

Anderson Industrial Corporation

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Anderson Industrial Corporation

Opinion

We have audited the accompanying financial statements of Anderson Industrial Corporation (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and 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, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Company's financial statements for year 2018 are stated as follows:

Inventory Provision

As of December 31, 2018, the balance of inventory held by the Company was \$291,161 thousand, which was a significant amount and represented 7% of total assets. Because an assessment of the net realizable value of inventory involves the Company's significant judgement based on IAS 12 "Inventory", we believe that inventory provision is one of key audit matters. Refer to Notes 5 and 8 to the financial statements.

Our primary audit procedures in respect of this area included understanding the appropriateness of inventory provisioning policy, assessing the reasonableness of net realizable value by performing tests of samples of sales, reviewing and implementing year-end inventory count, assessing the condition of the inventory and recalculating the amount of inventory provision.

Estimated Impairment of Accounts Receivable

As of December 31, 2018, the balance of accounts receivable held by the Company was \$783,472 thousand, which was a significant amount and represented 18% of total assets. The management applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected credit losses for all accounts receivables. The expected credit losses on accounts receivables are estimated by considering past default experience of the debtor, an analysis of the debtor's current financial position and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. The evaluation of accounts receivable provision for loss, credit risk and appropriateness of provisioning policy involves significant judgment; therefore, we believe that the estimated impairment of accounts receivable is a key audit matter. Refer to Notes 5 and 7 to the financial statements.

Our primary audit procedures in respect of this area included assessing the appropriateness of accounts receivable provisioning policy, testing the validity of the aging reports, analyzing circumstances of accounts receivable movements and significant past due accounts receivable, assessing the reasonableness of individual accounts receivable impairment, confirming whether there is any sign of impairment or not at the end of the year. Recoverability was also tested by vouching cash receipts after the year end date.

Other Matter

As mentioned in the Opinion paragraph, the financial statements of Sogotec Enterprise Co., Ltd. (Sogotec) are audited by other independent auditors. As of December 31, 2018, the investment in Sogotec, which was accounted for using the equity method, amounted to \$408,797 thousand, constituting 10% of total assets of the Company, and related investment gain amounted to \$74,367 thousand, representing 312% of total pre-tax profit of the Company.

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 supervisors, 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 appropriate audit evidence regarding the financial information of the 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 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 statements that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partners on the audit resulting in this independent auditors' report are Wen Chin Lin and Li Wen Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2019

Notice to Readers

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

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

ANDERSON INDUSTRIAL CORPORATION

BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 38,014	1	\$ 95,975	2
Financial assets at fair value through profit or loss - current (Note 4)	17,474	1	-	-
Available-for-sale financial assets - current (Note 4)	-	-	19,124	-
Financial assets at amortized cost - current (Note 4)	5,004	-	-	-
Debt investments with no active market - current (Note 4)	-	-	10,000	-
Notes receivable, net (Notes 4 and 7)	39,610	1	30,865	1
Accounts receivable - non-related parties (Notes 4 and 7)	85,270	2	87,117	2
Accounts receivable - related parties (Notes 4, 7 and 24)	653,202	16	628,434	16
Other receivables (Notes 4 and 24)	134,910	3	237,247	6
Current tax assets (Note 4)	4,856	-	-	-
Inventories (Notes 4 and 8)	291,161	7	311,555	8
Prepayments (Note 24)	12,033	-	21,520	1
Other current assets	1,277	-	774	-
Total current assets	1,282,811	31	1,442,611	36
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4 and 9)	1,974,864	48	1,722,893	43
Property, plant and equipment (Notes 4, 10, 24 and 25)	722,926	18	714,185	18
Intangible assets (Notes 4 and 11)	39,192	1	38,653	1
Deferred tax assets (Notes 4 and 18)	45,858	1	29,214	1
Other non-current assets (Notes 24 and 25)	52,824	1	21,452	1
Total non-current assets	2,835,664	69	2,526,397	64
TOTAL	\$ 4,118,475	100	\$ 3,969,008	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 12 and 25)	\$ 773,637	19	\$ 590,240	15
Contract liabilities (Note 4)	33,828	1	-	-
Accounts payable (Note 24)	170,634	4	225,021	6
Other payables (Notes 13 and 24)	70,999	2	99,226	2
Provisions - current (Note 4)	9,910	-	11,782	-
Current portion of long-term borrowings (Notes 12 and 25)	172,611	4	360,834	9
Other current liabilities	6,827	-	42,449	1
Total current liabilities	1,238,446	30	1,329,552	33
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 12 and 25)	247,917	6	276,528	7
Net defined benefit liabilities (Notes 4 and 14)	54,419	1	62,212	2
Guarantee deposits	445	-	344	-
Total non-current liabilities	302,781	7	339,084	9
Total liabilities	1,541,227	37	1,668,636	42
EQUITY (Note 15)				
Share capital				
Common stock	1,998,810	49	1,800,000	45
Capital surplus	369,134	9	266,674	7
Retained earnings				
Legal reserve	182,567	5	172,915	4
Special reserve	58,067	1	50,624	1
Unappropriated earnings	48,762	1	103,198	3
Total retained earnings	289,396	7	326,737	8
Other equity				
Exchange differences on translating the financial statements of foreign operations	(75,980)	(2)	(55,000)	(1)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	802	-	-	-
Unrealized gain (loss) on available-for-sale financial assets	-	-	(3,067)	-
Total other equity	(75,178)	(2)	(58,067)	(1)
Treasury shares	(4,914)	-	(34,972)	(1)
Total equity	2,577,248	63	2,300,372	58
TOTAL	\$ 4,118,475	100	\$ 3,969,008	100

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

ANDERSON INDUSTRIAL CORPORATION

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 16 and 24)	\$ 1,096,280	100	\$ 1,113,662	100
OPERATING COSTS (Notes 8, 17 and 24)	<u>801,446</u>	<u>73</u>	<u>804,485</u>	<u>72</u>
GROSS PROFIT	294,834	27	309,177	28
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	(13,018)	(2)	-	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>-</u>	<u>-</u>	<u>5,700</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>281,816</u>	<u>25</u>	<u>314,877</u>	<u>28</u>
OPERATING EXPENSES (Notes 4 and 17)				
Selling and marketing expenses	135,202	12	124,074	11
General and administrative expenses	137,233	12	168,923	15
Research and development expenses	51,061	5	54,063	5
Reversal of expected credit loss	<u>(2,727)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>320,769</u>	<u>29</u>	<u>347,060</u>	<u>31</u>
LOSS FROM OPERATIONS	<u>(38,953)</u>	<u>(4)</u>	<u>(32,183)</u>	<u>(3)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 17)				
Other income (Note 24)	47,035	4	55,347	5
Other gains and losses	8,857	1	(16,344)	(1)
Finance costs (Note 24)	(18,304)	(1)	(18,062)	(2)
Share of profits of subsidiaries accounted for using the equity method (Note 9)	<u>25,248</u>	<u>2</u>	<u>114,668</u>	<u>10</u>
Total non-operating income and expenses	<u>62,836</u>	<u>6</u>	<u>135,609</u>	<u>12</u>
PROFIT BEFORE INCOME TAX	23,883	2	103,426	9
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 18)	<u>17,094</u>	<u>2</u>	<u>(6,905)</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>40,977</u>	<u>4</u>	<u>96,521</u>	<u>9</u>

(Continued)

ANDERSON INDUSTRIAL CORPORATION

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

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 6,543	-	\$ 3,343	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	1,229	-	-	-
Share of the other comprehensive loss of subsidiaries accounted for using the equity method	(145)	-	(1,156)	-
Income tax expense relating to items that will not be reclassified subsequently (Note 18)	(1,377)	-	(568)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(20,980)	(2)	(11,427)	(1)
Unrealized gain on available-for-sale financial assets	-	-	371	-
Share of the other comprehensive income of subsidiaries accounted for using the equity method	<u>-</u>	<u>-</u>	<u>3,613</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(14,730)</u>	<u>(2)</u>	<u>(5,824)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 26,247</u>	<u>2</u>	<u>\$ 90,697</u>	<u>8</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 0.22</u>		<u>\$ 0.55</u>	
Diluted	<u>\$ 0.22</u>		<u>\$ 0.55</u>	

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

(Concluded)

