

Stock code : 1528



ANDERSON INDUSTRIAL CORP.

Year 2018

Annual Report

Date: May 9, 2019

Annual Report Website: <http://mops.twse.com.tw/>

Anderson Group

Operation Highlight

I. Report on Operating Results for 107 Years

The company's operating income in 107 was 4,905,234,000 yuan, an increase of 440,100 yuan, or about 9.86%, over the operating income in 106. The gross operating profit for the year 107 was 1,292,566 thousand yuan, a decrease of 43,432 thousand yuan or 3.25% from the year 106.

The decrease in operating expenses is mainly due to the decrease in sales promotion expenses, with the operating expenses in 107 being 1,206,938,000 yuan, which is about 16,438,000 yuan lower than that in 106. Therefore, the net operating profit in 107 was 85,628,000 yuan, a decrease of 26,994,000 yuan from 106. The company's net profit before tax in 107 was 64,945 thousand yuan, which was lower than the profit level in 106.

1. Implementation Results of Business Plan

The company's consolidated financial reporting unit: nt \$ thousand

	107 years		106 years		Increase (decrease) situation	
	money	%	money	%	money	%
Net operating income	4,905,234	100	4,465,134	100	440,100	10
Net operating profit	1,292,566	26	1,335,998	30	(43,432)	(3)
Operating expenses	1,206,938	25	1,223,376	27	(16,438)	(1)
Net operating profit (loss)	85,628	2	112,622	3	(26,994)	(24)
Net operating income (expenditure)	(20,683)	0	10,985	0	(31,668)	(288)
Net profit (loss) before tax	64,945	1	123,607	3	(58,662)	(47)

Net Profit (Loss) in Current Period	40,188	1	94,935	2	(54,747)	(58)
Belonging to the owner of the parent company	40,977	1	96,521	2	(55,544)	(58)

2. Financial revenue and expenditure and profitability analysis

Unit: NT\$ 1000

Projects			107 years	106 years
property Service Collect Branch	Net operating profit		85,628	112,622
	Net non-industrial income (expenditure)		(20,683)	10,985
	Net profit before tax		64,945	123,607
	Net profit for the current period		40,188	94,935
Win Profit can Force	Return on Assets		1.23	2.38
	Return rate of shareholders' equity		1.62	4.09
	Proportion of paid-in capital	Operating benefits	4.28	6.26
		Net profit before tax	3.25	6.87
	Net profit rate		0.82	2.62
	Earnings per Share/Yuan		0.22	0.55

3. Research and development results

The R&D projects completed in 107 are as follows:

Development of Flexible Head Group Machining Machine

Development of Automatic Finishing Machine for Composite Door Panel

Development of Light Five-axis Machine

Development of High Precision 5-Axis Spindle Head Set

Development of HSK25E synchronous permanent magnet spindle.

Development of HSK32E synchronous permanent magnet spindle.

Development of HSK50E synchronous permanent magnet spindle.

Development of Wide Monochrome Rapid Jet Printing Automation Line

Second, 107 years of production and marketing policies and business objectives

1. Precision machinery

Continuing to refine the functions and machining accuracy of high-end technology five-axis equipment, the North American market continues to maintain the access of existing precision machinery agents, and plans to participate in IMTS 2020 to accelerate the expansion of aerospace and composite application fields. The existing woodworking furniture market is stable and saturated, integrating the existing product lines, and introducing the user operation interface AGMVP for different controller systems can effectively set up technological differences with market competitors, more effectively provide industrial 4.0 integration capability, and achieve significant technological breakthroughs in automation and ease of use.

The South American market is expected to transfer key technologies and major production back to China, standardize product lines, restructure the local operation mode and reorganize the organization, and establish a new sales team familiar with the market to enter South America.

In New Zealand and Australia, the competition in the panel furniture market is becoming more and more intense, and the number of new competitors is increasing. At present, advanced linear motor Ender's own technology product line is introduced to drive the integration of existing products with the entry-level product line. The new software AGMVP sets up technological differences.

Mainland China to Maintain Existing Production Base in 2019. China is one of the largest markets in the world. Mainland bases are focused on the production of panel furniture. Other PCB industries, yacht industries and cutting-edge woodworking machines will be supplied by Taiwan factories. However, due to the impact of the Sino-US trade war, China's growth is expected to slow down.

