in financial ratios: Decrease in non-operating income and expenses: This was due to the increase in the loss of disposal of machinery and equipment this year.				

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

Unit: NT$ thousands

Year / Item	2019	2018	Difference	
			Increases (decreases)	%
Gross Sales	981,102	947,326	33,776	4%
Operating costs	(829,045)	(801,366)	27,679	3%
Gross profit	150,503	147,524	2,979	2%
Operating expenses	(138,906)	(129,394)	9,512	7%
Operating income	11,597	18,130	(6,533)	-36%
Non-operating income and expenses	531,787	497,570	34,217	7%
Pre-tax income	543,384	515,700	27,684	5%
Income tax expenses	(40,023)	(42,087)	(2,064)	-5%
Net income	503,361	473,613	29,748	6%
Analysis of changes in financial ratios: Decrease in operating net profit: This is due to the decrease in expected credit reversal gain this 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	2019	2018	Increase (decrease) ratio
Cash flow ratio %	85.09	68.25	24.67%
Cash flow adequacy ratio %	119.38	119.62	-0.20%
Cash reinvestment ratio %	14.51	8.94	62.30%
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

Item \ Year	2019	2018	Increase (decrease) ratio
Cash flow ratio %	20.46	(12.91)	-258.48%
Cash flow adequacy ratio %	0.90	(2.94)	-130.61%
Cash reinvestment ratio %	(10.56)	(20.22)	-47.77%

Analysis of change in cash flow:

1. Cash flow ratio: This is due to the increase in net cash inflows from the company's operating activities during the year.
2. Cash flow adequacy ratio: It is due to the increase in profits in the current year resulting in an increase in net cash inflow from operating activities.
3. Cash reinvestment ratio: This is due to an increase in net cash inflows from operating activities and a decrease in dividends distributed during the year.

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

(III) Cash liquidity analysis for the coming year:

Unit: NT$ thousands

Initial consolidated cash balance (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 consolidated cash surplus (deficit) (1)+(2)+(3)+(4)	Estimated Remedy for Cash Deficit	
					Investment Plans	Financial Plans
797,975	409,183	(386,642)	(311,699)	508,817	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
   The company expects to increase other financial assets - wealth management products, resulting in increased cash outflow to investment activities.
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. Major Capital Expenditure for the Most Recent Year and Its Effect on Financial Position and Operation of the Company: None.

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:

The Company adopts the equity method for reinvestment based on long-term strategic goals. The profits generated by reinvestment in 2019 amounted to NT$527,468 thousand based on the equity method. The Company shall continue to conduct prudent assessments of investment projects based on the principle of long-term strategic investment.

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	2019	2018
Interest income	16,674	16,172
Interest expenses	7,221	8,690
Net sales	4,164,628	4,312,015
Operating income	662,080	657,300
Interest income/net sales (%)	0.40%	0.38%
Interest income/net operating income (%)	2.52%	2.46%
Interest expense/net sales (%)	0.17%	0.20%
Interest expense/net operating income (%)	1.09%	1.32%

The company's interest expenses for 2019 were NT$7,221 thousand, which accounted for 0.17% and 1.09% 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	2019	2018
Net foreign exchange (loss) gain	14,601	17,499
Net sales	4,164,628	4,312,015
Operating income	662,080	657,300
Net foreign exchange (loss) gain/net sales (%)	0.35%	0.41%
Net foreign exchange (loss) gain/net operating income (%)	2.21%	2.66%

The company is mainly engaged in export sales and mostly quoted and collected in US dollars. Therefore, the change of exchange rate has certain impact on the company's profit and loss. The net exchange gain in 2019 is NT$14,601 thousand. In the future, for the impact on exchange rate fluctuation, we will strengthen the management of foreign exchange risk, and the following countermeasures will be implemented continuously:

A. Fully grasp the latest exchange rate trend and adjust the foreign exchange position in time.

B. By controlling the offsetting of current foreign currency receivables and payments to make the exchange rate changes have a certain degree of internal hedging effect.

C. For accounts payable denominated in foreign currency, we should judge the trend of exchange rate and analyze the exchange gains and losses, choose to prepay or borrow from the bank to avoid the risk of exchange rate fluctuation and achieve the purpose of cost saving.

D. Open a foreign currency deposit account in the bank, and deposit the foreign currency remitted into the foreign currency account first, and convert it into new Taiwan dollars or other strong foreign currencies according to the actual fund demand and the trend of exchange rate, so as to achieve the most appropriate allocation of fund position.

E. When the fluctuation of exchange rate is large, other tools are used to avoid exchange risk, such as trading forward foreign exchange, to avoid the risk of exchange rate change.

(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 and its subsidiaries did not engage in high-risk and high-leveraged investment in 2019 and up to the date of printing of the annual report.
2. The company and its subsidiaries have no loan of funds to others in 2019 and up to the date of printing of the annual report.
3. The 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.
4. As of May 15, 2020, the third-tier subsidiary Sinmag Equipment (China) Co., Ltd. has engaged in derivatives trading with a written off amount of RMB165,000 thousand, an unwritten off amount of RMB50 million and realized profit of RMB369,179.18. The derivatives traded are the use of the company's idle funds for financial planning. The products traded are all principal guaranteed and income structured deposit products, and the banks traded with are all the banks dealing with the company, which can avoid system and credit risks and will not generate losses. The derivatives that the company is engaged in are all in accordance with the company's internal control and the "Procedures for the Acquisition or Disposal of Assets" and the authority for approval.

(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
Three bags powder pliers type mixer	Test is scheduled in October 2020, and mass production is expected in December 2020.	The latest three bags powder pliers type mixer further reduces the weight of the trolley and makes it easy to move.	a. Research the transmission mechanism. b. Research the state of machine mechanics c. Research the control system	The machine is easy to operate, convenient and stable to connect with the trolley. Simple structure for subsequent maintenance.	At present, it is still in design.	Depends on the project execution status.
Pliers type bowl lift	Test is scheduled in October 2020, and mass production is expected in December 2020.	The upside down of the trolley in line with the new type of pliers type mixer.	a. Research the mechanism of the machine. b. Research the transmission system. c. Research the stress of structure.	It can realize the function of rotating cylinder, scraping cylinder and can turn over the Danish dough with high viscosity to meet various production needs.	The design can be modified on the basis of the traditional cylinder lifting machine.	Depends on the project execution status.
Enlarge capacity of production toast depanner	Test is scheduled in October 2020, and mass production is expected in December 2020.	The production capacity of toast is increased to 500 mold / per hour (traditional type is 300 mold / per hour).	a. Research the transmission mechanism. b. Research on positioning control of toast mold box/ c. Research the state of machine under stress.	Achieve a larger capacity to meet customer demand, with low machine noise.	Modify the design on the basis of the traditional demoulding machine.	Depends on the project execution status.
Jenny-cookie depositor	Test is scheduled in October 2020, and mass production is expected in December 2020.	Cookies are layered and made with little exercise load, which is conducive to the continuous production of the production line.	a. Research on mechanical transmission mechanism. b. Research the control program.	The machine is easy to operate, easy to clean and maintain, and has an operational capacity.	At present, 3D modeling design has been completed.	Depends on the project execution status.

Project Name	Mass Production Schedule	Explanation	Project Content	Main Factors of Success	Current Progress	Expected Future Expenditure
Stainless steel egg beater SM-80LS	Test is scheduled in October 2020, and mass production is expected in December 2020.	Stainless steel egg beater series perfect model.	a. Research the transmission mechanism. a. Research and testing of stainless steel surface treatment process.	The whole machine is made of stainless steel, durable and beautiful in appearance.	To carry on the design	Depends on the project execution status.
Noise reduction and crumb gathering system of air suction depanner	Tested in November 2020 and expected to be mass produced in December 2020.	As a supporting system of air suction depanner to improve the system of toast demoulding machine, with a capacity of 6,000 bars / per hour.	a. Research the pressure loss calculation of the crumb removal system and the selection of the blower. b. Research the structure of sound insulation room.	In order to achieve the large production capacity of the demoulding machine, it is necessary to have air suction demoulding machine to remove crumb and reduce noise.	Calculation of pressure loss of crumb removal system of demoulding machine.	Depends on the project execution status.
Water boiling and water spraying type of proofer humidity adding system research	The tests will be completed in November 2020 and are expected to be used to guide sales in December 2020.	Choose a better way of humidification.	a. Research the structure and control of boiling humidification. b. Research the structure and control of spray humidification.	The humidification efficiency is high and the effect on temperature is small.	Start to collect relevant information.	Depends on the project execution status.
Research of oven thermal insulation	Tested in November 2020, it is expected to be used for mass production improvement in December 2020.	Research the heat insulation principle of the oven and improve the quality of the oven.	a. Research on the structure and reasonable number of insulation layers to achieve the maximum insulation effect. b. Reduce costs.	Compared with the former, the number of insulation materials used in the layer furnace has decreased, the cost has been reduced, but the	Start to sort out relevant data.	Depends on the project execution status.

Project Name	Mass Production Schedule	Explanation	Project Content	Main Factors of Success	Current Progress	Expected Future Expenditure
				insulation effect is relatively improved.		
Research of rack oven explosion proof	Tested in October 2020, it is expected to be used for mass production improvement in December 2020.	In order to further improve the safe production operation, the rack oven gas index system was tested.	a. Research the conditions of gas explosion. b. Research ways to reduce explosion risk.	Carry out gas detection over limit alarm, and cut off power and gas automatically.	Gas testing vendors provide testing instruments.	Depends on the project execution status.
New dough divider SMD-2PB series SMD-4P series	The sample is being designed and drawn. Mass production schedule depends on the testing results.	Electrically adjust the dough and divide the weight	a. Press key operation to modify the set weight of dough, motor operation to adjust the divided weight instead of manual adjustment of weight. b. Switch to human-machine interface c. 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 product to avoid damaging the dough.	In progress.	Depends on the project execution status.
Existing divider SMD-2PB SMD-4P	The sample is being designed and drawn. Mass production schedule	In response to food safety problems, the research on parts in contact with food was changed from cast steel to stainless steel.	a. The piston chamber is changed to stainless steel in the evaluation of existing models.	a. Castings without sand holes. b. The heat treatment meets the requirements, and 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
	depends on the testing results.		b. Research the heat treatment of stainless steel.	hardness of the parts meets the requirements to increase the wear resistance.		
Rounding machine	The sample is being designed and drawn. Mass production schedule depends on the testing results.	New type of rounding machine, redesign drawing.	a. Change the surface of the round vertebral body and improve the problem of falling off when treated with Teflon. b. Set the dough weight to 30-500g.	a. The smaller the eccentricity of the cone, the better. b. The surface treatment of the cone should not stick to the dough, nor slip. c. The compactness of the circular orbit and the cone affects the generation of dough crumb.	In progress.	Depends on the project execution status.
Five Pockets Continuous Divider SMD-K5P	The sample is being designed and drawn. Mass production schedule depends on the testing results.	Electrically adjust the dough and divide the weight	a. Press key operation to modify the set weight of dough, motor operation to adjust the divided weight instead of manual adjustment of weight. b. Use man-machine interface to operate.	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.	In progress.	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.