ANDERSON INDUSTRIAL CORPORATION

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

			Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Other Equity		Treasury Shares	Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets		
BALANCE AT JANUARY 1, 2017	\$ 1,800,000	\$ 319,573	\$ 163,053	\$ -	\$ 100,810	\$ (43,573)	\$ -	\$ (7,051)	\$ (34,972)	\$ 2,297,840
Appropriation of 2016 earnings										
Legal reserve	-	-	9,862	-	(9,862)	-	-	-	-	-
Special reserve	-	-	-	50,624	(50,624)	-	-	-	-	-
Cash dividends distributed by the Company - NT\$0.2 per share	-	-	-	-	(35,266)	-	-	-	-	(35,266)
Cash dividends distributed from capital surplus	-	(52,899)	-	-	-	-	-	-	-	(52,899)
Net profit for the year ended December 31, 2017	-	-	-	-	96,521	-	-	-	-	96,521
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,619	(11,427)	-	3,984	-	(5,824)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	98,140	(11,427)	-	3,984	-	90,697
BALANCE AT DECEMBER 31, 2017	1,800,000	266,674	172,915	50,624	103,198	(55,000)	-	(3,067)	(34,972)	2,300,372
Effect of retrospective application and retrospective restatement	-	-	-	-	(2,684)	-	(383)	3,067	-	-
ADJUSTED BALANCE, JANUARY 1, 2018	1,800,000	266,674	172,915	50,624	100,514	(55,000)	(383)	-	(34,972)	2,300,372
Appropriation of 2017 earnings										
Legal reserve	-	-	9,652	-	(9,652)	-	-	-	-	-
Special reserve	-	-	-	7,443	(7,443)	-	-	-	-	-
Cash dividends distributed by the Company - NT\$0.45 per share	-	-	-	-	(80,699)	-	-	-	-	(80,699)
Cash dividends distributed from capital surplus	-	(8,967)	-	-	-	-	-	-	-	(8,967)
Net profit for the year ended December 31, 2018	-	-	-	-	40,977	-	-	-	-	40,977
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	5,021	(20,980)	1,229	-	-	(14,730)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	45,998	(20,980)	1,229	-	-	26,247
Issuance of ordinary shares for cash	200,000	60,000	-	-	-	-	-	-	-	260,000
Disposals of treasury shares	-	-	-	-	-	-	-	-	28,950	28,950
Cancellation of treasury shares	(1,190)	82	-	-	-	-	-	-	1,108	-
Actual disposals of interests in subsidiaries	-	12,201	-	-	-	-	-	-	-	12,201
Changes in percentage of ownership interests in subsidiaries	-	32,794	-	-	-	-	-	-	-	32,794
Share-based payment	-	6,350	-	-	-	-	-	-	-	6,350
Subsidiaries disposed the investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	44	-	(44)	-	-	-
BALANCE AT DECEMBER 31, 2018	\$ 1,998,810	\$ 369,134	\$ 182,567	\$ 58,067	\$ 48,762	\$ (75,980)	\$ 802	\$ -	\$ (4,914)	\$ 2,577,248

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

ANDERSON INDUSTRIAL CORPORATION

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 23,883	\$ 103,426
Adjustments for:		
Depreciation expenses	60,009	62,039
Amortization expenses	1,442	1,377
Expected credit loss reversed on accounts receivables	(2,727)	-
Impairment loss recognized on accounts receivable	-	96
Finance costs	18,304	18,062
Interest income	(939)	(4,938)
Compensation costs of employee share options	6,350	-
Share of profit of subsidiaries accounted for using the equity method	(25,248)	(114,668)
(Gain) loss on disposal of property, plant and equipment	(16)	36
Write-downs of inventories	3,813	1,434
Unrealized gain on transactions with subsidiaries	13,018	-
Realized gain on transactions with subsidiaries	-	(5,700)
(Gain) loss on foreign currency exchange	(8,480)	27,046
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	1,650	-
Notes receivable	(8,745)	(11,114)
Accounts receivable	6,388	46,930
Accounts receivable - related parties	(17,727)	(199,338)
Other receivables	102,367	(71,546)
Inventories	16,581	(58,297)
Prepayments	9,487	(3,500)
Other current assets	(503)	(204)
Contract liabilities	5,020	-
Notes payable	-	(2,331)
Accounts payable	(54,445)	7,883
Other payables	(28,556)	(40)
Provisions	(1,872)	(1,293)
Other liabilities	(7,335)	12,895
Net defined benefit liabilities	(1,250)	(551)
Cash generated from (used in) operations	110,469	(192,296)
Interest received	954	4,944
Interest paid	(18,489)	(17,883)
Income tax paid	(5,783)	(16,362)
Net cash generated from (used in) operating activities	87,151	(221,597)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at amortized cost	4,996	-
Purchase of investments accounted for using the equity method	(239,217)	(137,506)
Payments for property, plant and equipment	(67,280)	(18,064)
Proceeds from disposal of property, plant and equipment	100	56

(Continued)

ANDERSON INDUSTRIAL CORPORATION

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

	2018	2017
Decrease in refundable deposits	\$ 1,066	\$ 1,714
Payments for intangible assets	(381)	-
Decrease (increase) in non-current assets	2,377	(2,019)
Increase in prepayments for equipment	(37,969)	(9,550)
Dividends received from subsidiaries	<u>24,575</u>	<u>115,326</u>
Net cash used in investing activities	<u>(311,733)</u>	<u>(50,043)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	183,391	330,046
Proceeds from long-term borrowings	150,000	200,000
Repayment of long-term borrowings	(366,834)	(185,125)
Cash dividends paid	(89,666)	(88,165)
Proceeds from issuance of ordinary shares	260,000	-
Proceeds from disposal of treasury shares	<u>28,950</u>	<u>-</u>
Net cash generated from financing activities	<u>165,841</u>	<u>256,756</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>780</u>	<u>(1,376)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(57,961)	(16,260)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>95,975</u>	<u>112,235</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 38,014</u>	<u>\$ 95,975</u>

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

(Concluded)

ANDERSON INDUSTRIAL CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Anderson Industrial Company (the “Company”) was incorporated in the Republic of China (ROC) in July 1972. The Company is mainly engaged in the design, manufacture, sale and import and export of computer numerical control (CNC) machinery, tooling, lumber, wood panels, and building materials.

Since October 11, 2000, the Company’s shares have been listed on the Taiwan Stock Exchange (TWSE).

The financial statements are presented in the Company’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 11, 2019.

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

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

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

- 1) IFRS 9 “Financial Instruments” and related amendments

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

Classification, measurement and impairment of financial assets

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

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

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 95,975	\$ 95,975	-
Beneficiary certificates	Available-for-sale	Mandatorily at fair value through profit or loss ("FVTPL")	19,124	19,124	a)
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	10,000	10,000	b)
Notes receivable, accounts receivable and other receivables	Loans and receivables	Amortized cost	983,663	983,663	c)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
<u>Financial assets at FVTPL</u>						
Add: Reclassification from available-for-sale (IAS 39)						
Required reclassification	\$ -	\$ 19,124	\$ 19,124	\$ (2,684)	\$ 2,684	a)
	-	19,124	38,248	(2,684)	2,684	
<u>Financial assets at amortized cost</u>						
Add: Reclassification from loans and receivables (IAS 39)	-	10,000	10,000	-	-	b)
	<u>\$ 19,124</u>	<u>\$ 29,124</u>	<u>\$ 48,248</u>	<u>\$ (2,684)</u>	<u>\$ 2,684</u>	

- a) Beneficiary certificates previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. The retrospective adjustment resulted in an increase of \$2,684 thousand in other equity - unrealized gain on available-for-sale financial assets and a decrease of \$2,684 thousand in retained earnings on January 1, 2018.
- b) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.
- c) Notes receivable, accounts receivable and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

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

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

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivables were recognized or deferred revenue was reduced when revenue was recognized for the relevant contract under IAS 18. Therefore, the other current liabilities of \$28,808 thousand prior to restatement is reclassified as contract liabilities.

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

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

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

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

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

IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations.

Definition of a lease

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

The Company as lessee

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

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at the amount equal to the lease liabilities. The Company will apply IAS 36 to all right-of-use assets.

For leases currently classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 will be determined as at the carrying amounts of the respective leased assets and finance lease payables as of December 31, 2018.

The Company expects to apply a single discount rate to measure lease liabilities.

The Company as lessor

Except for sublease transactions, the Company will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

The Company subleased its leasehold to a third party. Such sublease is classified as an operating lease under IAS 17. The Company will assess the sublease classification on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019.

The Company will evaluate the lease contracts belonging to lessees in accordance with IFRS 16, and will not restate prior year financial statements. As for January 1, 2019, the right-of-use assets and lease liabilities might increase by \$24,843 thousand.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company had assessed that the application of other standards and interpretations would not have significant impacts on the Company's 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 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

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

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

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards, interpretations and amendments 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 parent company only 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 financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and

- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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 (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.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the company's financial statements, the functional currencies of the Group entities (including subsidiaries in other countries that use currency different from the currency of the Company) are translated into the presentation currency - New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; 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.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired in the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

e. Inventories

Inventories, which comprise finished goods, work-in-process, raw materials and merchandise, 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. 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.

Subsidiary is an 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 in the equity of subsidiaries attributable to the Company.

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

When the Company's share in losses of a subsidiary exceeds the interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

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 entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

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

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

g. Property, plant and equipment

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

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate 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 value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

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

i. Impairment of tangible and intangible assets other than goodwill

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

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

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 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 the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) 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 FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

2018

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at fair value through other comprehensive income ("FVTOCI") and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 23.

ii. 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, financial assets at amortized cost, notes and accounts receivables (including long-term receivables) and other receivables, 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.

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

2017

Financial assets are classified into the following categories: Available-for-sale financial assets and loans and receivables.

i. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

ii. Loans and receivables

Loans and receivables (including cash and cash equivalent, debt investments with no active market, notes and accounts receivables (including long-term receivables) and other receivables) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

b) Impairment of financial assets

2018

The Company recognizes a loss allowance for expected credit losses ("ECL") on financial assets at amortized cost, including accounts receivables and other receivables.

The Company always recognizes lifetime ECLs for accounts receivables and other 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.

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

The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

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

For financial assets at amortized cost, such as notes and accounts receivable (including long-term receivables), are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience with non-collection of payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

When an available-for-sale financial asset is considered to be impaired, cumulative losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversible through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the 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.

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

I. Revenue recognition

2018

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of precision machineries. Sales of precision machineries is recognized as revenue when the goods are shipped or accepted, and accounts receivables are recognized concurrently.

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 repair services and hardware installation services.

As the Company provides repair services and hardware installation services. Consequently, the related revenue is recognized when services are rendered.