The Asia-Pacific region will continue to provide flexible product choices, integrate automation capabilities and provide services to increase the added value of products according to market demands. Yacht industry breaks through and enters the mainland market, thus laying out new market expansion in the future. At present, the door panel line has many loopholes in the integration capability of mainland competitors and is not complete. It provides a backward market with favorable time and space but still has opportunities.

In the ASEAN region, in response to the market potential and customer demand of the woodworking and furniture industry in Vietnam and other ASEAN regions, and due to the Sino-US trade war, the industrial chain of woodworking furniture, auto parts manufacturing and aerospace in mainland China has been accelerated to set up factories in Vietnam. The company has been operating the ASEAN market for many years. In order to provide more direct, active and efficient services for the vast customer base and to introduce the metal precision machines produced by German subsidiaries into the ASEAN automobile and aerospace related industrial chains, it is

planned to set up a sales and service team in Vietnam in 2019, with Vietnam as the base to expand ASEAN regional business.

The Taichung Wuzhi plant is scheduled to start production in 2019, expecting to store more energy to meet market demand.

AAC is expected to see significant growth in the related equipment market under the influence of the US manufacturing policy of the US Trump government. Therefore, in addition to the maintenance of the original distributors and customers, the sales and service team will be strengthened to expand the market for Aerospace, Composite material and other high-end applications in the United States.

In addition to the existing agents in the UK/Ireland/Switzerland/Italy, the European region has continued to plough deep into the wood industry market and acquired new access channels through the acquisition of MATEC Germany to reserve and enter the aerospace/composite material application field. TUV CE certification for major products is scheduled to be completed in 2019. This certification can also be applied to new product development to participate in IMTS 2020 in the United States.

In 107, the number of CNC precision machining centers reached 614. It is estimated that the number of CNC precision machining centers sold in 108 will be 751, up 22%.

2. Electronic Machinery Factory (Zongge Precision Co., Ltd.)

The electronic machinery factory will continue to carry out the "three years and three modernizations" operation plan starting from 2019: and "products-refinement"; "Market-Customization"; "Service-Intelligence".

In the next three years, among the existing printed circuit board products, the drilling machine has officially stopped production after consuming the spare parts in stock in the first half of 2018. The original drilling machine research and development personnel will make every effort to improve the performance of the forming machine. In addition to introducing the newly developed AC motorized spindle in Ender, they will also improve the machining accuracy and make the products refined. In order to get rid of the vicious price cut competition from competitors.

Foreign trade alliance and ODM contract manufacturing will build on the foundation laid in the first three years and strive for more opportunities for joint development of advanced manufacturing processes. In addition to the original foreign high-precision ODM mechanical cooperation, combined with the group's internal laser, inkjet, software, automation and other capabilities. Strengthen the momentum of customization and reach the leading position in the industry.

With the continuous fermentation of industry 4.0, the automation department will continue to target the traditional industry and provide more intelligent service benefits for customers' production lines so as to help customers reduce management costs. On the other hand, in order to meet the overall intelligent demand of the original PCB industry, the automation department plans to upgrade the existing product intelligent mechanism in the next three years to meet the market demand, and use the existing technology to increase the application level, expanding the application from the traditional PCB industry to the solar thin film production line.

In 107, the number of electronic machinery sales reached 422, and it is estimated that in 108, the number of electronic machinery sales will reach 402, with sales about the same.

3. Seiko machine

MATEC, MONFORTS and AEC are leading edge industries in their products, mainly in Aerospace, Automotive and Advance material. In addition to revisiting the original industries, providing after-sales service to the original customers and actively participating in exhibitions to bring customers back to the market, they also operate in the group area, bringing these heavyweight products into the Chinese market and the US market, and organizing education and training for distributors and employees in China.

3. Affected by external competitive environment, regulatory environment and overall business environment

1. The international situation in 108 years is still uncertain due to the UK's Brexit, the new U.S. administration and the inconclusive Sino-U.S. trade war. The increased uncertainties will increase the Company's operational risks.
2. The boom cycle changes rapidly, the demand for orders is often large and the delivery time is short, which tests the supply chain management ability and production adjustment ability and increases the difficulty of inventory management.
3. Due to competition and business habits, some products have a longer installment payment period, which increases the pressure on fund allocation.

IV. Future Development Strategies

1. Improve the existing models and improve the quality.
2. Training international marketing talents and technical service teams to expand emerging market access.
3. Seek strategic alliance partners to expand vertical and horizontal integration of products.
4. Increase the self-made rate of key components, reduce costs and improve product competitiveness.
5. Open up new markets and increase turnover.