(2) 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.

(3) 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.

(4) 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.

(5) 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 manmade 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.

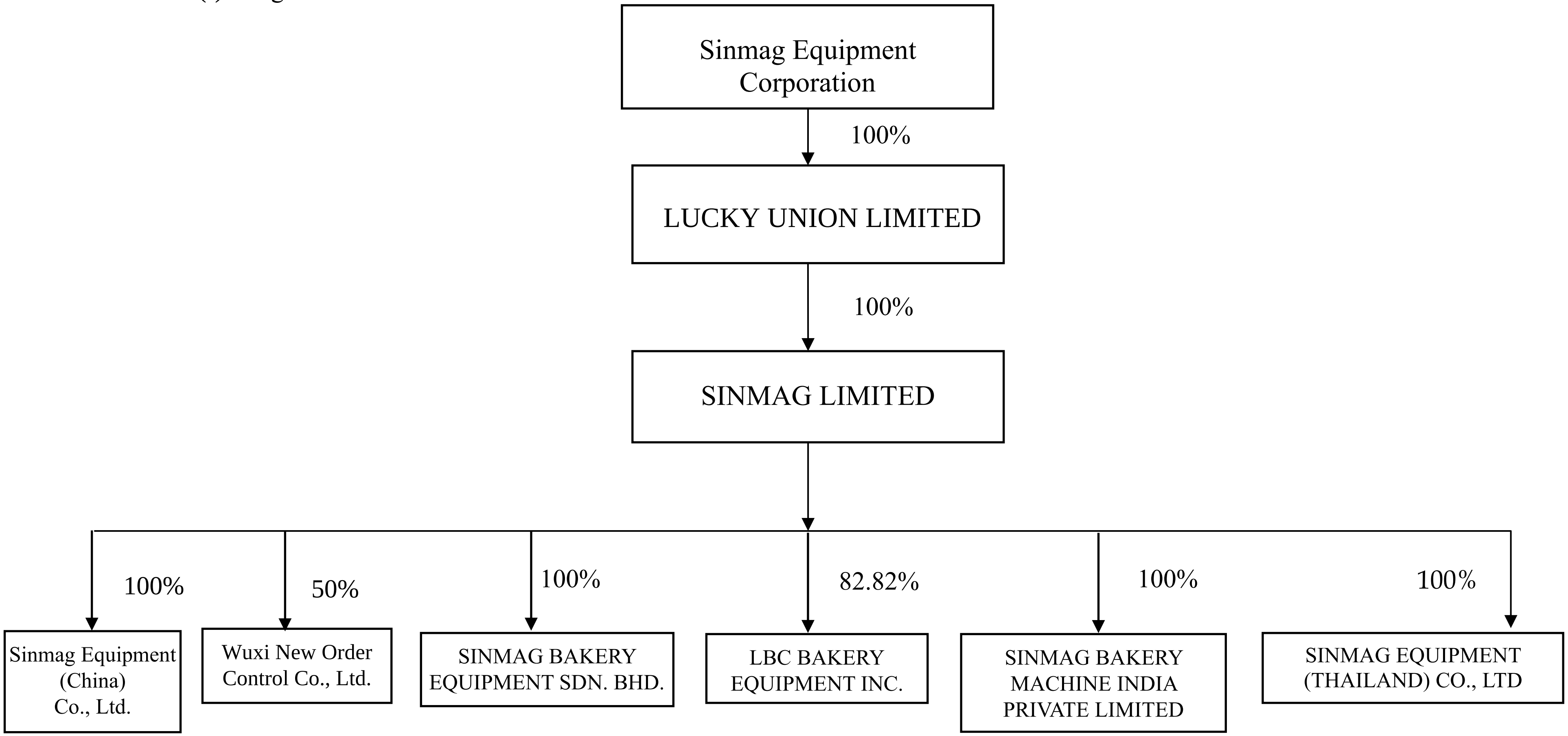
Chapter 8. Special Disclosure

I. Summary of Affiliated Companies

(I) Consolidated Business Report of Affiliated Companies

1. Overview of affiliated companies

(I) Organizational Structure of Affiliates



(II) Summary of Affiliated Companies

May 15, 2020

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	Manufacturing and sales of control instruments and electromechanical control system
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$600,000	Sales of food machinery equipment

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

(IV) 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.

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

May 15th, 2020; 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$429,314 thousand	100%
SINMAG LIMITED	Director	LUCKY UNION LIMITED Representative: Shun-Ho Hsieh	NT$444,566 thousand	100%
Sinmag Equipment (China) Co., Ltd.	Chairman	Hsieh, Shun-ho	NT$349,938 thousand	100%
	Director	Hsieh, Ming-ching		
	Director	Tzu-Chien Chang		
	Supervisors	Wu, Yao-tsung		
SINMAG BAKERY EQUIPMENT SDN. BHD.	Chairman	Hsieh, Shun-ho	NT$12,340 thousand	100%
	Director	Lian Choy Seng		
	Director	Chen, Yung-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	Hsieh, Ming-ching		
	President	Steve Hegge		
Wuxi New Order Control Co., Ltd.	Chairman	Hsieh, Ming-ching	NT$3,348 thousand	50%
	Director	Tseng-Wen Lee		
	Director	Wu, Yao-tsung		
	President	Tseng-Wen Lee		
	Supervisors	Sheng-Huei Yang		
SINMAG BAKERY	Chairman	Hsieh, Shun-ho	NT$54,748	100%

Name	Title	Name or representative	Shareholding	
			Number of Shares or Capital Contributions	Shareholding %
MACHINE INDIA PRIVATE LIMITED	Director	Chen, Yung-chen	thousand	
	Director	Mukesh Chachan		
SINMAG EQUIPMENT (THAILAND) CO., LTD.	Director	Tzu-Chien Chang	NT$18,199 thousand	100%
	Director	Hsieh, Ming-ching		
	Director	Ming-Hsiung Kuo		

2. Operational overview of affiliated companies

(I) Financial status and operating results of affiliated companies

December 31, 2019

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	441,856,702	2,220,272,693	-	2,220,272,693	-	(98,536)	527,468,467	-
SINMAG LIMITED	NTD	457,103,524	2,216,180,386	-	2,216,180,386	-	(2,126)	527,647,200	-
Sinmag Equipment (China) Co., Ltd.	RMB	236,999,121	580,706,019	148,687,411	432,018,608	777,709,378	125,887,383	115,815,475	-
SINMAG BAKERY EQUIPMENT SDN. BHD.	MYR	300,000	19,241,130	5,798,878	13,442,252	16,699,396	1,409,656	1,260,381	-
LBC BAKERY EQUIPMENT INC.	USD	1,789,527	13,783,734	4,841,440	8,942,294	17,268,798	1,618,374	1,162,741	-
Wuxi New Order Control Co., Ltd.	RMB	1,241,565	10,899,533	4,360,186	6,539,347	24,574,618	2,941,082	2,667,833	-
SINMAG BAKERY MACHINE INDIA PRIVATE LIMITED	INR	35,706,404	13,233,548	297,418	12,936,130	-	(8,731,698)	(8,277,832)	-
SINMAG EQUIPMENT (THAILAND) CO., LTD.	THB	19,000,000	54,338,945	16,813,697	37,525,248	106,827,506	6,589,892	5,091,996	-

(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 235 to 304.

(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 Shares by Its Subsidiaries in the Most Recent Fiscal Year and Up to the Publication Date of the Annual 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 abovementioned 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 participate 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 reusing 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:

I. The company's Directors, Managers and the Natural Persons specified in Article 27-1 of the law who is appointed by a designated representative.

II. Shareholders holding more than 10% of the company's shares.

III. A person who obtained the information by reason of occupational or controlling relationship.

IV. Less than six months have elapsed since those who lost the positions in the three preceding subparagraphs.

V. 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:

I. Items stipulated in Article 7 of the Securities and Exchange Act Enforcement Rules.

II. 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.

III. Items stipulated in Article 2 of Taipei Exchange Procedures for Verification and Disclosure of Material Information of Companies with TPEx Listed Securities.

IV. 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:

I. The market information section of the Taiwan Stock Exchange's website.

II. The market information section of the Taipei Exchange's website.

III. 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:

I. Draft and amend the Procedures.

II. Disclose internal material information according to law.

III. Accept the report on the leakage of internal material information and draft countermeasures.

IV. Drafting the storage system of all documents, files and electronic records in relation to the Procedures.

V. 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:

I. Personnel, date and time of information disclosure.

II. Information disclosure method.

III. 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”:

I. Unauthorized disclosure of material internal information or violation of this operating procedure or other laws and regulations.

II. 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 3, 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

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, 2019 and 2018, 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 (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, 2019 and 2018, 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 based on our audits and the report of other auditors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. 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.

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

Occurrence of Sales Revenue

The Company has thousands of customers whose overall operating revenue (excluding related parties within the Group) accounted for 40% of the total operating revenue. Some major customers have higher average change in the growth volatility of operating revenue than the Company's overall operating revenue, resulting in a significant impact on the financial performance of the Company. Therefore, we deemed the validity of occurrence of sales revenue from major customers with high volatility in operating revenue growth as a key audit matter. The accounting policies related to revenue recognition are referred to in Notes 4(l) and 19 to the financial statements.

The following audit procedures were performed in response to the abovementioned key audit matter:

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

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

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

Other Matter

We did not audit the financial statements of LBC Bakery Equipment Inc., a subsidiary included in the financial statements of the Company, but such financial statements were prepared using a different financial reporting framework and audited by other auditors in accordance with auditing standards generally accepted in the United States of America. We have applied audit procedures on the conversion adjustments to the financial statements of LBC Bakery Equipment Inc., which conform to the Regulations Governing the Preparation of Financial Reports by Securities Issuers. 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 8% (NT$213,039 thousand) and 7% (NT$188,743 thousand), of the total assets as of December 31, 2019 and 2018, respectively, and share of profit or loss of subsidiaries constituted 6% (NT$29,929 thousand) and 4% (NT$22,467 thousand), of profit before income tax from continuing operations for the years then ended, respectively.