2017

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

1) Sale of goods

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

- a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Company; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

2) Rendering of services

Service income is recognized when services are provided.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

3) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

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

m. Leasing

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

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Company as lessee

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

n. 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 service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service costs, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service costs (including current service costs) and net interest on a net defined benefit liability (asset) are recognized as employee benefits expenses in the period that they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling 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.

The net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. 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.

3) Termination benefits

A liability for termination benefits is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefits and when the Company recognizes any related restructuring costs.

o. Taxation

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

1) Current tax

An additional surtax on unappropriated earnings, computed according to the ROC Income Tax Act, is recognized in current taxes in the year of approval by a stockholders' meeting resolution.

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 deductible temporary differences or unused loss carryforward 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, 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 that 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 is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset 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 a liability is settled or an asset is 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 tax and deferred tax for the year

Current tax and deferred tax 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 tax and deferred tax 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 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 estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of financial assets - 2018

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 7. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of accounts receivable - 2017

When there is objective evidence of impairment loss of receivables, the Company takes into consideration the estimation of the future cash flows of such assets. The amount of the impairment loss is measured as the difference between an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	\$ 1,393	\$ 1,316
Checking accounts and demand deposits	36,621	83,988
Deposit in transit	<u>-</u>	<u>10,671</u>
	<u>\$ 38,014</u>	<u>\$ 95,975</u>

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

	December 31	
	2018	2017
Bank balance	0.001%-0.48%	0.05%-0.35%

7. NOTES AND ACCOUNTS RECEIVABLES (INCLUDING RELATED PARTIES)

	December 31	
	2018	2017
Notes receivable	<u>\$ 39,610</u>	<u>\$ 30,865</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 740,657	\$ 720,463
Less: Allowance for impairment loss	<u>(2,185)</u>	<u>(4,912)</u>
	<u>\$ 738,472</u>	<u>\$ 715,551</u>

Accounts Receivable

In 2018

The average credit period of sales of goods was 90-180 days. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected credit losses for all accounts receivables. The expected credit losses on accounts receivables are estimated by reference to past collecting and default experiences of the debtor, an increase in deferred or overdue payments over average credit term and an analysis of the debtors' current financial position, adjusted for general economic conditions of the industries 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 status is not further distinguished according to the Company's different customer base.

The Company writes off an accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts 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 accounts receivables.

December 31, 2018

	Under 180 Days	181 to 365 Days	Over 365 Days	Total
Gross carrying amount	\$ 779,817	\$ 61	\$ 389	\$ 780,267
Loss allowance (Lifetime ECL)	<u>(1,760)</u>	<u>(49)</u>	<u>(376)</u>	<u>(2,185)</u>
Amortized cost	<u>\$ 778,057</u>	<u>\$ 12</u>	<u>\$ 13</u>	<u>\$ 778,082</u>

The ECL ratios of each of the Group's accounts receivable aging is shown below, excluding individually assessed or abnormal transactions which their loss allowances have been recognized in their entirety. The ECL ratio for aging segment from the invoice date less than 180 days is less than 5%, while the ECL ratio for aging segment from the invoice date more than 181 days is between 20%-100%.

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

	2018
Balance at January 1, 2018 per IAS 39	\$ 4,912
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	4,912
Less: Reversal	<u>(2,727)</u>
Balance at December 31, 2018	<u><u>\$ 2,185</u></u>

In 2017

The Company's credit policy in 2017 was the same as the aforementioned credit policy in 2018. For some accounts receivables balances that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were still considered recoverable. The Company did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	December 31, 2017
Less than 180 days	\$ 715,817
181-365 days	238
More than 365 days	<u>4,408</u>
	<u><u>\$ 720,463</u></u>

The above aging schedule was based on the invoice date.

The Company had no accounts receivables that were past due but not impaired.

The movements of the allowance for doubtful accounts receivable were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	\$ 443	\$ 4,543	\$ 4,986
Add: Impairment losses (reversed) recognized on receivables	(202)	298	96
Less: Amounts written off during the year as uncollectable	<u>(170)</u>	<u>-</u>	<u>(170)</u>
Balance at December 31, 2017	<u><u>\$ 71</u></u>	<u><u>\$ 4,841</u></u>	<u><u>\$ 4,912</u></u>

8. INVENTORIES

	December 31	
	2018	2017
Finished goods	\$ 12,928	\$ 13,176
Work in progress	160,471	156,152
Raw materials	105,538	124,864
Merchandise	<u>12,224</u>	<u>17,363</u>
	<u>\$ 291,161</u>	<u>\$ 311,555</u>

The cost of goods sold for the years ended December 31, 2018 and 2017 included inventory write-downs of \$3,813 thousand and \$1,434 thousand, respectively.

9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	<u>\$ 1,974,864</u>	<u>\$ 1,722,893</u>

Investments in Subsidiaries

	December 31	
	2018	2017
Anderson Industrial (Hong Kong) Ltd. (Anderson Industrial)	\$ 32,577	\$ 33,255
Anderson Europe GmbH	435,985	305,231
Anderson America Corporation (U.S.A.) (Anderson America)	55,752	16,226
Anderson Logistics Corporation (Anderson Logistics)	256,771	218,498
Giben Holdings Co., Ltd. (BVI) (Giben BVI)	224,550	273,901
Giben Holdings Co., Ltd. (SAMOA) (Giben SAMOA)	176,510	183,994
Anderson Merchandise Corporation (Anderson Merchandise)	144,354	134,731
Sogotec Enterprise Co., Ltd. (Sogotec)	284,642	182,988
CNT Industrial (Shanghai) Co., Ltd. (CNT)	303,481	313,390
Jentec Machinery (Shanghai) Co., Ltd. (Jentec)	<u>60,242</u>	<u>60,679</u>
	<u>\$ 1,974,864</u>	<u>\$ 1,722,893</u>

At the end of the reporting period, the proportion of ownership and voting rights in subsidiaries held by the Company were as follows:

	December 31	
Name of Subsidiaries	2018	2017
Anderson Industrial	100.00%	100.00%
Anderson Europe GmbH	100.00%	100.00%
Anderson America	100.00%	100.00%
Anderson Logistics	100.00%	100.00%
Giben BVI	100.00%	100.00%
Giben SAMOA	100.00%	100.00%
Anderson Merchandise	100.00%	100.00%
Sogotec	65.53%	70.63%
CNT	100.00%	100.00%
Jentec	100.00%	100.00%

Sogotec issued new shares for capital increase via cash in June and July 2018. The Company did not purchase additional shares based on its percentage of ownership. Therefore, the Company's percentage of ownership in Sogotec decreased to 65.53%.

On May 10, 2016, the board of directors of Anderson Industrial resolved to liquidate the Company. As of December 31, 2018, the process of liquidation was still ongoing.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 were based on the subsidiaries' financial statements audited by auditors for the same years.

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Research and Development Equipment	Other Equipment	Total
<u>Cost</u>						
Balance at January 1, 2017	\$ 124,258	\$ 786,803	\$ 121,180	\$ 52,925	\$ 64,502	\$ 1,149,668
Additions	381	8,319	4,071	-	5,293	18,064
Disposals	-	(28,827)	(11,268)	(650)	(2,197)	(42,942)
Reclassification	6,598	6,098	22,420	-	2,624	37,740
Balance at December 31, 2017	<u>131,237</u>	<u>772,393</u>	<u>136,403</u>	<u>52,275</u>	<u>70,222</u>	<u>1,162,530</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2017	-	265,296	80,382	27,608	57,500	430,786
Disposals	-	(28,775)	(11,255)	(650)	(2,170)	(42,850)
Depreciation	-	33,365	14,857	10,396	3,421	62,039
Reclassification	-	-	(1,630)	-	-	(1,630)
Balance at December 31, 2017	<u>-</u>	<u>269,886</u>	<u>82,354</u>	<u>37,354</u>	<u>58,751</u>	<u>448,345</u>
Carrying amounts at December 31, 2017	<u>\$ 131,237</u>	<u>\$ 502,507</u>	<u>\$ 54,049</u>	<u>\$ 14,921</u>	<u>\$ 11,471</u>	<u>\$ 714,185</u>
<u>Cost</u>						
Balance at January 1, 2018	\$ 131,237	\$ 772,393	\$ 136,403	\$ 52,275	\$ 70,222	\$ 1,162,530
Additions	-	26,004	29,715	103	11,458	67,280
Disposals	-	(4,125)	(44,192)	(8,021)	(19,027)	(75,365)
Reclassification	-	-	1,040	-	514	1,554
Balance at December 31, 2018	<u>131,237</u>	<u>794,272</u>	<u>122,966</u>	<u>44,357</u>	<u>63,167</u>	<u>1,155,999</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2018	-	269,886	82,354	37,354	58,751	448,345
Disposals	-	(4,076)	(44,160)	(8,022)	(19,023)	(75,281)
Depreciation	-	34,096	10,925	10,125	4,863	60,009
Balance at December 31, 2018	<u>-</u>	<u>299,906</u>	<u>49,119</u>	<u>39,457</u>	<u>44,591</u>	<u>433,073</u>
Carrying amounts at December 31, 2018	<u>\$ 131,237</u>	<u>\$ 494,366</u>	<u>\$ 73,847</u>	<u>\$ 4,900</u>	<u>\$ 18,576</u>	<u>\$ 722,926</u>

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

Building	3-55 years
Machinery	5-16 years
Research and development equipment	3-11 years
Other equipment	2-17 years

In August 1996, the Company purchased land in Houlong Township of Miaoli Country for \$11,000 thousand. However, due to the statutory restrictions on the transfer of farmland, the title deed has not been legally transferred to the Company; therefore, the Company made a contract with the seller to prevent any future claims on the land by the seller, the seller's heir at law, or any other third parties. In addition, if the land zoning is changed, the seller is obligated to transfer the title immediately. Accordingly, the farmland is recorded under other non-current assets. In March 2005, the Company applied to the Land Office for the modification of land usage and changed parts of the land's zoning designation from farmland to construction use, which amounted to \$4,518 thousand. Accordingly, the Company has been registered as the legal owner, and has reclassified such land to property, plant and equipment.