Chairman: Liao Wenjia Manager: Raymond Ward Accountant Supervisor: Huang Yijun

II. Company Profile

I. Date of Establishment:

July 21, 61, Republic of China.

Second, the company evolution:

The company was established in July 61 of the Republic of China with the original name of ente industrial co., ltd. its main business items are the design, manufacture, processing, sales and import and export of various computer numerical control machinery, construction and decoration materials and hardware components. The Company's business objective is to develop high-precision and high-tech machinery. Therefore, in line with the Company's business philosophy of "making

contributions in science and technology and making contributions internationally", the Company's name was changed to Ender Technology Co., Ltd. in September 1989.

Important chronicles of the company over the years:

Sixty-five years of the Republic of China	Japan KANEFUSA has obtained the product agency and imported the first high-quality tungsten steel saw blade for woodworking.
Sixty-six years of the Republic of China	We have set up business offices in Taichung and Kaohsiung one after the other, which is the first of its kind to place equal emphasis on marketing and service throughout the province.
Sixty-seven years of the Republic of China	To obtain the agency of Japanese MANUNAKA products and open the door of woodworking machinery market.
Sixty-nine years of the Republic of China	To hold a province-wide tour exhibition of Japanese imported woodworking machinery to break the traditional marketing methods of the same trade.
	To obtain the agency of Germany's HOMAG woodworking machinery, the world's largest brand, to sell HOMAG welting machines, drilling machines, double-end tenoning machines and other series of products, and to develop technical cooperation relations.
Seventy-four years of the Republic of China	NC ROUTERS has been successfully designed and developed its own brand.
Seventy-five years of the Republic of China	The computer polo machine won the first Taiwan woodworking machinery special award from Taiwan machinery union.
Seventy-six years of the Republic of China	Own CNC machinery products are imported into European and American markets.
In the seventy-seventh year of the Republic of China	CNC ROUTERS won the First Brand Award of Foreign Trade Association.
Seventy-eight years of the Republic of China	CNC ROUTERS Won Best Product Award of Woodworking Machinery Association Again.
In the eighty-first year of the Republic of China	CNC ROUTERS, CNC MACHINE CENTER, and CNC PROFILE GRINDING MACHINE

	also won the "Taiwan Fine Products Award" from the Ministry of Economy. Change the organization into a joint stock limited company.
In 1982, the Republic of China	Established Ender Hong Kong Company, Ender Germany Company and Ender America Company. Amalgamation of Ender and Zhongde Companies and Integration of Enterprise Management, Increase of Paid-in Capital to NT\$ 121,000,000.
In 83 of the Republic of China	For cash capital increase, the paid-in capital increased to NT\$ 170,470,000.
Eighty-four years of the Republic of China	Through the German TUV ISO-9002 quality certification. The first woodworking CNC Router using PC-Based Controller in China was successfully developed. For cash capital increase, the paid-in capital increased to NT\$ 187,260,000.
Eighty-five years of the Republic of China	Set up Ender Singapore Company. For cash capital increase, the paid-in capital increased to NT\$ 266,500,000. The company won the subsidy from the Industry Bureau of the Ministry of Economy to develop the first CNC five-axis machining machine in China and won the Excellent Design Award from the China Woodworking Association. The application for public issuance of shares shall be approved by the competent authority.
In 1986, the Republic of China	Through the eu CE machinery safety directive certification. The amount of paid-in capital was increased to NT\$ 310,000,000 when surplus and capital reserve were transferred to capital increase. Successfully developed the computer numerical control drilling machine for printed circuit board. Zhongde Industrial (Shanghai) Co., Ltd. was established.
87 years of the Republic of China	CNC Five-Axis Machining Machine Won the Silver Award of the 6th National Product Image Award.