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 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, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2020

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

The accompanying 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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Notes 4 and 6)	$ 57,803	2	$ 56,184	2
Notes receivable (Notes 4, 7 and 19)	13,734	-	46,139	2
Trade receivables (Notes 4, 7 and 19)	125,571	5	126,717	5
Trade receivables from related parties (Notes 4, 19 and 27)	63,350	2	41,291	2
Other receivables (Notes 4 and 7)	474	-	1,441	-
Current tax assets (Notes 4 and 21)	2,460	-	10,616	-
Inventories (Notes 4 and 8)	68,494	3	100,457	4
Prepayments	1,731	-	1,728	-
Total current assets	333,617	12	384,573	15
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4, 9 and 27)	2,207,286	82	2,030,490	79
Property, plant and equipment (Notes 4, 10 and 28)	111,894	4	118,988	5
Right-of-use assets (Notes 4 and 11)	567	-	-	-
Other intangible assets (Notes 4 and 12)	238	-	486	-
Deferred tax assets (Notes 4 and 21)	37,751	2	20,713	1
Other financial assets - non-current (Notes 4, 13 and 28)	64	-	64	-
Other non-current assets (Note 13)	181	-	391	-
Total non-current assets	2,357,981	88	2,171,132	85
TOTAL	$ 2,691,598	100	$ 2,555,705	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 14 and 28)	$ 113,391	4	$ 150,000	6
Contract liabilities - current (Notes 4 and 19)	4,540	-	8,893	1
Notes payable	20,878	1	27,566	1
Notes payable to related parties (Note 27)	339	-	973	-
Trade payables	6,327	-	5,217	-
Trade payables to related parties (Note 27)	221,833	9	155,543	6
Other payables (Note 15)	54,114	2	54,496	2
Provisions - current (Notes 4 and 16)	131	-	131	-
Lease liabilities - current (Notes 4 and 11)	378	-	-	-
Total current liabilities	421,931	16	402,819	16
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	87,891	3	87,298	3
Lease liabilities - non-current (Notes 4 and 11)	191	-	-	-
Net defined benefit liabilities - non-current (Notes 4 and 17)	4,652	-	2,909	-
Total non-current liabilities	92,734	3	90,207	3
Total liabilities	514,665	19	493,026	19
EQUITY (Notes 4 and 18)				
Share capital				
Ordinary shares	502,302	19	502,302	20
Capital surplus	75,738	3	75,738	3
Retained earnings				
Legal reserve	502,418	18	455,057	18
Special reserve	101,655	4	84,646	3
Unappropriated earnings	1,155,573	43	1,046,591	41
Total retained earnings	1,759,646	65	1,586,294	62
Other equity	(160,753)	(6)	(101,655)	(4)
Total equity	2,176,933	81	2,062,679	81
TOTAL	$ 2,691,598	100	$ 2,555,705	100

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

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

SINMAG EQUIPMENT CORPORATION

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

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 19 and 27)				
Sales	$ 960,853	98	$ 925,896	98
Service revenue	20,249	2	21,430	2
Total operating revenue	981,102	100	947,326	100
OPERATING COSTS				
Cost of goods sold (Notes 8, 20 and 27)	(826,353)	(84)	(798,757)	(84)
Service cost	(2,692)	(1)	(2,609)	-
Total operating costs	(829,045)	(85)	(801,366)	(84)
GROSS PROFIT	152,057	15	145,960	16
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Note 4)	(12,987)	(1)	(11,433)	(1)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Note 4)	11,433	1	12,997	1
REALIZED GROSS PROFIT	150,503	15	147,524	16
OPERATING EXPENSES (Notes 4, 20 and 27)				
Selling and marketing expenses	(58,136)	(6)	(58,589)	(6)
General and administrative expenses	(73,328)	(7)	(71,275)	(8)
Research and development expenses	(8,081)	(1)	(9,094)	(1)
Expected credit gain (Note 7)	639	-	9,564	1
Total operating expenses	(138,906)	(14)	(129,394)	(14)
PROFIT FROM OPERATIONS	11,597	1	18,130	2
NON-OPERATING INCOME AND EXPENSES (Notes 4, 20 and 27)				
Other income	708	-	1,011	-
Other gains and losses	5,020	-	6,889	-
Finance costs	(1,409)	-	(940)	-
Share of profit or loss of subsidiaries, associates and joint ventures	527,468	54	490,610	52
Total non-operating income and expenses	531,787	54	497,570	52

(Continued)

SINMAG EQUIPMENT CORPORATION

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

	2019		2018	
	Amount	**%**	**Amount**	**%**
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	$ 543,384	55	$ 515,700	54
INCOME TAX EXPENSE (Notes 4 and 21)	(40,023)	(4)	(42,087)	(4)
NET PROFIT FOR THE YEAR	503,361	51	473,613	50
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 17, 18 and 21)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(4,390)	-	6,120	1
Income tax relating to items that will not be reclassified subsequently to profit or loss	878	-	(531)	-
	(3,512)	-	5,589	1
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(73,873)	(8)	(22,333)	(2)
Income tax relating to items that may be reclassified subsequently to profit or loss	14,775	2	5,324	-
	(59,098)	(6)	(17,009)	(2)
Other comprehensive loss for the year, net of income tax	(62,610)	(6)	(11,420)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 440,751	45	$ 462,193	49
EARNINGS PER SHARE (Note 22)				
From continuing operations				
Basic	$ 10.02		$ 9.43	
Diluted	$ 9.98		$ 9.39	

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

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

SINMAG EQUIPMENT CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(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, 2018	$ 485,316	$ 74,943	$ 401,642	$ 70,718	$ 1,039,971	$ (84,646)	$ 1,987,944
Appropriation of 2017 earnings (Note 18)							
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 23)	-	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 (loss) 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
Appropriation of 2018 earnings (Note 18)							
Legal reserve	-	-	47,361	-	(47,361)	-	-
Special reserve	-	-	-	17,009	(17,009)	-	-
Cash dividends distributed by the Company	-	-	-	-	(326,497)	-	(326,497)
Net profit for the year ended December 31, 2019	-	-	-	-	503,361	-	503,361
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	(3,512)	(59,098)	(62,610)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	499,849	(59,098)	440,751
BALANCE AT DECEMBER 31, 2019	$ 502,302	$ 75,738	$ 502,418	$ 101,655	$ 1,155,573	$ (160,753)	$ 2,176,933

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

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

SINMAG EQUIPMENT CORPORATION

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 543,384	$ 515,700
Adjustments for:		
Expected credit loss reversed on receivables	(639)	(9,564)
Depreciation expenses	3,766	6,508
Amortization expenses	248	360
Finance costs	1,409	940
Share of profit of subsidiaries, associates and joint ventures	(527,468)	(490,610)
Interest income	(253)	(178)
Write-downs of inventories	2,899	3,914
Loss on disposal of property, plant and equipment	(1,621)	-
Unrealized gain on the transactions with subsidiaries, associates and joint ventures	12,987	11,433
Realized gain on the transactions with subsidiaries associates and joint ventures	(11,433)	(12,997)
Net gain on foreign currency exchange	(1,880)	(2,051)
Changes in operating assets and liabilities		
Notes receivable	32,405	(6,155)
Trade receivables	(528)	14,525
Trade receivables from related parties	(22,939)	51,761
Other receivables	967	(58)
Inventories	28,944	(35,457)
Prepayments	(3)	10,477
Notes payable	(6,688)	(9,548)
Notes payable from related parties	(634)	80
Trade payables	1,113	(572)
Trade payables from related parties	72,116	(30,294)
Other payables	(390)	(503)
Contract liabilities - current	(4,353)	3,510
Advance receipts	-	(306)
Net defined benefit liabilities	(2,647)	(10,990)
Cash generated from operations	118,762	9,925
Interest received	253	178
Income tax paid	(32,659)	(62,147)
Net cash generated from (used in) operating activities	86,356	(52,044)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(532)	(2,579)
Proceeds from disposal of property, plant and equipment	5,822	-
Dividends received from subsidiaries	275,245	376,987
Increase in other financial assets	-	(1)
Decrease in other non-current assets	210	359
Net cash generated from investing activities	280,745	374,766

(Continued)

SINMAG EQUIPMENT CORPORATION

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

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	$ 583,391	$ 410,000
Repayments of short-term borrowings	(620,000)	(350,000)
Repayment of the principal portion of lease liabilities	(219)	-
Dividends paid	(326,497)	(388,253)
Acquisition of additional interest in subsidiaries	-	(5,652)
Interest paid	(1,401)	(897)
Net cash used in financing activities	(364,726)	(334,802)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(756)	1,300
NET INCREASE (DECREASE) IN CASH	1,619	(10,780)
CASH AT THE BEGINNING OF THE YEAR	56,184	66,964
CASH AT THE END OF THE YEAR	$ 57,803	$ 56,184

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

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

SINMAG EQUIPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(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, 2019. The Company is primarily engaged in the following businesses:

a. Wholesale of machinery;

b. Retail sale of machinery and equipment;

c. Machinery and equipment manufacturing;

d. International trade; and

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

The Company's shares have been listed on 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 12, 2020.

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

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

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

   - IFRS 16 "Leases"

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

Definition of a lease

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

The Company as lessee

The Company recognizes 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 are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the statements of cash flows.

The Company elected to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information was not restated.

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

The Company also applies the following practical expedients:

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

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

3) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

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

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

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

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

- Amendments to IAS 1 and IAS 8 "Definition of material"

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

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

As of the date the 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 with 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 accounted for as 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.

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 and 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 initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If their respective lease terms are shorter than their useful lives, such assets are depreciated over their lease terms. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. 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.

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.

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

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

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

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, receivable (including related parties and excluding tax refund receivables), other financial assets and refundable deposits), are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

b) Impairment of financial assets

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.

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

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

ii. When a financial asset's aging is more than 210 days unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The 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.

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.

<u>Warranties</u>

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

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.

m. Leasing

<u>2019</u>

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

<u>The Company as lessee</u>

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

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

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

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

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

2018

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

The Company as lessee

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

n. Borrowing costs

All of 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.

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

6. CASH

	December 31	
	2019	**2018**
Cash on hand	$ 152	$ 241
Checking accounts	7,749	13,939
Demand deposits	49,902	42,004
	$ 57,803	$ 56,184

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

	December 31	
	2019	**2018**
Bank balance	0.001%-0.6%	0.001%-0.48%

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

	December 31	
	2019	**2018**
Notes receivable		
At amortized cost		
Gross carrying amount	$ 13,734	$ 46,139
Less: Allowance for impairment loss	-	-
	$ 13,734	$ 46,139
Trade receivables		
At amortized cost		
Gross carrying amount	$ 132,623	$ 133,769
Less: Allowance for impairment loss	(7,052)	(7,052)
	$ 125,571	$ 126,717
Overdue receivables		
At amortized cost		
Gross carrying amount	$ 379	$ 1,018
Less: Allowance for impairment loss	(379)	(1,018)

	$ -	$ -

Other receivables

Tax refund receivables	$ 137	$ -
Others	337	1,441
	$ 474	$ 1,441

a. Notes receivable

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 measures the loss allowance for notes receivable at an amount equal to lifetime ECLs. 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, 2019 and 2018, the rate of expected credit loss of notes receivable was 0%.