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 25.

11. INTANGIBLE ASSETS

	Patent	Trademark	Software	Total
<u>Cost</u>				
Balance at January 1, 2017	\$ 49,850	\$ 33,664	\$ -	\$ 83,514
Additions	-	-	-	-
Balance at December 31, 2017	<u>49,850</u>	<u>33,664</u>	<u>-</u>	<u>83,514</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2017	43,484	-	-	43,484
Amortization expense	<u>1,377</u>	<u>-</u>	<u>-</u>	<u>1,377</u>
Balance at December 31, 2017	<u>44,861</u>	<u>-</u>	<u>-</u>	<u>44,861</u>
Carrying amounts at December 31, 2017	<u>\$ 4,989</u>	<u>\$ 33,664</u>	<u>\$ -</u>	<u>\$ 38,653</u>
<u>Cost</u>				
Balance at January 1, 2018	\$ 49,850	\$ 33,664	\$ -	\$ 83,514
Additions	-	-	381	381
Reclassification	<u>-</u>	<u>-</u>	<u>1,600</u>	<u>1,600</u>
Balance at December 31, 2018	<u>49,850</u>	<u>33,664</u>	<u>1,981</u>	<u>85,495</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2018	44,861	-	-	44,861
Amortization expense	<u>1,378</u>	<u>-</u>	<u>64</u>	<u>1,442</u>
Balance at December 31, 2018	<u>46,239</u>	<u>-</u>	<u>64</u>	<u>46,303</u>
Carrying amounts at December 31, 2018	<u>\$ 3,611</u>	<u>\$ 33,664</u>	<u>\$ 1,917</u>	<u>\$ 39,192</u>

The above items of intangible asset are depreciated on a straight-line basis over the estimated useful lives as follows:

Patent	20 years
Software	3-5 years

Management believes the Company will renew the trademark continuously and has the ability to do so. Various studies including studies about product life cycle, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Company, which supported their opinion that there is no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows. Therefore, the trademark is considered to have an indefinite useful life. The trademark will not be amortized until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

12. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	2017
<u>Secured borrowings (Note 25)</u>		
Bank loans	\$ 160,000	\$ -
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>613,637</u>	<u>590,240</u>
	<u>\$ 773,637</u>	<u>\$ 590,240</u>

The ranges of interest rates on bank loans were 0.899%-1.340% and 1.086%-1.336% per annum as of December 31, 2018 and 2017, respectively.

b. Long-term borrowings

	December 31	
	2018	2017
<u>Secured borrowings (Note 25)</u>		
Bank loans	\$ 359,417	\$ 352,917
<u>Unsecured borrowings</u>		
Bank loans	<u>61,111</u>	<u>284,445</u>
	420,528	637,362
Less: Current portion	<u>(172,611)</u>	<u>(360,834)</u>
Long-term borrowings	<u>\$ 247,917</u>	<u>\$ 276,528</u>

As of December 31, 2018 and 2017, the interest rates of the bank borrowings secured by the Company's freehold land and building (see Note 25) were 1.7%-1.75% and 1.60%-1.72% per annum, respectively. The bank borrowings are due in February 2021 to September 2023.

13. OTHER LIABILITIES

	December 31	
	2018	2017
<u>Other payables</u>		
Payables for salaries and bonuses	\$ 44,651	\$ 56,682
Payables for commission	4,213	10,496
Payable for employees' compensation and remuneration of directors and supervisors	2,191	3,334
Payables for interest	631	816
Others	<u>19,313</u>	<u>27,898</u>
	<u>\$ 70,999</u>	<u>\$ 99,226</u>

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

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

	December 31	
	2018	2017
Present value of defined benefit obligation	\$ 113,514	\$ 129,914
Fair value of plan asset	<u>(59,095)</u>	<u>(67,702)</u>
Net defined benefit liability	<u>\$ 54,419</u>	<u>\$ 62,212</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2017	<u>\$ 134,753</u>	<u>\$ (68,647)</u>	<u>\$ 66,106</u>
Service cost			
Current service cost	1,490	-	1,490
Net interest expense (income)	<u>1,684</u>	<u>(875)</u>	<u>809</u>
Recognized in profit or loss	<u>3,174</u>	<u>(875)</u>	<u>2,299</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	240	240
Actuarial loss - changes in demographic assumptions	1,132	-	1,132
Actuarial gain - experience adjustments	<u>(4,789)</u>	<u>-</u>	<u>(4,789)</u>
Recognized in other comprehensive income	<u>(3,657)</u>	<u>240</u>	<u>(3,417)</u>
Contributions from the employer	-	(2,776)	(2,776)
Benefits paid from plan assets	<u>(4,356)</u>	<u>4,356</u>	<u>-</u>
	<u>(4,356)</u>	<u>1,580</u>	<u>(2,776)</u>
Balance at December 31, 2017	<u>129,914</u>	<u>(67,702)</u>	<u>62,212</u>
Service cost			
Current service cost	1,110	-	1,110
Net interest expense (income)	<u>1,624</u>	<u>(868)</u>	<u>756</u>
Recognized in profit or loss	<u>2,734</u>	<u>(868)</u>	<u>1,866</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,912)	(1,912)
Actuarial loss - changes in demographic assumptions	163	-	163
Actuarial loss - Changes in financial assumptions	1,604	-	1,604
Actuarial gain - experience adjustments	<u>(6,347)</u>	<u>-</u>	<u>(6,347)</u>
Recognized in other comprehensive income	<u>(4,580)</u>	<u>(1,912)</u>	<u>(6,492)</u>
Contributions from the employer	-	(3,167)	(3,167)
Benefits paid from plan assets	<u>(14,554)</u>	<u>14,554</u>	<u>-</u>
	<u>(14,554)</u>	<u>11,387</u>	<u>(3,167)</u>
Balance at December 31, 2018	<u>\$ 113,514</u>	<u>\$ (59,095)</u>	<u>\$ 54,419</u>

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 plan's debt investments.

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

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

	December 31	
	2018	2017
Discount rate(s)	1.125%	1.25%
Expected rates of salary increase	3.000%	3.00%

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

	December 31	
	2018	2017
Discount rate(s)		
0.25% increase	\$ (3,177)	\$ (3,709)
0.25% decrease	\$ 3,301	\$ 3,855
Expected rate(s) of salary increase		
0.25% increase	\$ 3,182	\$ 3,723
0.25% decrease	\$ (3,080)	\$ (3,601)

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

	December 31	
	2018	2017
The expected contributions to the plan for the next year	\$ 3,120	\$ 3,432
The average duration of the defined benefit obligation	11.4 years	11.58 years

15. EQUITY

a. Share capital

Common stocks

	December 31	
	2018	2017
Number of shares authorized (in thousand)	200,000	200,000
Shares authorized	\$ 2,000,000	\$ 2,000,000
Number of shares issued and fully paid (in thousand)	199,881	180,000
Shares issued	\$ 1,998,810	\$ 1,800,000

A holder of issued common stock with par value of NT\$10 per share is entitled to vote and to receive dividends.

On May 14, 2018, the Company's board of directors resolved to issue 20,000 thousand ordinary shares, with a par value of NT\$10, for a consideration of NT\$13 per share, which increased the share capital issued and fully paid to \$2,000,000 thousand. On July 6, 2018, the above transaction was approved by the FSC, and the subscription base date was determined as at August 5, 2018 by the board of directors.

On December 12, 2018, the Company's board of directors resolved to cancel 119 thousand treasury shares, and the cancellation base date was determined as at December 7, 2018.

b. Capital surplus

	December 31	
	2018	2017
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of common stocks	\$ 165,391	\$ 114,441
Conversion of bonds	99,979	99,979
Treasury share transactions	58,585	52,254
Difference between consideration and carrying amount arising from the disposal of subsidiaries' stock	12,201	-
<u>May be used to offset a deficit only</u>		
Changes in percentage of ownership interests in subsidiaries (2)	32,794	-
<u>May not be used for any purpose</u>		
Employee share options	<u>184</u>	<u>-</u>
	<u>\$ 369,134</u>	<u>\$ 266,674</u>

- 1) 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).
- 2) Such capital surplus arises from the effect of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan with a proportion of no less than 10%, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 17-f.

According to the Articles, 30%-100% of dividends are to be distributed as cash dividends and 0%-70% as stock dividends.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

The appropriations of earnings for 2017 and 2016 were approved in the shareholders' meetings on May 29, 2018 and June 19, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2017	2016	2017	2016
Legal reserve	\$ 9,652	\$ 9,862		
Special reserve	7,443	50,624		
Cash dividends	80,699	35,266	\$ 0.45	\$ 0.2

In the shareholders' meeting on May 29, 2018 and June 19, 2017, the Company's shareholders resolved to issue cash dividends from capital surplus of \$8,967 thousand (\$0.05 per share) and \$52,899 thousand (\$0.3 per share), respectively.