	We have passed the German TUV ISO-9001 quality certification. The successful development of printed circuit board testing machine. We have successfully developed light and aerospace CNC five-axis processing machines. For cash capital increase, surplus and capital reserve to capital increase, the paid-in capital increased to NT\$ 475,000,000. The company's shares are officially listed on the OTC market.
In 1988, the Republic of China	Complete the development of the leading new product project "P-BGA Appearance Detector". The ultra-high speed PCB drilling detector has been successfully developed. The amount of paid-in capital increased to NT\$ 549,000,000 after handling surplus and capital reserve transfer for capital increase.
89 years of the Republic of China	Successful introduction of drilling technology for linear motor printed circuit board. For the 88-year cash capital increase, the paid-in capital increased to NT\$ 619,000,000. The amount of paid-in capital increased to NT\$ 719,000,000 after handling surplus and capital reserve transfer for capital increase. The company's shares are listed on the OTC market and officially listed for trading.
Ninety years of the Republic of China	Import ERP and PDM System to Improve Enterprise Resource Use and Research and Development Efficiency. The amount of paid-in capital has been increased to NT\$ 800,000 by handling surplus and capital reserve transfer for capital increase.
Republic of China 91	The R&D Building of Houlong Factory was officially opened. Merge Ender German Company and Ender German Electronic Machinery Company. The amount of paid-in capital increased to NT\$ 820,000,000 when capital reserve was transferred to capital increase.
Ninety-two years of the Republic of China	The amount of paid-in capital is NT\$ 742,000,000 for the cancellation and reduction of treasury stocks. US\$ 9.9 million in overseas convertible corporate bonds.

Ninety-three years of the Republic of China	4,000,000 employees handling the transfer of treasury shares. Redemption of overseas convertible corporate bonds is US\$ 1.5 million, and the actual amount of overseas convertible corporate bonds in circulation is US\$ 8.4 million.
Ninety-four years of the Republic of China	Through the "Demonstration Information Application Development Plan" of the Technology Department of the Ministry of Economy. The amount of paid-in capital is NT\$ 762,000,000 for surplus and capital reserve transfer to capital increase. Overseas convertible bonds are redeemed by US\$ 4.9 million and converted into common shares by US\$ 1.75 million. The actual amount of overseas convertible bonds in circulation is US\$ 1.75 million.
Ninety-five years of the Republic of China	Ender Germany Company handled the capital reduction, and the paid-in capital was Euro2,025,000. US\$ 1.75 million of overseas convertible corporate bonds are converted into common shares, while the actual amount of overseas convertible corporate bonds in circulation is US\$ 0. The paid-in capital of overseas convertible companies was NT\$ 894,923,480 yuan. The amount of paid-in capital is NT\$ 960,000,000 for handling surplus and capital reserve transfer and capital increase. Established Shengde Investment Co., Ltd. with paid-in capital of NT\$ 150,000,000.
Ninety-six years of the Republic of China	The paid-in capital of Shengde Investment Co., Ltd. is NT\$ 200,000,000. Through Shengde Investment Co., Ltd. to invest NT\$ 139,922,000 in Zongge Precision Co., Ltd. To handle the issuance of the first unsecured convertible corporate bonds in the country at NT\$ 300,000,000. For cash capital increase of NT\$ 200,000,000 and surplus capital transfer of NT\$ 40,000,000, the paid-in capital is NT\$ 1,200,000.
97 of the Republic of China	The paid-in capital of Shengde Investment Co., Ltd. is NT\$ 220,000,000.

	For the first time in China to register the conversion of unsecured corporate bonds into common shares, the paid-in capital was NT\$ 1,209,682,060. Handling surplus to increase capital by 61,000,000 yuan, with paid-in capital of nt \$1,270,682,060. For the cancellation of treasury stocks, the capital reduction was 120,000,000 yuan, and the paid-in capital was nt \$1,150,682,060.
Ninety-eight years of the Republic of China	The amount of paid-in capital is NT\$ 1,175,682,060. According to the provisions of the conversion measures, the first unsecured conversion of corporate bonds in foreign and domestic markets is NT\$ 26,100,000, of which NT\$ 22,500,000 is recovered in cash and NT\$ 3,600,000 is converted into common stock. The paid-in capital for change registration is NT\$ 1,178,114,480 yuan.
Ninety-nine years of the Republic of China	To handle the issuance of the second domestic unsecured convertible corporate bonds of nt \$300,000,000. The amount of paid-in capital was NT\$ 1,201,176 and 770 yuan for capital transfer and capital increase of 23,062 in 290 yuan.
In 2001, the Republic of China	To handle the registration of the second conversion of unsecured corporate bonds into common shares in China and the capital reserve to increase capital by 30,000,000 yuan, with the paid-in capital of NT\$ 1,426,944,980 yuan. Invest US\$ 2,425,000 to buy the equity of Shanghai Maruzhong Fantian Machinery Co., Ltd. and rename it Youde Machinery (Shanghai) Co., Ltd.
In 101 of the Republic of China	For the cancellation of treasury stocks, the capital reduction was 30,220,000 yuan, and the paid-in capital was NT\$ 1,396,724,980 yuan. To handle the registration of the second conversion of unsecured corporate bonds into common shares in China. In accordance with the provisions of the conversion measures, the second unsecured conversion of corporate bonds circulating in foreign and domestic countries is NT\$ 6.3 million, of which NT\$ 1.4 million is recovered