The overdue aging analysis of the Company's notes receivable is as follows:

	December 31	
	2019	**2018**
Not past due	$ 13,734	$ 46,139

b. Trade receivables

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 measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor, 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, 2019

	Up to 60 Days	61 to 120 Days	121 to 180 Days	181 to 240 Days	Over 241 Days	Total
Expected credit loss rate	2.71%	3.74%	12.64%	43.57%	100%	
Gross carrying amount	$ 80,885	$ 44,258	$ 3,728	$ 1,804	$ 1,948	$ 132,623
Loss allowance (Lifetime ECLs)	(2,191)	(1,656)	(471)	(786)	(1,948)	(7,052)
Amortized cost	$ 78,694	$ 42,602	$ 3,257	$ 1,018	$ -	$ 125,571

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%	
Gross carrying amount	$ 67,851	$ 57,183	$ 6,880	$ 1,855	$ 133,769
Loss allowance (Lifetime ECLs)	(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:

	2019	2018
Balance at January 1	$ 7,052	$ 12,896
Less: Net remeasurement of loss allowance	-	(5,844)
Balance at December 31	$ 7,052	$ 7,052

c. Overdue receivables

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

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

	2019	2018
Balance at January 1	$ 1,018	$ 4,738
Less: Net remeasurement of loss allowance	(639)	(3,720)
Balance at December 31	$ 379	$ 1,018

d. Other receivables

Other receivables consist of tax refund receivables, advances to employees, etc. 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, 2019 and 2018, the rate of expected credit loss of other receivables was 0%.

8. INVENTORIES

	December 31	
	2019	2018
Merchandise	$ 6,743	$ 31,472
Finished goods	14,079	16,991
Work in progress	19,650	21,357
Raw materials	25,488	28,229
Inventory in transit	2,534	2,408
	$ 68,494	$ 100,457

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was $826,353 thousand and $798,757 thousand, respectively. The cost of goods sold included inventory write-downs of $2,899 thousand and $3,914 thousand, respectively.

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Subsidiaries

	December 31	
	2019	2018
Lucky Union Limited	$ 2,207,286	$ 2,030,490

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Subsidiary	2019	2018
Lucky Union Limited	100%	100%

Refer to Tables 4 and 5 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, 2019 and 2018 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, 2019	$ 74,985	$ 61,953	$ 20,982	$ 428	$ 6,081	$ 164,429
Additions	-	467	65	-	-	532
Disposals	(3,070)	(4,408)	(115)	-	(4,443)	(12,036)
Reclassification (Note)	-	-	120	-	-	120
Balance at December 31, 2019	$ 71,915	$ 58,012	$ 21,052	$ 428	$ 1,638	$ 153,045
Accumulated depreciation and impairment						
Balance at January 1, 2019	$ -	$ 24,816	$ 15,100	$ 129	$ 5,396	$ 45,441
Disposals	-	(3,362)	(37)	-	(4,436)	(7,835)
Depreciation expenses	-	1,769	1,487	85	204	3,545
Balance at December 31, 2019	$ -	$ 23,223	$ 16,550	$ 214	$ 1,164	$ 41,151
Carrying amounts at December 31, 2019	$ 71,915	$ 34,789	$ 4,502	$ 214	$ 474	$ 111,894
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 property, plant and equipment used by the Company is not leased under operating leases.

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

The 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	10-15 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.

Note: Reclassified from inventory to property, plant and equipment.

11. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Buildings	$ 567

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 788
Depreciation charge for right-of-use assets	
Buildings	$ 221

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 378
Non-current	$ 191

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings	1.15%

c. Material lease-in activities and terms

The Company leases buildings for the use of offices with lease term of 2 years. The Company does not have bargain purchase options to acquire the buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 529
Expenses relating to low-value asset leases	$ 190
Total cash outflow for leases	$ (1,090)

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

2018

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

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

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

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

12. OTHER INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2019	$ 2,706
Additions	-
Balance at December 31, 2019	$ 2,706
Accumulated amortization and impairment	
Balance at January 1, 2019	$ (2,220)
Amortization expenses	(248)
Balance at December 31, 2019	$ (2,468)
Carrying amount at December 31, 2019	$ 238
Cost	
Balance at January 1, 2018	$ 2,706
Additions	-
Balance at December 31, 2018	$ 2,706

(Continued)

	Computer Software
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

(Concluded)

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

13. OTHER ASSETS

	December 31	
	2019	2018
Non-current		
Other financial assets - pledged deposits (Note)(see Note 28)	$ 64	$ 64
Other assets		
Refundable deposits (Note)	$ 181	$ 324
Others	-	67
	$ 181	$ 391

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

14. BORROWINGS

Short-term Borrowings

	December 31	
	2019	2018
Secured borrowings (see Note 28)		
Bank loans	$ -	$ 50,000
Unsecured borrowings		
Line of credit borrowings	113,391	100,000
	$ 113,391	$ 150,000

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%-2.64% and 1.15% per annum as of December 31, 2019 and 2018, respectively.

15. OTHER LIABILITIES

	December 31	
	2019	2018
Current		
Other payables		
Payables for salaries or bonuses	$ 48,694	$ 48,120
Payables for professional service fees	559	915
Payables for interest	85	77
Payables for business tax	-	429
Others	4,776	4,955
	$ 54,114	$ 54,496

16. PROVISIONS

	December 31	
	2019	2018
Current		
Warranties	$ 131	$ 131

$ 48,694

	2019	2018
Balance at January 1	$ 131	$ 131
Additional provisions recognized	247	276
Amount used	(247)	(276)
Balance at December 31	$ 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.

17. 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 6.57% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the 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	
	2019	2018
Present value of defined benefit obligation	$ 57,029	$ 56,195
Fair value of plan assets	(52,377)	(53,286)
Deficit (surplus)	4,652	2,909
Asset ceiling	-	-
Net defined benefit liabilities	$ 4,652	$ 2,909

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	$ 60,024	$ (40,005)	$ 20,019
Service cost			
Current service cost	458	-	458
Net interest expense (income)	594	(387)	207
Recognized in profit or loss	1,052	(387)	665
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,239)	(1,239)
Actuarial loss - changes in demographic assumptions	674	-	674
Actuarial loss - changes in financial assumptions	699	-	699
Actuarial (gain) - experience adjustments	(6,254)	-	(6,254)
Recognized in other comprehensive income	(4,881)	(1,239)	(6,120)
Contributions from the employer	-	(11,655)	(11,655)
Balance at December 31, 2018	$ 56,195	$ (53,286)	$ 2,909
Balance at January 1, 2019	$ 56,195	$ (53,286)	$ 2,909
Service cost			
Current service cost	329		329
Net interest expense (income)	514	(500)	14
Recognized in profit or loss	843	(500)	343
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,774)	(1,774)
Actuarial loss - changes in demographic assumptions	500	-	500
Actuarial loss - changes in financial assumptions	1,414	-	1,414
Actuarial loss - experience adjustments	4,250	-	4,250
Recognized in other comprehensive income	6,164	(1,774)	4,390
Contributions from the employer	-	(2,990)	(2,990)
Benefits paid	(6,173)	6,173	-
Balance at December 31, 2019	$ 57,029	$ (52,377)	$ 4,652

Through the defined benefit plans under the Labor Standards Law, the 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	
	2019	2018
Discount rate(s)	0.750%	1.000%
Expected rate(s) of salary increase	2.500%	2.500%

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

	December 31	
	2019	2018
Discount rate(s)		
0.25% increase	$ (1,421)	$ (1,401)
0.25% decrease	$ 1,475	$ 1,455
Expected rate(s) of salary increase		
0.25% increase	$ 1,426	$ 1,409
0.25% decrease	$ (1,381)	$ (1,364)

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

	December 31	
	2019	2018
Expected contributions to the plans for the next year	$ 2,856	$ 3,000
Average duration of the defined benefit obligation	10 years	10.1 years

18. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands)	60,000	60,000
Shares authorized	$ 600,000	$ 600,000
Number of shares issued and fully paid (in thousands)	50,230	50,230
Shares issued	$ 502,302	$ 502,302

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

In the meeting on June 13, 2018, the Company's shareholders approved the transfer of retained earnings of $16,986 thousand to 1,698,608 new shares with a par value of NT$10. The transfer was approved by 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	
	2019	**2018**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Arising from issuance of ordinary shares	$ 74,811	$ 74,811
Arising from the difference between consideration received and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	927	927
	$ 75,738	$ 75,738

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

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

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

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

Under Article 237 of the Company Law, an appropriation of 10% of net income to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

The appropriations of earnings for 2018 and 2017 which were approved in the shareholders' meetings on June 14, 2019 and June 13, 2018, respectively, were as follows:

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

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

d. Special reserve

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

e. Other equity items

Exchange differences on translating the financial statements of foreign operations

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

19. REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from contracts with customers		
Revenue from the sale of goods	$ 960,853	$ 925,896
Revenue from the rendering of services	20,249	21,430
	$ 981,102	$ 947,326

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, 2019	December 31, 2018	January 1, 2018
Notes receivable (see Note 7)	$ 13,734	$ 46,139	$ 39,990
Trade receivables (see Note 7)	125,571	126,717	131,829
Trade receivables from related parties (see Note 27)	63,350	41,291	93,152
	$ 202,655	$ 214,147	$ 264,971
Contract liabilities - advance receipts			
Sale of goods	$ 4,540	$ 8,893	$ 5,383

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

	For the Year Ended December 31	
	2019	2018
From contract liabilities at the start of the year		
Sale of goods	$ 5,632	$ 4,996

c. Disaggregation of revenue

	For the Year Ended December 31	
	2019	2018
Type of goods or services		
Sale of goods	$ 960,853	$ 925,896
Rendering of services	20,249	21,430
	$ 981,102	$ 947,326

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2019	2018
Interest income		
Bank deposits	$ 253	$ 178
Others	455	833
	$ 708	$ 1,011

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Gain on disposal of property, plant and equipment	$ 1,621	$ -
Net foreign exchange gains	3,449	6,897
Others	(50)	(8)
	$ 5,020	$ 6,889

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bank loans	$ 1,405	$ 940
Interest on lease liabilities	4	-
	$ 1,409	$ 940

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	**2018**
An analysis of depreciation by function		
Operating costs	$ 2,061	$ 4,019
Operating expenses	1,705	2,489
	$ 3,766	$ 6,508
An analysis of amortization by function		
Operating costs	$ 32	$ 145
General and administrative expenses	26	25
Research and development expenses	190	190
	$ 248	$ 360

e. Employee benefits expense

	For the Year Ended December 31	
	2019	**2018**
Short-term benefits	$ 136,298	$ 133,102
Post-employment benefits		
Defined contribution plans	3,951	4,137
Defined benefit plans (see Note 17)	343	665
	4,294	4,802
Total employee benefits expense	$ 140,592	$ 137,904
An analysis of employee benefits expense by function		
Operating costs	$ 33,967	$ 33,566
Operating expenses	106,625	104,338
	$ 140,592	$ 137,904

f. Employees' compensation and remuneration of directors

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

Accrual rate

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

Amount

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

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 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	
	2019	2018
Foreign exchange gains	$ 17,296	$ 21,362
Foreign exchange losses	(13,847)	(14,465)
Net foreign exchange gains	$ 3,449	$ 6,897

21. 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	
	2019	2018
Current tax		
In respect of the current year	$ 64,088	$ 79,383
Income tax on unappropriated earnings	4,417	5,952
Adjustments for prior years	2,821	(972)
Withholding tax credits from overseas profits of the current year	(30,511)	(38,783)
	40,815	45,580
Deferred tax		
In respect of the current year	(792)	(18,251)
Adjustments to deferred tax attributable to changes in tax rates and laws	-	14,758
	(792)	(3,493)
Income tax expense recognized in profit or loss	$ 40,023	$ 42,087