The appropriation of earnings for 2018 had been proposed by the Company's board of directors on March 11, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 4,098	
Special reserve	17,111	
Cash dividends	19,933	\$ 0.1

The appropriations of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on May 30, 2019.

d. Treasury shares

Purpose of Buy-back	Number of Shares at January 1	Shares Transferred to Employees	Shares Cancelled	Number of Shares at December 31
<u>2018</u>				
Shares transferred to employees (in thousands of shares)	<u>3,669</u>	<u>(3,000)</u>	<u>(119)</u>	<u>550</u>
<u>2017</u>				
Shares transferred to employees (in thousands of shares)	<u>3,669</u>	<u>-</u>	<u>-</u>	<u>3,669</u>

On January 12, 2018, the Company's board of directors resolved to transfer 3,000 thousand treasury shares to employees at \$9.65 per share with total value of \$28,950 thousand. The base date for employee share option was determined at January 12, 2018. The Company had recognized \$6,150 thousand of capital surplus - treasury share transaction on the date of transfer. Refer to Note 20 for relevant information.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

16. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from the sale of machinery	\$ 1,077,121	\$ 865,740
Revenue from the rendering of services	19,159	247,895
Others	<u>-</u>	<u>27</u>
	<u>\$ 1,096,280</u>	<u>\$ 1,113,662</u>

- 1) Refer to Note 4-l for information about disaggregation of revenue.
- 2) Contract balances: as of December 31, 2018, the balance for contract liabilities is \$33,828 thousand, which is mainly constituted by unearned receipts.
- 3) Contract liabilities in the beginning of the year have been recognized as sales revenue during the year.

17. NET PROFIT AND OTHER COMPREHENSIVE INCOME (LOSS)

a. Other income

	For the Year Ended December 31	
	2018	2017
Rental income	\$ 29,361	\$ 26,337
Interest income	939	4,938
Others	<u>16,735</u>	<u>24,072</u>
	<u>\$ 47,035</u>	<u>\$ 55,347</u>

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Gain (loss) on disposal of property, plant and equipment	\$ 16	\$ (36)
Net foreign exchange gains (losses)	10,495	(14,029)
Net loss on financial assets at FVTPL	(1,649)	-
Others	<u>(5)</u>	<u>(2,279)</u>
	<u>\$ 8,857</u>	<u>\$ (16,344)</u>

c. Finance costs

For the Year Ended December 31
2018 **2017**

Interest on bank loans	\$ <u>18,304</u>	\$ <u>18,062</u>
------------------------	------------------	------------------

d. Depreciation and amortization

For the Year Ended December 31
2018 **2017**

Property, plant and equipment	\$ 60,009	\$ 62,039
Intangible assets	<u>1,442</u>	<u>1,377</u>

	\$ <u>61,451</u>	\$ <u>63,416</u>
--	------------------	------------------

An analysis of depreciation by function

Operating costs	\$ 19,713	\$ 22,637
Operating expenses	<u>40,296</u>	<u>39,402</u>

	\$ <u>60,009</u>	\$ <u>62,039</u>
--	------------------	------------------

An analysis of amortization by function

Operating expenses	\$ <u>1,442</u>	\$ <u>1,377</u>
--------------------	-----------------	-----------------

e. Employee benefits expense

For the Year Ended December 31
2018 **2017**

Short-term benefits		
Salaries	\$ 197,298	\$ 213,338
Insurance	<u>17,936</u>	<u>17,832</u>
	<u>215,234</u>	<u>231,170</u>

Post-employment benefits

Defined contribution plans	9,100	8,137
Defined benefit plans (Note 14)	<u>1,866</u>	<u>2,299</u>
	<u>10,966</u>	<u>10,436</u>

Other employee benefits	<u>1,927</u>	<u>1,602</u>
-------------------------	--------------	--------------

Total employee benefits expense	\$ <u>228,127</u>	\$ <u>243,208</u>
---------------------------------	-------------------	-------------------

An analysis of employee benefits expense by function

Operating costs	\$ 94,347	\$ 91,932
Operating expenses	<u>133,780</u>	<u>151,276</u>

	\$ <u>228,127</u>	\$ <u>243,208</u>
--	-------------------	-------------------

For the Year Ended December 31						
	2018			2017		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Salaries	\$ 79,664	\$ 105,698	\$ 185,362	\$ 78,623	\$ 123,285	\$ 201,908
Insurance	8,109	9,827	17,936	7,460	10,372	17,832
Pension	5,354	5,612	10,966	4,986	5,450	10,436
Compensation of directors	-	11,936	11,936	-	11,430	11,430
Other employee benefits	<u>1,220</u>	<u>707</u>	<u>1,927</u>	<u>863</u>	<u>739</u>	<u>1,602</u>
	<u>\$ 94,347</u>	<u>\$ 133,780</u>	<u>\$ 228,127</u>	<u>\$ 91,932</u>	<u>\$ 151,276</u>	<u>\$ 243,208</u>

As of December 31, 2018 and 2017, the numbers of employees were 282 and 285, respectively, and the numbers of directors who did not serve concurrently as employees were 6 in both years. The basis of calculation is consistent with that of employee benefits expense.

f. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at the rates between 1%-10% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2018 and 2017 which have been approved by the Company's board of directors on March 11, 2019 and March 22, 2018, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees' compensation	2%	1%
Remuneration of directors and supervisors	2%	1%

Amount

	For the Year Ended December 31	
	2018	2017
	Cash	Cash
Employees' compensation	<u>\$ 569</u>	<u>\$ 1,054</u>
Remuneration of directors and supervisors	<u>\$ 569</u>	<u>\$ 1,054</u>

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

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

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

18. INCOME TAXES

a. Major components of tax (benefit) expense recognized in profit or loss

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	\$ 892	\$ 10,356
Income tax on unappropriated earnings	35	226
Adjustments for prior years	-	5,780
Deferred tax		
In respect of the current year	(12,798)	(9,457)
Change in tax rates	<u>(5,223)</u>	<u>-</u>
Income tax (benefit) expense recognized in profit or loss	<u>\$ (17,094)</u>	<u>\$ 6,905</u>

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

	For the Year Ended December 31	
	2018	2017
Profit before income tax	<u>\$ 23,883</u>	<u>\$ 103,426</u>
Income tax expense calculated at the statutory rate	\$ 4,777	\$ 17,582
Adjustment in determining taxable income	(16,179)	(18,894)
Temporary differences	1,331	(3,639)
Loss carryforward	(1,835)	5,850
Income tax on unappropriated earnings	35	226
Adjustments for prior years' tax		5,780
Change in tax rates	<u>(5,223)</u>	<u>-</u>
Income tax (benefit) expense recognized in profit or loss	<u>\$ (17,094)</u>	<u>\$ 6,905</u>

In 2017, the applicable corporate income tax rate used by the Company is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. The effect of such tax rate change on deferred income tax was recognized in profit or loss this current year. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

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

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
<u>Deferred tax</u>		
Effect of change in tax rate	\$ 68	\$ -
In respect of the current period		
Remeasurement on defined benefit plan	<u>1,309</u>	<u>568</u>
	<u>\$ 1,377</u>	<u>\$ 568</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Defined benefit obligation	\$ 10,576	\$ 2,409	\$ (1,377)	\$ 11,608
Unrealized gain on transactions with associates	505	2,693	-	3,198
Loss carryforward	6,927	3,057	-	9,984
Share of loss of subsidiaries accounted for using the equity method	3,292	9,711	-	13,003
Others	<u>7,914</u>	<u>151</u>	<u>-</u>	<u>8,065</u>
	<u>\$ 29,214</u>	<u>\$ 18,021</u>	<u>\$ (1,377)</u>	<u>\$ 45,858</u>

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Reclassifi- cation	Closing Balance
<u>Deferred tax assets</u>					
Defined benefit obligation	\$ 11,231	\$ (87)	\$ (568)	\$ -	\$ 10,576
Unrealized gain on transactions with associates	1,474	(969)	-	-	505
Loss carryforward	12,777	(5,850)	-	-	6,927
Share of loss of subsidiaries accounted for using the equity method	-	-	-	3,292	3,292
Others	<u>8,755</u>	<u>(841)</u>	<u>-</u>	<u>-</u>	<u>7,914</u>
	<u>\$ 34,237</u>	<u>\$ (7,747)</u>	<u>\$ (568)</u>	<u>\$ 3,292</u>	<u>\$ 29,214</u>

Deferred tax liabilities

Share of income of subsidiaries accounted for using the equity method	<u>\$ 13,912</u>	<u>\$ (17,204)</u>	<u>\$ -</u>	<u>\$ 3,292</u>	<u>\$ -</u>
---	------------------	--------------------	-------------	-----------------	-------------

d. Income tax returns through 2015 were examined and cleared by the tax authorities.

19. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2018	2017
Basic earnings per share	<u>\$ 0.22</u>	<u>\$ 0.55</u>
Diluted earnings per share	<u>\$ 0.22</u>	<u>\$ 0.55</u>

The earnings and weighted average number of common stocks outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2018	2017
Earnings used in the computation of basic/diluted earnings per share	<u>\$ 40,977</u>	<u>\$ 96,521</u>

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

	For the Year Ended December 31	
	2018	2017
Weighted average number of ordinary shares in computation of basic earnings per share	186,100	176,331
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonus issue to employees	<u>75</u>	<u>100</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>186,175</u>	<u>176,431</u>

Since 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 bonus 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.

20. SHARE-BASED PAYMENT ARRANGEMENTS

On January 12, 2018, the Company's board of directors resolved to transfer 3,000 thousand treasury shares to qualified employees of the Company and its subsidiaries.