	in cash and NT\$ 4.9 million is converted into common stock. The paid-in capital for change registration is NT\$ 1.409 million, 540 yuan. The amount of paid-in capital was NT\$ 1,470,000,000 after the surplus was transferred to capital increase of 60,812,000 460 yuan.
In 102 of the Republic of China	In order to position the company as a professional machinery company, Yude Industrial Co., Ltd. was established in May 102 with a transfer of NT\$ 50 million to undertake the business of the board division of the company and to operate the board business on a full-time basis. It has been officially open since August 102.
In 103 of the Republic of China	103.1.15 Chairman Xie Ziren resigned. Pied Investment Co., Ltd. elected as chairman and appointed Liao Wenjia as legal representative. Former chairman Xie Ziren was promoted to honorary chairman. In order to increase the market share of machinery, 103.4.25 obtained 100% equity, related trademarks and technical drawings from Italy's Giben group's subsidiaries giben do Brasil maquinas e equamento RS ltd. and giben America, Inc., respectively, located in Brazil and the United States.
In 104 of the Republic of China	For cash capital increase of 363,000,000 Yuan, the paid-in capital is NT\$ 1,800,000,000 Yuan. Zhongde Industrial (Shanghai) Co., Ltd. invested RMB 5,360,000 with its own capital to establish Chengdu Zhongde Numerical Control Machinery Co., Ltd. in a joint venture with Sichuan Ruifeng Agroforestry Ecological Technology Co., Ltd., with a 67% shareholding ratio, in order to expand the market in mainland China. In order to expand the company's products and meet the needs of diversified development of the market, it has acquired Monforts Werkzeugmaschinen GmbH in Germany by means of asset acquisition with a total investment of 3.5 million euros. In order to integrate the internal resources of the group, in October 104, all the business and related assets of the electronic machinery department were sold to sun company's chief precision co., ltd.