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

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	$ 543,384	$ 515,700
Income tax expense calculated at the statutory rate	$ 108,677	$ 103,140
Unrecognized deductible temporary differences - share of (profit) loss of subsidiaries accounted for equity method	(45,243)	(41,981)
Effect of tax rate changes	-	14,758
Nondeductible expenses in determining taxable income	11	(27)
Tax-exempt income	(149)	-
Income tax on unappropriated earnings	4,417	5,952
Adjustments for prior years' tax	2,821	(972)
Withholding tax credits from overseas profits	(30,511)	(38,783)
Income tax expense recognized in profit or loss	$ 40,023	$ 42,087

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

b. Income tax recognized in other comprehensive income

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

c. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Tax refund receivable	$ 2,460	$ 10,616

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized loss on inventories	$ 3,543	$ 580	$ -	$ 4,123
Allowance for impairment loss	1,188	(103)	-	1,085
Unrealized gain on the transactions with subsidiaries	2,286	311	-	2,597
Exchange differences on translating the financial statements of foreign operations	10,194	-	14,775	24,969
Defined benefit obligations	3,387	-	878	4,265
Others	115	597	-	712
	$ 20,713	$ 1,385	$ 15,653	$ 37,715
Deferred tax liabilities				
Temporary differences				
Share of profit of subsidiaries accounted for using the equity method	$ 83,373	$ (900)	$ -	$ 82,473
Pensions	3,722	529	-	4,251
Others	203	964	-	1,167
	$ 87,298	$ 593	$ -	$ 87,891

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized loss on inventories	$ 2,346	$ 1,197	$ -	$ 3,543
Allowance for impairment loss	2,533	(1,345)	-	1,188
Unrealized gain on the transactions with subsidiaries	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 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

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

As of December 31, 2019 and 2018, the taxable temporary differences associated with investments in subsidiaries and branches for which no deferred tax liabilities have been recognized were $967,15 thousand and $793,955 thousand, respectively.

f. Income tax assessments

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

22. EARNINGS PER SHARE

Unit: NT$ Per Share

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

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

Net profit for the year

	For the Year Ended December 31	
	2019	**2018**
Profit for the year attributable to owners of the Company	$ 503,361	$ 473,613
Effect of potentially dilutive ordinary shares		
Employees' compensation	-	-
Earnings used in the computation of diluted earnings per share	$ 503,361	$ 473,613

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

	For the Year Ended December 31	
	2019	**2018**
Weighted average number of ordinary shares used in the computation of basic earnings per share	50,230	50,230
Effect of potentially dilutive ordinary shares:		
Employees' compensation	182	225
Weighted average number of ordinary shares used in the computation of diluted earnings per share	50,412	50,455

If the 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.

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

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 80.00% 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, 2019.

24. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2019

			Non-cash Changes			
	Opening Balance	Cash Flows	New Leases	Finance Costs	Exchange Differences on Translating the Financial Statements	Closing Balance
Short-term borrowings	$ 150,000	$ (36,609)	$ -	$ -	$ -	$ 113,391
Lease liabilities	-	(223)	788	4	-	569
	$ 150,000	$ (36,832)	$ 788	$ 4	$ -	$ 113,960

For the year ended December 31, 2018

			Non-cash Changes		
	Opening Balance	Cash Flows	Finance Costs	Exchange Differences on Translating the Financial Statements	Closing Balance
Short-term borrowings	$ 90,000	$ 60,000	$ -	$ -	$ 150,000

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 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, the number of new shares issued, 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	
	2019	**2018**
Financial assets		
Amortized cost (1)	$ 261,040	$ 272,160
Financial liabilities		
Amortized cost (2)	368,188	345,246

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

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

c. Financial risk management objectives and policies

The Company's major financial instruments include cash, notes receivable, trade receivables (including related parties) and other receivables (excluding tax refund receivables), debt instruments, payables (including related parties, excluding payables for salaries or bonuses and payables for business tax), short-term borrowings and lease liabilities. Risks on the financial instruments include market risk (such as currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The 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 30.

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 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 functional currency weakening 1% against the relevant currency. For a 1% strengthening of the functional currency against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2019	**2018**
Profit or loss	$ (196)	$ 682

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

The Company's sensitivity to the USD reversed during the current year mainly due to an increase in USD denominated short-term borrowings and payables.

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	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 64	$ 64
Financial liabilities	113,960	150,000
Cash flow interest rate risk		
Financial assets	49,902	42,004
Financial liabilities	-	-

<u>Sensitivity analysis</u>

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, 2019 and 2018 would increase/decrease by $125 thousand and $105 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 increased during the current period mainly due to the increase 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 maximum amount of the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

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 77% and 91% in total trade receivables as of December 31, 2019 and 2018, respectively, was related to the Company's ten largest customers.

3) Liquidity risk

The Company's current liabilities exceeded current assets by $88,314 thousand and $18,246 thousand on December 31, 2019 and 2018, respectively. However, in consideration of the Group's overall cash flow and financial investment operations, the consolidated current assets exceeded consolidated current liabilities by $1,150,330 thousand and $1,276,146 thousand on December 31, 2019 and 2018, respectively, 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 loans as a significant source of liquidity. As of December 31, 2019 and 2018, 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, 2019

	1-3 Months	3 Months to 1 Year	1-5 Years
Short-term borrowings	$ 113,397	$ -	$ -
Financial guarantee contracts	1,445	4,255	27,952
Non-interest bearing liabilities	186,072	68,725	-
Lease liabilities	96	287	191
	$ 301,010	$ 73,267	$ 28,143

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years
Lease liabilities	$ 383	$ 191

December 31, 2018

	1-3 Months	3 Months to 1 Year	1-5 Years
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

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	
	2019	2018
Unsecured bank loan facilities, reviewed annually and payable on demand:		
Amount used	$ 113,391	$ 100,000
Amount unused	151,559	90,000
	$ 264,950	$ 190,000
Secured bank loan facilities:		
Amount used	$ -	$ 50,000
Amount unused	140,000	34,250
	$ 140,000	$ 84,250

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
Sinmag Equipment (Thailand) Co., Ltd.	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

		For the Year Ended December 31	
Line Item	Related Party Category/Name	2019	2018
Sales	Subsidiaries		
	LBC Bakery Equipment Inc.	$ 229,266	$ 233,511
	Others	152,067	98,568
		381,333	332,079
	Associates	950	2
		$ 382,283	$ 332,081

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

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2019	2018
Subsidiaries		
Sinmag Equipment (China) Co., Ltd.	$ 655,146	$ 666,936
Associates	2,663	3,187
	$ 657,809	$ 670,123

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 bills 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 2019	2018
Trade receivables	Subsidiaries		
	LBC Bakery Equipment Inc.	$ 38,734	$ 33,790
	Others	24,615	7,499
		63,349	41,289
	Associates	1	2
		$ 63,350	$ 41,291

The outstanding trade receivables from related parties are unsecured. As of December 31, 2019 and 2018, all receivables from related parties were not past due. And for the years ended December 31, 2019 and 2018, no impairment losses were recognized for trade receivables from related parties.

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

Line Item	Related Party Category/Name	December 31 2019	2018
Notes payable	Associates	$ 339	$ 973
Trade payables	Subsidiaries		
	Sinmag Equipment (China) Co., Ltd.	$ 221,649	$ 155,324
	Associates	184	219
		$ 221,833	$ 155,543

The outstanding trade payables from related parties are unsecured.

f. The Company participated in the cash capital increase of Lucky Union Limited in 2018, and increased its investment amount by $5,652 thousand, which did not affect the shareholding ratio.

g. The Company received cash dividends from Lucky Union Limited for the years ended 2019 and 2018, which amounted to $275,245 thousand and $376,987 thousand, respectively.

h. Endorsements and guarantees

Endorsements and guarantees provided by the Company

Related Party Category/Name	December 31 2019	December 31 2018
Subsidiaries		
Sinmag Bakery Equipment Sdn. Bhd.		
Amount endorsed	RM 6,000 thousand	RM 6,000 thousand
Amount utilized	RM 4,368 thousand	RM 4,980 thousand

i. Other transactions from related parties

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

j. Compensation of key management personnel

	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Short-term employee benefits	$ 24,606	$ 25,515

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 loans and the tariffs of imported raw material guarantees:

	December 31	
	2019	**2018**
Other financial assets - non-current		
Pledged time deposits	$ 64	$ 64
Others		
Freehold land	58,715	57,755
Building	31,646	28,386
	$ 90,425	$ 86,205

29. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

30. 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, 2019

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 7,200	29.98 (USD:NTD)	$ 215,856
Non-monetary items			
Investments accounted for using the equity method			
USD	73,625	29.98 (USD:NTD)	$ 2,207,286
Financial liabilities			
Monetary items			
USD	7,853	29.98 (USD:NTD)	$ 235,447

December 31, 2018

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
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

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

	For the Year Ended December 31			
	2019		2018	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	30.912 (USD:NTD)	$ 3,639	30.149 (USD:NTD)	$ 6,934

31. SEPARATELY DISCLOSED ITEMS

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

1) Financing provided to others (none)

2) Endorsements/guarantees provided (Table 1)

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

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital (none)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (none)

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

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

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

9) Trading in derivative instruments (none)

10) Information on investees (Table 4)

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 5)

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 6):

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

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

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

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

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

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

SINMAG EQUIPMENT CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	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	Note
		Name	Relationship (Note 4)											
0	Sinmag Equipment Corporation	Sinmag Bakery Equipment Sdn. Bhd.	(b)	Net value 50% $ 1,088,467	$ 42,198 (RM 6,000)	$ 42,198 (RM 6,000)	$ 30,720 (RM 4,368)	$ -	2	Net value 50% $ 1,088,467	Y	-	-	-

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

Note 2: The total amount of the guarantees provided by Sinmag Equipment Corporation to individual subsidiaries shall not exceed 50% of Sinmag Equipment Corporation’s net worth based on its most recent audited financial statements.

Note 3: The maximum amount endorsed/guaranteed during the period, limits on endorsement/guarantee given on behalf of each party and actual amount borrowed converted at the spot exchange rate as of December 31, 2019.