In May 2018, the Company's board of directors resolved to issue ordinary shares for capital increase via cash and reserved 10% of the new shares issued for employees subscription in accordance with the Company Act of the ROC.

Options were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	July 23, 2018	January 12, 2018
Grant-date share price (NT\$)	\$11.95	\$11.67
Exercise price (NT\$)	\$13.00	\$9.65
Expected volatility	32.93%	32.84%
Risk-free interest rate	0.4%	0.26%

Compensation costs recognized were \$6,350 thousand for the year ended December 31, 2018.

21. OPERATING LEASE ARRANGEMENTS

The Company as Lessee

Operating leases relate to leases of office and plant with lease terms between 1 and 5 years.

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

	December 31	
	2018	2017
Not later than 1 year	\$ 4,868	\$ 7,253
Later than 1 year and not later than 5 years	14,407	15,658
Later than 5 years	<u>8,404</u>	<u>12,006</u>
	<u>\$ 27,679</u>	<u>\$ 34,917</u>

22. CAPITAL MANAGEMENT

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

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

Key management personnel of the Company review the capital structure on a quarterly 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 or repurchased, and the amount of new debt issued or existing debt redeemed.

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

23. FINANCIAL INSTRUMENTS

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

The Company's management considers the carrying amounts recognized in the consolidated financial statements for financial assets and financial liabilities not carried at fair value to approximate their fair values or their fair values cannot be reliably measured.

- b. Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Beneficiary certificates	<u>\$ 17,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,474</u>

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Beneficiary certificates	<u>\$ 19,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,124</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

- c. Categories of financial instruments

	December 31	
	2018	2017
<u>Financial assets</u>		
Loans and receivables (1)	\$ -	\$ 1,089,638
Available-for-sale financial assets (2)	-	19,124
Financial assets at FVTPL	17,474	-
Financial assets at amortized cost (3)	956,010	-
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (4)	1,435,798	1,551,849

- 1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market - current, notes receivable, accounts receivable and other receivables.
- 2) The balances included the carrying amount of available-for-sale financial assets.
- 3) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, time deposits with original maturity of more than 3 months, notes receivable, accounts receivable and other receivables.
- 4) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, accounts payable, other payables and long-term borrowings.

d. Financial risk management objectives and policies

The Company's major financial instruments include beneficiary certificates, accounts receivable, accounts payable and short-term and long-term borrowings. The Company's corporate treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price 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).

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company had foreign currency sales and purchases, which were exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Company managed the risk by balancing positions of assets and liabilities denominated in foreign currencies.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 26.

Sensitivity analysis

The Company was mainly exposed to the currency USD, currency RMB and currency EUR.

The following table details the Company's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The rate of 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. 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 assuming New Taiwan dollars strengthened by 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	<u>Currency USD Impact</u>		<u>Currency RMB Impact</u>		<u>Currency EUR Impact</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>		<u>December 31</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Profit or loss	\$ 4,990	\$ 5,158	\$ 1,219	\$ 556	\$ 103	\$ 1,299

b) Interest rate risk

The Company was exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

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

	December 31	
	2018	2017
Fair value interest rate risk		
Financial assets	\$ 5,004	\$ 10,000
Financial liabilities	50,000	50,000
Cash flow interest rate risk		
Financial assets	36,621	83,988
Financial liabilities	1,144,165	1,177,602

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 10 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.

The sensitivity analyses were determined based on the Company's exposure to interest rates at the end of the reporting period. A 10 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 10 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2018 and 2017 would decrease/increase by \$1,108 thousand and \$1,094 thousand, respectively, which was mainly attributable to the Company's exposure to cash flow on its variable-rate bank borrowings.

c) Other price risk

The Company was exposed to price risk through its investments in beneficiary certificates.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to price risks at the end of the reporting period. If prices had been 10% higher/lower, pre-tax profit for year ended December 31, 2018 would have increased/decreased by \$1,747 thousand, as a result of the changes in fair value of financial assets at FVTPL.

If prices had been 10% higher/lower, the total comprehensive income for the year ended December 31, 2017 would increase/decrease by \$1,912 thousand, as a result of the changes in fair value of available-for-sale investments.

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 will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and due to financial guarantees provided by the Company could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Company.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of excellent grade. This information is supplied by a rating agency where available and, if not available, the Company uses other publicly available financial information to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Company did transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2018 and 2017, the Company had available unutilized bank loan facilities set out in (b) below.

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

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had 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. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ -	\$ 241,633	\$ -	\$ -	\$ -
Variable interest rate liabilities	233,646	472,287	198,884	260,942	-
Fixed interest rate liabilities	-	50,000	-	-	-
	<u>\$ 233,646</u>	<u>\$ 763,920</u>	<u>\$ 198,884</u>	<u>\$ 260,942</u>	<u>\$ -</u>

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Non-interest bearing	\$ -	\$ 324,247	\$ -	\$ -	\$ -
Variable interest rate liabilities	164,837	615,348	180,181	290,096	-
Fixed interest rate liabilities	-	50,000	-	-	-
	<u>\$ 164,837</u>	<u>\$ 989,595</u>	<u>\$ 180,181</u>	<u>\$ 290,096</u>	<u>\$ -</u>

The amount included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	December 31	
	2018	2017
Unsecured bank overdraft facility, reviewed annually and payable at call:		
Amount used	\$ 674,748	\$ 830,353
Amount unused	<u>1,118,815</u>	<u>707,047</u>
	<u>\$ 1,793,563</u>	<u>\$ 1,537,400</u>
Secured bank overdraft facility:		
Amount used	<u>\$ 519,417</u>	<u>\$ 727,000</u>

24. TRANSACTIONS WITH RELATED PARTIES

The Company's parent is Parpro Company, which held 20.02% of the ordinary shares of the Company as of December 31, 2018. Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below:

a. Related parties and their relationships with the Company:

Related Party	Relationship with the Company
Parpro Company (Parpro)	Parent entity
Anderson Industrial	Subsidiary
Anderson Europe GmbH	Subsidiary
Anderson America	Subsidiary
CNT	Subsidiary
Jentec	Subsidiary
Anderson Merchandise	Subsidiary
Sogotec	Subsidiary
Giben America, Inc. (Giben America)	Subsidiary
Giben do Brasil Maquinas e Equipamentos Ltda (Giben Brasil)	Subsidiary
MATEC GmbH (MATEC)	Sub-subsubsidiary
Monforts CNC Werkzeugmaschinen-technik GmbH (Monforts GmbH)	Sub-subsubsidiary
EFA Electronics Corporation	Fellow subsidiary
Verite Corporation	Associates

b. Sales

Line Items	Related Party Categories/Names	For the Year Ended December 31	
		2018	2017
Sales of machinery	Subsidiaries		
	Anderson America	\$ 342,245	\$ 328,089
	CNT	63,996	119,147
	Others	<u>82,278</u>	<u>160,657</u>
		<u>\$ 488,519</u>	<u>\$ 607,893</u>

c. Purchase of goods

Related Party Categories	For the Year Ended December 31	
	2018	2017
Subsidiaries	\$ 15,234	\$ 13,923
Fellow subsidiary	2,638	1,411
Parent entity	<u>-</u>	<u>2,311</u>
	<u>\$ 17,872</u>	<u>\$ 17,645</u>

d. Receivables from related parties

Line Items	Related Party Categories/Names	December 31	
		2018	2017
Accounts receivable	Subsidiaries		
	Anderson America	\$ 285,080	\$ 254,887
	CNT	64,327	79,407
	Sogotec	142,722	158,318
	Giben America	100,319	88,388
	Others	<u>60,754</u>	<u>47,434</u>
		<u>\$ 653,202</u>	<u>\$ 628,434</u>
Other receivables	Parent entity	\$ 32	\$ 60
	Subsidiaries		
	CNT	52,529	53,979
	Sogotec	52,136	47,493
	Giben America	22,909	43,170
	MATEC	1,194	56,892
	Others	<u>3,513</u>	<u>31,171</u>
		<u>\$ 132,313</u>	<u>\$ 232,765</u>

e. Payables to related parties

Line Items	Related Party Categories/Names	December 31	
		2018	2017
Accounts payable	Subsidiaries	\$ 2,680	\$ 684
	Fellow subsidiary	<u>726</u>	<u>1,481</u>
		<u>\$ 3,406</u>	<u>\$ 2,165</u>
Other payables	Subsidiaries	<u>\$ 946</u>	<u>\$ 1,620</u>

f. Prepayments

Line Items	Related Party Categories	December 31	
		2018	2017
Prepayments for equipment (classified as other non-current assets)	Subsidiaries		
	Anderson Industrial	\$ 9,309	\$ -
	Monforts GmbH	<u>17,714</u>	<u>-</u>
		<u>\$ 27,023</u>	<u>\$ -</u>
Prepayments for goods	Subsidiaries	<u>\$ -</u>	<u>\$ 3,889</u>

g. Acquisitions of property, plant and equipment

Related Party Categories	For the Year Ended December 31	
	2018	2017
Subsidiaries		
MATEC	<u>\$ 11,808</u>	<u>\$ -</u>

h. Endorsements and guarantees

Information of endorsements and guarantees for subsidiaries was disclosed in Table 2.