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

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

TABLE 2

SINMAG EQUIPMENT CORPORATION

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transactions		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Sinmag Equipment Corporation	Sinmag Equipment (China) Co., Ltd.	Subsidiary	Purchase	$ 655,146	88	B/L 45 day	Note 1	Note 2	$ (221,649)	(89)	-
Sinmag Equipment (China) Co., Ltd.	Sinmag Equipment Corporation	Parent company	(Sale)	(655,146)	(19)	B/L 45 day	〃	〃	221,649	47	-
LBC Bakery Equipment Inc.	Sinmag Equipment Corporation	Parent company	Purchase	229,266	87	B/L 180 day	〃	〃	(38,734)	(93)	-
Sinmag Equipment Corporation	LBC Bakery Equipment Inc.	Subsidiary	(Sale)	(229,266)	(23)	B/L 180 day	〃	〃	38,734	19	-
Sinmag Equipment (China) Co., Ltd.	Wuxi New Order Control Co., Ltd.	Same ultimate parent company	Purchase	109,898	6	Monthly payment: 30 days	〃	〃	(18,890)	(7)	-
Wuxi New Order Control Co., Ltd.	Sinmag Equipment (China) Co., Ltd.	Same ultimate parent company	(Sale)	(109,898)	(100)	Monthly payment: 30 days	〃	〃	18,890	100	-

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

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

SINMAG EQUIPMENT CORPORATION

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

Company Name	Related Party	Relationship	Ending Balance	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 $ 221,649	3.48	$ -	-	$ 108,552	$ -

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

SINMAG EQUIPMENT CORPORATION

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares	%	Carrying Amount			
Sinmag Equipment Corporation	Lucky Union Limited	Samoa	Holding Company	$ 429,314	$ 429,314	-	100.00	$ 2,207,286	$ 527,468	$ 527,468	Note 2
Lucky Union Limited	Sinmag Limited	Samoa	Holding Company	444,566	444,566	-	100.00	2,216,180	527,647	527,647	Note 2
Sinmag Limited	Sinmag Bakery Equipment Sdn. Bhd.	Malaysia	Selling of bakery equipment.	12,340	12,340	300,000	100.00	94,539	9,044	9,044	Notes 1 and 2
	LBC Bakery Equipment Inc.	United States	Selling of bakery equipment.	17,241	17,241	882,000	82.82	213,039	35,943	29,929	Notes 1 and 2
	Sinmag Bakery Machine India Private Limited	India	Manufacturing and selling of bakery equipment.	54,748	54,748	-	100.00	5,432	(3,631)	(3,631)	Note 2
	Sinmag Equipment (Thailand) Co., Ltd.	Thailand	Selling of bakery equipment.	18,199	18,199	-	100.00	37,893	5,096	5,096	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 audited financial statements of investees for the same year.

Note 3: For information on investments in mainland China, refer to Table 5.

SINMAG EQUIPMENT CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds: Outward	Remittance of Funds: Inward	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
Sinmag Equipment (China) Co., Ltd. (Note 3)	Manufacturing and selling of bakery equipment	$ 1,058,108 (US$ 33,850)	b	$ 349,938 (US$ 10,594)	$ -	$ -	$ 349,938 (US$ 10,594)	$ 517,927	100	$ 529,158 (Note 2 b.(2))	$ 1,841,267	$ 3,498,804 (US$ 113,753)	-
Wuxi New Order Control Co., Ltd.	Manufacturing and selling of control panel and electromechanical control system	4,961 (US$ 150)	b	3,348 (US$ 104)	-	-	3,348 (US$ 104)	11,931	50	5,712 (Note 2 b.(2))	11,099	50,298 (US$ 1,637)	-

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

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

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

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

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

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

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

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

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

Note 5: The share of profits (losses) of the investee includes the effect of unrealized gross profit on intercompany transaction.

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, 2019
(In Thousands of New Taiwan Dollars)

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

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

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with General Transactions	Ending Balance	%		
Sinmag Equipment (China) Co., Ltd.	Sales	$ (46,423)	(3)	Cost with a margin	B/L 90 days	Note	$ 8,711	2	$ 3,400	-
	Purchase	655,146	88	Cost with a margin	B/L 45 days	〃	(221,649)	(89)	18,301	-

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

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

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

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

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

SINMAG EQUIPMENT CORPORATION

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

SINMAG EQUIPMENT CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Description	Amount
Cash		
Petty cash		$ 152
Cash in banks		
Checking accounts		7,749
Demand deposits		16,880
Foreign currency deposits	Including US$999 thousand @29.98, JPY11,217 thousand @0.28	33,022
		$ 57,803

SINMAG EQUIPMENT CORPORATION

STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount
Unrelated parties		
Ling Sheng Food Co., Ltd	Payments	$ 4,848
Yusheng Food Co., Ltd.	Payments	1,200
Haojiawei Co., Ltd.	Payments	1,156
Jin Chang Bakery Plant	Payments	730
Ding Hau Frozen Food Co., Ltd	Payments	728
Others (Note)	Payments	5,072
Less: Allowance for impairment loss		-
		$ 13,734

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

SINMAG EQUIPMENT CORPORATION

STATEMENT OF TRADE RECEIVABLES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount
Related parties		
LBC Bakery Equipment Inc.	Payments	$ 38,734
Sinmag Equipment (Thailand) Co., Ltd.	Payments	8,911
Sinmag Equipment (China) Co., Ltd.	Payments	8,711
Sinmag Bakery Equipment Sdn. Bhd.	Payments	6,993
Tehmag Foods Corporation	Payments	1
		$ 63,350
Unrelated parties		
Macadams International (PTY) Ltd.	Payments	$ 22,731
PT. Sinar Himalaya	Payments	22,617
Europan S.A.De C.V.	Payments	20,822
American Baking Systems, INC	Payments	15,126
Sarl P.E.Center (Professional Equipment Center)	Payments	7,686
Comercio De Fornos E Maquinas Para Panificacao Europan Do Brasil Ltda	Payments	7,021
Others (Note)	Payments	36,620
		132,623
Less: Allowance for impairment loss		(7,052)
		$ 125,571

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

STATEMENT 4

SINMAG EQUIPMENT CORPORATION

STATEMENT OF OTHER RECEIVABLES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Unrelated parties		
Advances to employees	Advances to employees	$ 330
Tax refund	Business tax refund	137
Others		7
		$ 474

SINMAG EQUIPMENT CORPORATION

STATEMENT OF INVENTORIES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value
Raw materials	$ 39,830	$ 25,488
Work in progress	21,587	19,650
Finished goods	16,067	14,079
Merchandise	9,095	6,743
Inventory in transit	2,534	2,534
	$ 89,113	$ 68,494

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

STATEMENT 6

SINMAG EQUIPMENT CORPORATION

STATEMENT OF PREPAYMENTS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Prepayments	Exhibition booth fees	$ 492
	Maintenance expense	243
	Professional service expense	345
	Insurance expense	218
	Others	433
		$ 1,731

SINMAG EQUIPMENT CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investees	Balance, January 1, 2019		Additions in Investment		Decrease in Investment		Gain (Losses) on Investments Accounted for Using the Equity Method	Exchange Differences on Translating Foreign Operations	Balance, December 31, 2019			Market Value or Net Asset Value (Note 1)		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount (Note 2)			Shares	%	Amount	Unit Price (NT$)	Total Amount	
Lucky Union Limited	-	$ 2,041,923	-	$ -	-	$ (275,245)	$ 527,468	$ (73,873)	-	100	$ 2,220,273	-	$ 2,220,273	
Less: Unrealized gain on transactions with subsidiaries		(11,433)		(12,987)		11,433	-	-			(12,987)		-	Nil
		$ 2,030,490		$ (12,987)		$ (263,812)	$ 527,468	$ (73,873)			$ 2,207,286		$ 2,220,273	

Note 1: Amount was calculated based on the audited financial statements for the year ended December 31, 2019.

Note 2: The decrease was due to cash dividends distributed by investees of $(275,245) thousand.

STATEMENT 8

SINMAG EQUIPMENT CORPORATION

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Balance, January 1, 2019 (Adjusted According to IFRS 16)	Additions	Decrease	Balance, December 31, 2019
Buildings	$ -	$ 788	$ -	$ 788

STATEMENT 9

SINMAG EQUIPMENT CORPORATION

STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT OF RIGHT-OF-USE ASSETS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Balance, January 1, 2019	Additions	Decrease	Balance, December 31, 2019
Buildings	$ -	$ 221	$ -	$ 221

SINMAG EQUIPMENT CORPORATION

STATEMENT OF OTHER NON-CURRENT ASSETS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Refundable deposits	Deposits for office rental, phone bills and security deposits on performance bonds	$ 181
Overdue receivables		379
Less: Allowance for impairment loss		(379)
		$ 181

STATEMENT 11

SINMAG EQUIPMENT CORPORATION

STATEMENT OF SHORT-TERM LOANS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Type	Balance, End of Year	Contract Period	Range of Interest Rates (%)	Loan Commitments	Collateral	Remark
Secured loans						
Chang Hwa Bank	$ -	2019.06.13-2020.06.30	1.19	$ 140,000	Note 28	The Company’s short-term borrowings limit (guarantee and credit) totaled $404,950 thousand. As of December 31, 2019, the Company’s unused balance of its short-term borrowings totaled $291,559 thousand.
Unsecured loans						
Chang Hwa Bank	13,391	2019.06.13-2020.06.30	2.64	134,970	Nil	
E.SUN Bank	100,000	2019.08.16-2020.08.16	1.15	100,000	Nil	
E.SUN Bank	-	2019.07.29-2020.07.29	-	29,980	Nil	
	$ 113,391			$ 404,950		

STATEMENT 12

SINMAG EQUIPMENT CORPORATION

STATEMENT OF NOTES PAYABLE
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Vendor Name	Description	Amount
Related parties		
New Order Enterprise Co., Ltd.	Payments	$ 317
San Neng Bakeware Corporation	Payments	22
		$ 339
Unrelated parties		
Chao Sheng Elect & Mach. Co., Ltd.	Payments	$ 1,712
Jong Dah Special Steel Corp.	Payments	1,123
Shunlong Wooden Box	Payments	1,091
Others (Note)	Payments	16,952
		$ 20,878

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

SINMAG EQUIPMENT CORPORATION

STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Vendor Name	Description	Amount
Related parties		
Sinmag Equipment (China) Co., Ltd.	Payments	$ 221,649
New Order Enterprise Co., Ltd.	Payments	141
San Neng Bakeware Corporation	Payments	43
		$ 221,833
Unrelated parties		
Leader Baker Machinery Industry Company	Payments	$ 796
Ting An Food Machinery	Payments	753
Spar Food Machinery Mfg. Co., Ltd.	Payments	679
Chao Sheng Elect & Mach. Co., Ltd.	Payments	604
Others (Note)	Payments	3,495
		$ 6,327

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

STATEMENT 14

SINMAG EQUIPMENT CORPORATION

STATEMENT OF CONTRACT LIABILITIES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Contract liabilities	Advance receipts	$ 4,540

SINMAG EQUIPMENT CORPORATION

STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Description	Lease Term	Discount Rate	Balance, December 31, 2019
Buildings	For use as place of business operation	2019.06.20-2021.06.19	1.15%	$ 569
Less: Current portion of lease liabilities				(378)
				$ 191

SINMAG EQUIPMENT CORPORATION

STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Quantity (Pieces)	Amount
Sale of goods	843 thousand	$ 962,414
Sales returns		(1,460)
Sales allowances		(101)
		960,853
Rendering of services		20,249
		$ 981,102

SINMAG EQUIPMENT CORPORATION

STATEMENT OF COST OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials, beginning of year	$ 40,722
Add: Raw material purchased	92,820
Transferred from work in progress	88,010
Transferred from finished goods	14,556
Transferred from merchandise	10,677
Gain from physical count	2
Less: Cost of raw materials sold	(34,022)
Transferred to expenses	(3,745)
Scrapped	(269)
Raw materials, end of year	(39,830)
Raw materials used	168,921
Direct labor	19,750
Manufacturing expenses	32,133
Manufacturing cost	220,804
Work in process, beginning of year	22,457
Add: Work in progress purchased	6,314
Less: Transferred to raw materials	(88,010)
Cost of work in progress sold	(1,903)
Work in progress, end of year	(21,587)
Cost of finished goods	138,075
Finished goods, beginning of year	18,820
Add: Transferred from research and development	483
Less: Transferred to raw materials	(14,556)
Transferred to merchandise	(15,624)
Finished goods, end of year	(16,067)
Cost of goods sold - finished goods	111,131
Merchandise (including inventory in transit), beginning of year	36,178
Add: Merchandise purchased	646,748
Transferred from finished goods	15,624
Less: Merchandise (including inventory in transit), end of year	(11,629)
Transferred to raw materials	(10,677)
Transferred to machinery and equipment	(120)
Loss from physical count	(1)
Transferred to expenses	(111)
Scrapped	(30)
Cost of merchandise sold	675,982

(Continued)

Item	Amount
Cost of raw of materials and work in progress sold	$ 35,925
Under-applied manufacturing overhead	188
Scrapped	299
Gain from physical count	(1)
Inventory write-downs	2,899
Revenue from sale of scraps	(70)
	39,240
Cost of goods sold	826,353
Service cost	2,692
Operating cost	$ 829,045

(Concluded)

SINMAG EQUIPMENT CORPORATION

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Gain on Reversal of Expected Credit Loss
Payroll and related expense	$ 34,195	$ 48,808	$ 6,271	$ -
Remuneration of directors	-	7,758	-	-
Shipping fees	4,219	-	-	-
Insurance expense	3,022	2,546	462	-
Professional service fees	283	7,171	58	-
Packaging fees	2,907	-	-	-
Gain on reversal of expected credit loss	-	-	-	(639)
Others (Note)	13,510	7,045	1,290	-
	$ 58,136	$ 73,328	$ 8,081	$ (639)

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

SINMAG EQUIPMENT CORPORATION

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

Nature \ Function	Year Ended December 31, 2019 Classified as Cost of Revenue	Year Ended December 31, 2019 Classified as Operating Expenses	Year Ended December 31, 2019 Total	Year Ended December 31, 2018 Classified as Cost of Revenue	Year Ended December 31, 2018 Classified as Operating Expenses	Year Ended December 31, 2018 Total
Employee benefits expenses						
Salary and bonus	$ 28,896	$ 89,274	$ 118,170	$ 28,302	$ 84,875	$ 113,177
Labor and health insurance	2,534	5,472	8,006	2,504	5,585	8,089
Pension	1,496	2,798	4,294	1,637	3,165	4,802
Remuneration of directors	-	7,758	7,758	-	8,539	8,539
Others	1,041	1,323	2,364	1,123	2,174	3,297
	$ 33,967	$ 106,625	$ 140,592	$ 33,566	$ 104,338	$ 137,904
Depreciation	$ 2,061	$ 1,705	$ 3,766	$ 4,019	$ 2,489	$ 6,508
Amortization	$ 32	$ 216	$ 248	$ 145	$ 215	$ 360

Note:

1. For the years ended December 31, 2019 and 2018, the average numbers of Sinmag Equipment Corporation's employees were 94 and 98, respectively, and the numbers of directors who were not employees were 6 in both years.

2. For the years ended December 31, 2019 and 2018, Sinmag Equipment Corporation's average employee benefits were as follows:

   a. For the years ended December 31, 2019 and 2018, Sinmag Equipment Corporation's average employee benefits were $1,509 thousand and $1,406 thousand, respectively.

   b. Sinmag Equipment Corporation's average salaries were $1,343 thousand and $1,230 thousand, respectively.

   c. The percentage change in the average salary expenses was 9%.

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

SINMAG EQUIPMENT CORPORATION

By:

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HSIEH, SHUN-HO
Chairman

March 26, 2020

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sinmag Equipment Corporation

Opinion

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

In our opinion, based on our audits and the report of other auditors (refer to the other matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

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

Occurrence of Sales Revenue

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

The following audit procedures were performed in response to the above-mentioned key audit matter:

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

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

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

Other Matter

We did not audit the financial statements of LBC Bakery Equipment Inc., a subsidiary included in the consolidated financial statements of the Group, but such financial statements were prepared using a different financial reporting framework and audited by other auditors in accordance with auditing standards generally accepted in the United States of America. We have applied audit procedures on the conversion adjustments to the financial statements of LBC Bakery Equipment Inc., which conform to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our opinion, insofar as it relates to the amounts included for LBC Bakery Equipment Inc. prior to these conversion adjustments, is based solely on the report of other auditors and additional audit procedures to meet the relevant requirements of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. The total assets of LBC Bakery Equipment Inc. constituted 12% (NT$400,460 thousand) and 11% (NT$356,975 thousand), of the consolidated total assets as of December 31, 2019 and 2018, respectively, and total revenue constituted 12% (NT$519,262 thousand) and 12% (NT$501,596 thousand), of the consolidated total revenue for the years then ended, respectively.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements,

including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2020

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

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

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

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

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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

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

(Continued)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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

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

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

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

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company								
			Retained Earnings			Other Equity			
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2018	$ 485,316	$ 74,943	$ 401,642	$ 70,718	$ 1,039,971	$ (84,646)	$ 1,987,944	$ 56,708	$ 2,044,652
Appropriation of 2017 earnings (Note 20)									
Legal reserve	-	-	53,415	-	(53,415)	-	-	-	-
Special reserve	-	-	-	13,928	(13,928)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(388,253)	-	(388,253)	-	(388,253)
Share dividends distributed by the Company	16,986	-	-	-	(16,986)	-	-	-	-
Difference between actual acquisition price and carrying amount on acquisition of interests in subsidiaries (Note 25)	-	795	-	-	-	-	795	(6,447)	(5,652)
Net profit for the year ended December 31, 2018	-	-	-	-	473,613	-	473,613	11,619	485,232
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	5,589	(17,009)	(11,420)	1,257	(10,163)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	479,202	(17,009)	462,193	12,876	475,069
Cash dividends distributed by subsidiaries (Note 20)	-	-	-	-	-	-	-	(7,341)	(7,341)
BALANCE AT DECEMBER 31, 2018	502,302	75,738	455,057	84,646	1,046,591	(101,655)	2,062,679	55,796	2,118,475
Appropriation of 2018 earnings (Note 20)									
Legal reserve	-	-	47,361	-	(47,361)	-	-	-	-
Special reserve	-	-	-	17,009	(17,009)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(326,497)	-	(326,497)	-	(326,497)
Net profit for the year ended December 31, 2019	-	-	-	-	503,361	-	503,361	12,141	515,502
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	(3,512)	(59,098)	(62,610)	(1,656)	(64,266)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	499,849	(59,098)	440,751	10,485	451,236
Cash dividends distributed by subsidiaries (Note 20)	-	-	-	-	-	-	-	(7,836)	(7,836)
BALANCE AT DECEMBER 31, 2019	$ 502,302	$ 75,738	$ 502,418	$ 101,655	$ 1,155,573	$ (160,753)	$ 2,176,933	$ 58,445	$ 2,235,378

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

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

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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

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

(Continued)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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

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

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

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

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(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, 2019. The Company is primarily engaged in the following businesses:

a. Wholesale of machinery;

b. Retail sale of machinery and equipment;

c. Machinery and equipment manufacturing;

d. International trade; and

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

The Company's shares have been listed on the mainboard of the Taipei Exchange ("TPEx") since December 2007.

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

   1) IFRS 16 "Leases"

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

Definition of a lease

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

The Group as lessee

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

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

The Group also applies the following practical expedients:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Basis of consolidation

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

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

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

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

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

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

e. Foreign currencies

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

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

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

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

f. Inventories

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

g. Property, plant and equipment

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

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

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If their respective lease terms are shorter than their useful lives, such assets are depreciated over their lease terms. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Goodwill

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

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

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

j. Impairment of tangible and intangible assets other than goodwill

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified as financial assets at amortized cost.

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

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

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

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

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

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

l. Provisions

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

<u>Warranties</u>

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Group's obligations.

m. Revenue recognition

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

1) Revenue from the sale of goods

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

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

2) Revenue from the rendering of services

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

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

n. Leasing

2019

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

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

The Group as lessee

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

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

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

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

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

2018

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

1) The Group as lessee

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

2) Leasehold land for own use

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

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

o. Borrowing costs

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

q. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax of 5% on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

6. CASH AND CASH EQUIVALENTS

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

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

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

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

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

a. Notes receivable

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated by reference to the past default experience of the debtor, the debtor's current financial position and the general economic conditions of the industry in which the debtors operate.

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

December 31, 2019

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

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

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

b. Trade receivables

The average credit period of sales of goods was 60-150 days. No interest was charged on trade receivables that were past due. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

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

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

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

December 31, 2019

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

December 31, 2018

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

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

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

c. Overdue receivables

The Group measures the loss allowance for overdue receivables at an amount equal to lifetime ECLs. The expected credit losses on overdue receivables are estimated by reference to the past default experience of the debtor, the debtor's current financial position and the general economic conditions of the industry in which the debtors operate. As of December 31, 2019 and 2018, the rate of expected credit loss of overdue receivables was 100%.

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

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

d. Other receivables

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

The Group considers the current financial condition of debtors in order to assess whether there has been a significant increase in credit risk on other receivables since initial recognition and measures the expected credit loss. As of December 31, 2019 and 2018, the rate of expected credit loss of other receivables was 0%.

8. INVENTORIES

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

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

9. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

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

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

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

10. PROPERTY, PLANT AND EQUIPMENT

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

(Continued)

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

(Concluded)

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

Note 2: Reclassified from property under construction to buildings.