i. Other transactions with related parties

Line Items	Related Party Categories/Names	For the Year Ended December 31	
		2018	2017
Rental income	Parent entity	\$ 347	\$ 395
	Subsidiaries		
	Sogotec	16,477	7,259
	Anderson Merchandise	4,434	11,392
	Anderson America	4,707	4,751
	Associates	<u>663</u>	<u>395</u>
		<u>\$ 26,628</u>	<u>\$ 24,192</u>

(Continued)

Line Items	Related Party Categories/Names	For the Year Ended December 31	
		2018	2017
Management income	Subsidiaries		
	Anderson Merchandise	\$ 7,701	\$ 7,273
	Sogotec	<u>-</u>	<u>9,092</u>
		<u>\$ 7,701</u>	<u>\$ 16,365</u>
Interest income	Subsidiaries		
	Sogotec	\$ -	\$ 1,053
	Monforts GmbH	300	2,305
	Anderson Europe	90	502
	MATEC	275	798
	Others	<u>71</u>	<u>-</u>
		<u>\$ 736</u>	<u>\$ 4,658</u>
Interest expense	Parent entity	<u>\$ 735</u>	<u>\$ 735</u>
			(Concluded)

j. Compensation of key management personnel

For the Year Ended December 31		2018	2017
Short-term employee benefits		\$ 22,494	\$ 25,192
Post-employment benefits		<u>683</u>	<u>988</u>
		<u>\$ 23,177</u>	<u>\$ 26,180</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

25. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets at book value were provided as collateral for bank borrowings:

	December 31	
	2018	2017
Freehold land	\$ 129,617	\$ 129,617
Building	407,630	419,349
Other non-current assets	<u>6,482</u>	<u>6,482</u>
	<u>\$ 543,729</u>	<u>\$ 555,448</u>

26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currency of the Company and the exchange rates between foreign currencies and Company's functional currency ("NTD") were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 17,781	30.715 (USD:NTD)	\$ 546,143
RMB	27,259	4.472 (RMB:NTD)	121,902
EUR	445	35.200 (EUR:NTD)	15,664
<u>Financial liabilities</u>			
Monetary items			
USD	1,536	30.715 (USD:NTD)	47,178
EUR	153	35.200 (EUR:NTD)	5,386

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 17,934	29.760 (USD:NTD)	\$ 533,716
RMB	12,186	4.565 (RMB:NTD)	55,629
EUR	4,236	35.570 (EUR:NTD)	150,675
<u>Financial liabilities</u>			
Monetary items			
USD	601	29.760 (USD:NTD)	17,886
EUR	583	35.570 (EUR:NTD)	20,737

For the years ended December 31, 2018, realized and unrealized net foreign exchange gains were \$10,495 thousand. For the years ended December 31, 2017, realized and unrealized net foreign exchange losses were \$14,029 thousand. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

27. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (Table 1)

2) Endorsements/guarantees provided. (Table 2)

- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 3)
 - 4) Marketable securities acquired and disposed at costs or prices 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 4)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
 - 9) Trading in derivative instruments. (None)
 - 10) Information on investees. (Table 6)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (None)

TABLE 1

ANDERSON INDUSTRIAL CORPORATION

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 1)	Ending Balance (Note 1)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1 and 3)	Aggregate Financing Limits (Notes 1 and 3)	Note
													Item	Value			
0	The Company	Anderson Europe GmbH	Accounts receivable - related parties	Yes	\$ 152,208	\$ -	\$ -	2.50%	Short-term financing	\$ -	Operation requirements	\$ -	-	\$ -	\$ 515,450	\$ 1,030,899	2
		Giben America	Accounts receivable - related parties	Yes	30,830	30,715	24,572	2.50%	Short-term financing	-	Operation requirements	-	-	-	515,450	1,030,899	2
		Monforts GmbH	Accounts receivable - related parties	Yes	54,360	35,200	-	2.50%	Short-term financing	-	Operation requirements	-	-	-	515,450	1,030,899	2
		MATEC	Accounts receivable - related parties	Yes	126,840	-	-	2.50%	Short-term financing	-	Operation requirements	-	-	-	515,450	1,030,899	2
		Sogotec	Accounts receivable - related parties	Yes	100,000	-	-	2.00%	Short-term financing	-	Operation requirements	-	-	-	515,450	1,030,899	2
1	CNT	The Company	Accounts receivable - related parties	Yes	103,092	-	-	4.35%	Short-term financing	-	Operation requirements	-	-	-	306,471	306,471	3
		MATEC Shanghai	Accounts receivable - related parties	Yes	4,485	4,472	4,472	5.00%	Short-term financing	-	Operation requirements	-	-	-	306,471	306,471	3
2	Anderson Europe GmbH	MATEC	Accounts receivable - related parties	Yes	35,200	35,200	-	2.50%	Short-term financing	-	Operation requirements	-	-	-	440,459	440,459	3
		Monforts GmbH	Accounts receivable - related parties	Yes	35,200	35,200	-	2.50%	Short-term financing	-	Operation requirements	-	-	-	440,459	440,459	3

Note 1: The balance for the period and ending balance represent the amount approved by the board of directors.

Note 2: The loan limit should not exceed 40% of total equity of the Corporation. The loan limit to one party should not exceed 20% of the total equity or business transaction amount.

Note 3: The loan limit should not exceed 100% of total equity of the Corporation.

TABLE 2

ANDERSON INDUSTRIAL CORPORATION

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

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	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 3)											
0	The Company	Anderson Europe GmbH	b	\$ 773,174	\$ 43,994	\$ 43,739	\$ -	\$ -	2	\$ 1,288,624	Yes	-	-	-
		MATEC	b	773,174	181,200	176,000	176,000	-	7	1,288,624	Yes	-	-	-
		Anderson Merchandise	b	773,174	425,000	305,000	171,133	-	12	1,288,624	Yes	-	-	-
		Sogotec	b	773,174	350,000	350,000	90,000	-	14	1,288,624	Yes	-	-	-

Note 1: The balance should not exceed 30% of total equity of the Company.

Note 2: The balance should not exceed 50% of total equity of the Company.

Note 3: The relationship is as follows:

b. The Company controls over 50% of subsidiary’s ordinary shares directly.

TABLE 3

ANDERSON INDUSTRIAL CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares (In Thousands of Shares)	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	Sinopac EMD & High Yield Bond Fund of Funds	-	Financial assets at fair value through profit or loss - current	1,645	\$ 17,474	-	\$ 17,474	2
CNT	China Guangfa Bank “7 Day Notify Saving” Financial Product	-	Financial assets at fair value through profit or loss - current	-	13,416	-	13,416	2
	China Guangfa Bank “Xinjiaxin No. 16” Financial Product	-	Financial assets at fair value through profit or loss - current	-	76,024	-	76,024	2
	Bank of Communications “Yuntong Stable Wealth” 91 Day Financial Product	-	Financial assets at fair value through profit or loss - current	-	107,328	-	107,328	2
Anderson Logistics	Stock: Harbinger Technology Corporation	-	Financial assets at fair value through other comprehensive income - non-current	1,732	27,549	8.5	27,549	-

Note 1: Marketable securities in the table refer to stock, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 “Financial Instruments”.

Note 2: Information on investments in subsidiaries and associates, see Table 6 and Table 7 for details.

Note 3: Fair value is measured based on the net asset value of the mutual funds on December 31, 2018.

TABLE 4

ANDERSON INDUSTRIAL CORPORATION

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	Anderson America	Subsidiaries	Sale	\$ (342,245)	(31)	The same as other customer	\$ -	Note	\$ 285,080	37	-
Sogotec	Sogotec Shanghai	Subsidiaries	Sale	(622,082)	(63)	The same as other customer	-	Note	641,191	84	-

Note: Collection depends on capital status.

TABLE 5

ANDERSON INDUSTRIAL CORPORATION

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	Anderson America	Subsidiaries	Accounts receivable \$ 285,080	1.27	\$ -	-	\$ 168,154	\$ -
	Giben America	Subsidiaries	Accounts receivable 100,319	0.37	-	-	-	-
	Sogotec	Subsidiaries	Accounts receivable 142,722	0.23	-	-	4,085	-
Sogotec	Sogotec Shanghai	Subsidiaries	Accounts receivable 641,191	1.06	-	-	33,942	-

TABLE 6

ANDERSON INDUSTRIAL CORPORATION

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2018	December 31, 2017	Shares (In Thousands of Shares)	%	Carrying Amount			
The Company	Anderson Industrial	Hong Kong	Importing, exporting and general investing activities	\$ 1,014	\$ 1,014	300	100.00	\$ 32,577	\$ -	\$ -	Subsidiary
	Anderson Europe GmbH	Germany	Manufacture and sale of machinery and service	441,603	314,868	-	100.00	435,985	15,245	10,876	Subsidiary
	Anderson America	USA	Sale of machinery and service	215,024	165,197	1	100.00	55,752	(2,086)	(2,086)	Subsidiary
	Anderson Logistics	Taiwan	Importing and Exporting	220,000	220,000	22,000	100.00	256,771	15,635	15,635	Subsidiary
	Giben BVI	British Virgin Islands	Investment	422,078	407,501	10	100.00	224,550	(53,807)	(53,807)	Subsidiary
	Giben SAMOA	Samoa	Investment	146,813	146,772	10	100.00	176,510	(7,257)	(7,257)	Subsidiary
	Anderson Merchandise	Taiwan	Sale of wood panels and service	50,000	50,000	5,000	100.00	144,354	11,151	11,151	Subsidiary
	Sogotec	Taiwan	Manufacture and sale of machinery	238,746	190,709	11,796	65.53	284,642	71,216	54,108	Subsidiary
Anderson Merchandise	Sogotec	Taiwan	Manufacture and sale of machinery	3,000	-	50	0.28	2,900	71,216	Not applicable	Subsidiary
Anderson Logistics	Sogotec	Taiwan	Manufacture and sales of machinery	178,682	171,961	4,461	24.78	129,431	71,216	Not applicable	Subsidiary
	Verite	Taiwan	Importing and Exporting	13,000	10,000	1,300	33.33	8,561	(7,660)	Not applicable	Associate
Giben SAMOA	Giben America	USA	Sale of machinery and service	145,329	145,329	-	100.00	82,547	(35,513)	Not applicable	Sub-subsubsidiary
	Giben Brasil	Brazil	Manufacture and sale of machinery	1,183	1,142	-	0.28	629	(39,259)	Not applicable	Sub-subsubsidiary
						(Note)					
Giben BVI	Giben Brasil	Brazil	Manufacture and sale of machinery	421,626	407,049	-	99.72	224,245	(39,259)	Not applicable	Sub-subsubsidiary
						(Note)					
Anderson Europe GmbH	Monforts GmbH	Germany	Manufacture and sale of machinery	197,426	125,006	-	100.00	165,126	(30,545)	Not applicable	Sub-subsubsidiary
	MATEC	Germany	Manufacture and sale of machinery	155,496	101,181	-	100.00	199,509	27,630	Not applicable	Sub-subsubsidiary
						(Note)					

Note: Limited company structure.