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

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

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

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

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

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

11. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

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

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

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

b. Lease liabilities - 2019

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

Range of discount rate for lease liabilities was as follows:

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

c. Material lease-in activities and terms

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

d. Other lease information

2019

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

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

2018

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

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

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

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

12. GOODWILL

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

13. OTHER INTANGIBLE ASSETS

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

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

14. REPAYMENTS FOR LEASES

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

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

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

15. OTHER ASSETS

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

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

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

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

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

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

16. BORROWINGS

a. Short-term borrowings

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

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

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

b. Long-term borrowings

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

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

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

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

17. OTHER LIABILITIES

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

18. PROVISIONS

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

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

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

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

b. Defined benefit plans

The defined benefit plans adopted by the Company of the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 6.57% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

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

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

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	$ 60,024	$ (40,005)	$ 20,019
Service cost			
Current service cost	458	-	458
Net interest expense (income)	594	(387)	207
Recognized in profit or loss	1,052	(387)	665
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,239)	(1,239)
Actuarial loss - changes in demographic assumptions	674	-	674
Actuarial loss - changes in financial assumptions	699	-	699
Actuarial (gain) - experience adjustments	(6,254)	-	(6,254)
Recognized in other comprehensive income	(4,881)	(1,239)	(6,120)
Contributions from the employer	-	(11,655)	(11,655)
Benefits paid	-	-	-
Balance at December 31, 2018	$ 56,195	$ (53,286)	$ 2,909
Balance at January 1, 2019	$ 56,195	$ (53,286)	$ 2,909
Service cost			
Current service cost	329	-	329
Net interest expense (income)	514	(500)	14
Recognized in profit or loss	843	(500)	343
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,774)	(1,774)
Actuarial loss - changes in demographic assumptions	500	-	500
Actuarial loss - changes in financial assumptions	1,414	-	1,414
Actuarial loss - experience adjustments	4,250	-	4,250
Recognized in other comprehensive income	6,164	(1,774)	4,390
Contributions from the employer	-	(2,990)	(2,990)
Benefits paid	(6,173)	6,173	-
Balance at December 31, 2019	$ 57,029	$ (52,377)	$ 4,652

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

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

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

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

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

	December 31	
	2019	**2018**
Discount rate(s)	0.750%	1.000%
Expected rate(s) of salary increase	2.500%	2.500%

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

	December 31	
	2019	**2018**
Discount rate(s)		
0.25% increase	$ (1,421)	$ (1,401)
0.25% decrease	$ 1,475	$ 1,455
Expected rate(s) of salary increase		
0.25% increase	$ 1,426	$ 1,409
0.25% decrease	$ (1,381)	$ (1,364)

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

	December 31	
	2019	**2018**
Expected contributions to the plans for the next year	$ 2,856	$ 3,000
Average duration of the defined benefit obligation	10 years	10.1 years

20. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2019	**2018**
Number of shares authorized (in thousands)	60,000	60,000
Shares authorized	$ 600,000	$ 600,000
Number of shares issued and fully paid (in thousands)	50,230	50,230
Shares issued	$ 502,302	$ 502,302

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

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

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Arising from issuance of ordinary shares	$ 74,811	$ 74,811
Arising from the difference between consideration received and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	927	927
	$ 75,738	$ 75,738

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

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

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

The Company shall, considering financial, operational and managerial factors, distribute no less than 20% of unappropriated earnings to stockholders as dividends and bonuses, in the form of cash or stock dividends, whilst cash dividends should not be lower than 20% of total bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Note 22(f).

Under Article 237 of the Company Law, an appropriation of 10% of net income to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

The appropriations of earnings for 2018 and 2017 which were approved in the shareholders' meetings on June 14, 2019 and June 13, 2018, respectively, were as follows:

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

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

d. Special reserve

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

e. Other equity items

Exchange differences on translating the financial statements of foreign operations

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

f. Non-controlling interests

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

21. REVENUE

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

a. Contract information

1) Revenue from the sale of goods

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

2) Revenue from the rendering of services

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

b. Contract balances

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

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

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

c. Disaggregation of revenue

Refer to Note 35 for information about disaggregation of revenue.

22. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

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

b. Other gains and losses

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

c. Finance costs

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

d. Depreciation and amortization

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

e. Employee benefits expense

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

f. Employees' compensation and remuneration of directors

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

Accrual rate

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

Amount

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

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2019	2018
Foreign exchange gains	$ 45,703	$ 57,033
Foreign exchange losses	(31,102)	(39,534)
Net foreign exchange gains	$ 14,601	$ 17,499

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

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

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

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

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

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

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

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

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

b. Income tax recognized in other comprehensive income

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

c. Current tax assets and liabilities

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

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

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

For the year ended December 31, 2018

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

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

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

f. Income tax assessments

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

24. EARNINGS PER SHARE

Unit: NT$ Per Share

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

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

Net profit for the year

	For the Year Ended December 31	
	2019	**2018**
Profit for the year attributable to owners of the Company	$ 503,361	$ 473,613
Effect of potentially dilutive ordinary shares		
Employees' compensation	-	-
Earnings used in the computation of diluted earnings per share	$ 503,361	$ 473,613

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

	For the Year Ended December 31	
	2019	**2018**
Weighted average number of ordinary shares used in the computation of basic earnings per share	50,230	50,230
Effect of potentially dilutive ordinary shares		
Employees' compensation	182	225
Weighted average number of ordinary shares used in the computation of diluted earnings per share	50,412	50,455

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

25. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

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

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

26. CASH FLOW INFORMATION

a. Non-cash transactions

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

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

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2019

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

For the year ended December 31, 2018

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

27. CAPITAL MANAGEMENT

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

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

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

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

28. FINANCIAL INSTRUMENTS

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

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

b. Categories of financial instruments

	December 31	
	2019	**2018**
Financial assets		
Amortized cost (1)	$ 1,377,391	$ 1,515,779
Financial liabilities		
Amortized cost (2)	572,288	599,551

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

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

c. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, receivables, debt instruments, payables and short-term, long-term borrowings and lease liabilities. Risks on the financial instruments include market risk (such as currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

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

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

Sensitivity analysis

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

The following table details the Group's sensitivity to a 1% increase and decrease in the functional currency against the relevant foreign currency. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the functional currency weakening 1% against the relevant currency. For a 1% strengthening of the functional currency against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

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

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

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

b) Interest rate risk

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

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

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

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2019 and 2018 would increase/decrease by $1,590 thousand and $1,679 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and bank deposits.

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

2) Credit risk

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

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group rated its major customers based on the information supplied by independent rating agencies where available and, if not available, other publicly available financial information and its own trading records. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group continually evaluated its counterparties' financial status, and, if necessary, requested a guarantee deposit as a term of transaction to lower its exposure to the credit risk.

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

3) Liquidity risk

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

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

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

The following table shows the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2019

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

Additional information about the maturity analysis for lease liabilities:

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

December 31, 2018

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

b) Financing facilities

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

29. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and categories

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

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

b. Sales of goods

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

The sales prices to related parties were negotiated case by case, and the collection terms to related parties were 60 days or 90 days within receiving the bills of lading. The sales prices to third parties were determined in accordance with mutual agreements, and the collection terms to third parties was 90 days.

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2019	2018
Associates	$ 48,518	$ 55,793

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

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

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

The outstanding trade receivables from related parties are unsecured. As of December 31, 2019 and 2018, all receivables from related parties were not past due. And for the years ended December 31, 2019 and 2018, no impairment losses were recognized for trade receivables from related parties.

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

Line Item	Related Party Category/Name	December 31 2019	2018
Trade payables	Associates	$ 339	$ 973
Notes payable	Associates	$ 6,976	$ 9,579

The outstanding trade payables from related parties are unsecured.

f. Other transactions with related parties

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

g. Compensation of key management personnel

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

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

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

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

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Unrecognized commitments were as follows:

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

32. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2019

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

December 31, 2018

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

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

34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. investees:

1) Financing provided to others (none)

2) Endorsements/guarantees provided (Table 1)

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

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital (none)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (none)

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

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

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

9) Trading in derivative instruments (none)

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

11) Information on investees (Table 5)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 6)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 7):

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

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

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

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

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

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

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

e. Disclosure of the affiliates

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

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

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

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

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

35. SEGMENT INFORMATION

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

Manufacturing and selling of bakery equipment segment

Manufacturing and selling of control panels and electromechanical control system segment

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

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

- The pricing strategy of the products is similar;

a. Segment revenue and results

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

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

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

b. Segment total assets and liabilities

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

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

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

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

c. Other segment information

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

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

d. Revenue from major products and services

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

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

e. Geographical information

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

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

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

Non-current assets exclude deferred tax assets.

f. Information about major customers

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

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period (Note 3)	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 1)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 5)											
0	Sinmag Equipment Corporation	Sinmag Bakery Equipment Sdn. Bhd.	(b)	Net value 50% $ 1,088,467	$ 42,198 (RM 6,000)	$ 42,198 (RM 6,000)	$ 30,720 (RM 4,368)	$ -	2	Net value 50% $ 1,088,467	Y	-	-	-

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

Note 2: The total amount of the guarantees provided by Sinmag Equipment Corporation to individual subsidiaries shall not exceed 50% of Sinmag Equipment Corporation’s net worth based on its most recent audited financial statements.

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

Note 4: The maximum amount endorsed/guaranteed during the period, limits on endorsement/guarantee given on behalf of each party and actual amount borrowed converted at the spot exchange rate as of December 31, 2019.

Note 5: Relationships between the endorser/guarantor and the party being endorsed/guaranteed are as follows:

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

TABLE 2

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transactions		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Sinmag Equipment Corporation	Sinmag Equipment (China) Co., Ltd.	Subsidiary	Purchase	$ 655,146	88	B/L 45 Day	Note 1	Note 2	$ (221,649)	(89)	Note 3
Sinmag Equipment (China) Co., Ltd.	Sinmag Equipment Corporation	Parent company	(Sale)	(655,146)	(19)	B/L 45 Day	〃	〃	221,649	47	〃
LBC Bakery Equipment Inc.	Sinmag Equipment Corporation	Parent company	Purchase	229,266	89	B/L 180 Day	〃	〃	(38,734)	(93)	〃
Sinmag Equipment Corporation	LBC Bakery Equipment Inc.	Subsidiary	(Sale)	(229,266)	(23)	B/L 180 Day	〃	〃	38,734	19	〃
Sinmag Equipment (China) Co., Ltd.	Wuxi New Order Control Co., Ltd	Same ultimate parent company	Purchase	109,898	6	Monthly payment: 30 days	〃	〃	(18,890)	(7)	-
Wuxi New Order Control Co., Ltd	Sinmag Equipment (China) Co., Ltd.	Same ultimate parent company	(Sale)	(109,898)	(100)	Monthly payment: 30 days	〃	〃	18,890	100	-

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

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

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

TABLE 3

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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

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

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

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

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

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

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

Business relationships between parent and subsidiaries:

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

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

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

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

TABLE 5

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

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

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

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

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

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

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

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

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

a. Direct investments in mainland China.
b. Investment in mainland China through an existing company established in a third region (Lucky Union Limited and Sinmag Limited)
c. Others.

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

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

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

1) Based on financial statements audited by an international accounting firm that has a business relationship with an accounting firm in the ROC.
2) Based on financial statements audited by the accounting firm of the parent company in Taiwan.
3) The investees' financial statements have not been audited for the same year.

(Continued)

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

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

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

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

(Concluded)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

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

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

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with General Transactions	Ending Balance	%		
Sinmag Equipment (China) Co., Ltd.	Sales	$ (46,423)	(3)	Cost with a margin	B/L 90 days	Note 1	$ 8,711	2	$ 3,400	Note 2
	Purchase	655,146	88	Cost with a margin	B/L 45 days	〃	(221,649)	(89)	18,301	〃

Note 1: The payment terms for non-related parties are negotiated on a case-by-case basis, which is 90 days from end of the month of sale or purchase of goods.

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

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

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

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

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

SINMAG EQUIPMENT CORPORATION

Chairman: Shun-Ho Hsieh