TABLE 7**ANDERSON INDUSTRIAL CORPORATION****INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outflow	Inflow							
CNT	Manufacture and sale of woodworking machinery	\$ 264,167	a	\$ 264,167	\$ -	\$ -	\$ 264,167	\$ (3,772)	100	\$ (3,772)	\$ 303,481	\$ 104,731	2 and 4
Jentec	Manufacture and sale of machinery	70,640	a	70,640	-	-	70,640	401	100	401	60,242	-	2
Chengdu ZhongDe	Manufacture of woodworking machinery	40,264	b	-	-	-	-	(2,183)	-	(1,463)	-	-	2 and 5
Sogotec Shanghai	Sale of machinery and service	26,487	c	26,487	-	-	26,487	10,308	100	10,308	27,493	-	2
MATEC Shanghai	Sale of machinery and service	4,630	d	-	-	-	-	(4,117)	100	(4,117)	(1,377)	-	2

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 361,294	\$ 361,294	\$ - (Note 3)

Note 1: The methods of investment are as follows:

- Direct investment in mainland China.
- Indirect investment in mainland China through CNT. CNT has obtained 67% contribution for \$26,977 thousand (RMB5,360 thousand).
- Sogotec has obtained 100% contribution for \$26,487 thousand (US\$800 thousand).
- MATEC has obtained 100% contribution for \$4,630 thousand (EUR130 thousand).

Note 2: The amount was calculated using the equity method valuation and based on the audited financial statements.

Note 3: In accordance with “Examination Principles for Licensing Investment or Technical Cooperation in Mainland China” (revised by the MOEA on August 29, 2008), the Company has acquired certificate of operating scope, therefore the upper limit does not have to be calculated.

Note 4: As of December 31, 2018, CNT has remitted of investment income of RMB 23,109 thousand, equivalent to NT\$104,731 thousand.

Note 5: Liquidation of Chengdu ZhongDe has been completed on December 13, 2018.

ANDERSON INDUSTRIAL CORPORATION

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

<u>Item</u>	<u>Statement Index</u>
Major Accounting Items in Assets, Liabilities and Equity	
Statement of cash and cash equivalents	1
Statement of accounts receivable from non-related parties	2
Statement of accounts receivable from related parties	3
Statement of changes in investments accounted for using equity method	4
Statement of changes in property, plant and equipment	Note 10
Statement of short-term borrowings	Note 12
Statement of long-term borrowings	Note 12
Major Accounting Items in Profit or Loss	
Statement of cost of revenue	5
Statement of marketing, administrative, and development expenses	6

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

Item	Description	Amount
Cash in banks		
Demand deposits		\$ 19,005
Foreign currency deposits	Including US\$238 thousand at the exchange rate of 30.715; RMB1 thousand at the exchange rate of 4.472; EUR291 thousand at the exchange rate of 35.2; JPY118 thousand at the exchange rate of 0.278.	<u>17,616</u>
		36,621
Cash on hand		<u>1,393</u>
		<u>\$ 38,014</u>

ANDERSON INDUSTRIAL CORPORATION

STATEMENT OF ACCOUNTS RECEIVABLE FROM NON-RELATED PARTIES

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Non-related parties	
Client A	\$ 30,470
Client B	5,925
Client C	4,725
Client D	4,565
Others (Note)	<u>41,770</u>
	87,455
Less: Allowance for doubtful accounts	<u>(2,185)</u>
Net amount	<u>\$ 85,270</u>

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

ANDERSON INDUSTRIAL CORPORATION

**STATEMENT OF ACCOUNTS RECEIVABLE FROM RELATED PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Related parties	
Anderson America	\$ 285,080
Sogotec	142,722
Giben America	100,319
CNT	64,327
Giben Brasil	<u>60,754</u>
	653,202
Less: Allowance for doubtful accounts	<u>-</u>
Net amount	<u>\$ 653,202</u>

ANDERSON INDUSTRIAL CORPORATION

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

Investees	Balance, January 1, 2018		Additions in Investment		Decrease in Investment		Increase (Decrease) in Using Equity Method Amount (Note3)	Balance, December 31, 2018			Net Assets Value (Note2)	Collateral
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	%	Amount		
Anderson Industrial	300,000	\$ 33,255	-	\$ -	-	\$ -	\$ (677)	300,000	100.00	\$ 32,577	\$ 32,577	-
Anderson Europe GmbH	Note1	305,231	-	126,735	-	-	4,019	Note1	100.00	435,985	440,459	-
Anderson America	700	16,226	-	49,827	-	-	(10,302)	700	100.00	55,752	66,604	-
Anderson Logistics	22,000,000	218,498	-	-	-	-	38,274	22,000,000	100.00	256,771	256,771	-
Giben BVI	10,000	273,901	-	14,577	-	-	(63,927)	10,000	100.00	224,550	244,550	-
Giben SAMOA	10,000	183,994	-	41	-	-	(7,526)	10,000	100.00	176,510	179,566	-
Anderson Merchandise	5,000,000	134,731	-	-	-	-	9,623	5,000,000	100.00	144,354	145,882	-
Sogotec	10,594,927	182,988	1,200,927	48,037	-	(24,575)	78,191	11,795,854	65.53	284,642	322,383	-
CNT	Note1	313,390	-	-	-	-	(9,909)	Note1	100.00	303,481	306,471	-
Jentec	Note1	<u>60,679</u>	-	<u>-</u>	-	<u>-</u>	<u>(437)</u>	Note1	100.00	<u>60,242</u>	<u>57,142</u>	-
		<u>\$ 1,722,893</u>		<u>\$ 239,217</u>		<u>\$ (24,575)</u>	<u>\$ 37,329</u>			<u>\$ 1,974,864</u>	<u>\$ 2,052,405</u>	

Note 1: Limited company structure.

Note 2: The calculation of net assets value is based on the audited financial statement as of December 31, 2018.

Note 3:

a) Exchange differences on translating the financial statements of foreign operations	\$ (20,980)
b) Share of profits of subsidiaries accounted for using the equity method	25,248
c) Unrealized loss on transactions with subsidiaries	(13,018)
d) Changes in capital Surplus of subsidiaries accounted for using the equity method	44,995
e) Changes in retained earnings of subsidiaries accounted for using the equity method	(101)
f) Changes in other equity of subsidiaries accounted for using the equity method	<u>1,185</u>
	<u>\$ 37,329</u>

ANDERSON INDUSTRIAL CORPORATION**STATEMENT OF COST OF REVENUE****DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

Item	Amount
Raw materials used	
Balance, beginning of year	\$ 140,444
Add: Raw material purchased	580,271
Less: Raw materials, end of year	(119,425)
Less: Transferred to manufacturing expenses	<u>(61,760)</u>
Direct materials consumption	<u>539,530</u>
Direct labor	66,850
Manufacturing expenses	<u>147,425</u>
Manufacturing cost	<u>753,805</u>
Work in process, beginning of year	168,119
Less: Work in process, end of year	(171,542)
Add: Others	<u>3,856</u>
Cost of finished goods	<u>754,238</u>
Finished goods and merchandise, beginning of year	32,719
Merchandise purchased	35,815
Less: Finished goods and merchandise, end of year	(29,476)
Less: Transferred to materials	(2,753)
Add: Others	<u>7,090</u>
Cost of goods sold in finished goods and merchandise	<u>797,633</u>
Write-down of inventories	<u>3,813</u>
Total cost of revenue	<u>\$ 801,446</u>

ANDERSON INDUSTRIAL CORPORATION**STATEMENT OF MARKETING, ADMINISTRATIVE AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Payroll	\$ 48,133	\$ 29,812	\$ 34,800	\$ 112,745
Rent	1,341	9,057	59	10,457
Insurance	5,541	2,811	3,150	11,502
Depreciation	4,121	33,391	2,784	40,296
Commission	16,149	-	-	16,149
Importing and exporting	11,403	-	-	11,403
Others (Note)	<u>48,514</u>	<u>62,162</u>	<u>10,268</u>	<u>120,944</u>
	<u>\$ 135,202</u>	<u>\$ 137,233</u>	<u>\$ 51,061</u>	<u>\$ 323,496</u>

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