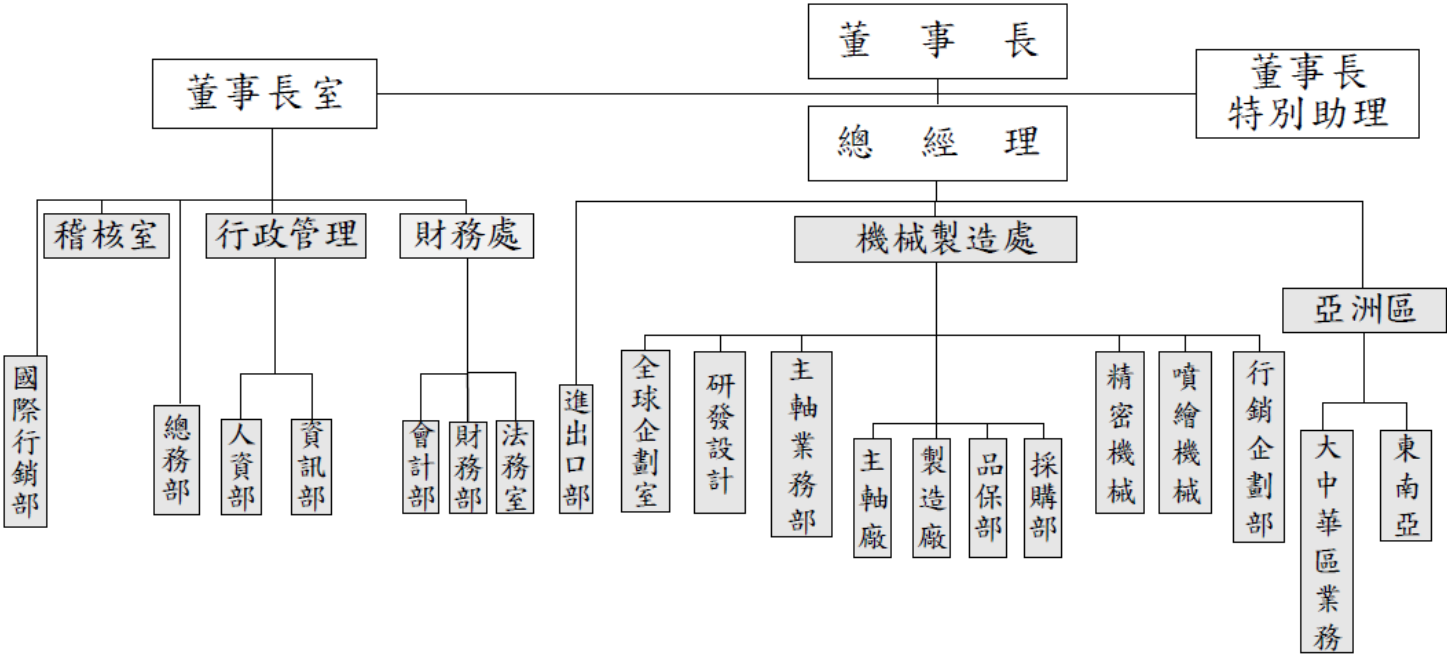
In 105 of the Republic of China	January 1, 105 invested NT\$ 16,781,000 to establish Zongge Precision Machinery (Shanghai) Co., Ltd. In order to consider the group's vertical/horizontal integration and diversification, the company invested US\$ 11,045,000 in CAL QUALITY ELECTRONICS, an American company, on April 1, 105 in a joint venture with Shixin Technology Co., Ltd., with a 47% shareholding ratio, in order to expand the group's operating scale and achieve a profitable sustainable operation. On June 22, 105, the Japanese company made a comprehensive assessment of the capital situation, debt situation, possible capital needs of subsidiaries and potential investment cases. after the board of directors decided to sell all of its shares to shixin technology co., ltd. and completed the relevant transaction procedures on June 30, 105.
In 106 of the Republic of China	In order to expand the needs of diversified development of the company's products and markets and improve the overall efficiency of its operations, the company adopted a resolution of the board of directors on March 28, 106 to acquire the real estate of Matec Maschinenbau GmbH in Germany with 3,900 thousand euros, and to establish a new MATEC GmbH in Germany with 3,100 thousand euros through its subsidiary Anderson Europe GmbH. Meanwhile, MATEC GmbH will acquire other fixed assets, inventory, patent rights and other assets, and be responsible for the operation of Matec Maschinenbau GmbH's related product lines and services.
In 107 of the Republic of China	For cash capital increase of 200,000 yuan and cancellation of treasury shares of 1,190 yuan, the paid-in capital is nt \$1,998,810,000.
In 108 of the Republic of China	For the cancellation of treasury shares, the capital reduction was RMB 5,500,000, and the paid-in capital was NT\$ 1,993,310,000.

Report on Corporate Governance

I. organization of the company

(a) organization chart

Organizational structure



Business operated by major departments

Main gate	Take charge of business affairs
Audit room	To plan, formulate and check the internal control system of the comprehensive management company.
International Marketing Department	Responsible for the planning and execution of global exhibitions, digital marketing and traditional marketing of all subsidiaries within the group.
General Affairs Department	Comprehensive management of the company's general services.
Human resources department	Comprehensive management company personnel, education and training.
Information department	Comprehensive management company information system integration, planning and execution.
Accounting department	Comprehensive management of the company's accounting, taxation and stock affairs.

Finance department	Comprehensive management of the company's financial business.
Legal office	Comprehensive management of the company's legal affairs.
Import and export Department	Responsible for the company's import and export of goods and other business
Global Planning Office	Consolidate and integrate global resources within the group to provide cost, system and resource optimization solutions.
Research and development design	Responsible for product development and design.
Principal axis business department	Responsible for sales of spindle products.
Spindle factory	Responsible for manufacturing spindle products.
manufacturer	Responsible for logistics management, control of raw material feeding, quality of machinery production and processing of components of self-made machinery.
Quality assurance department	Planning, coordination, guidance and assessment of quality control business.
Purchasing department	Comprehensive management company purchases raw materials and commodities at home and abroad.
precision machinery	Sales of computer numerical control machining center, cutter grinding machine, laser machinery and other machinery.
Spray painting machine	Sales of inkjet printing machinery.
Marketing planning	Responsible for exhibition planning and in-plant results invitation in Taiwan and mainland China, assessing market demand and trends and adjusting marketing strategies

Greater China business	Responsible for selling all kinds of precision machinery and all kinds of imported machinery to China.
Southeast Asian business	Responsible for selling all kinds of precision machinery and all kinds of machinery imported by agents to Southeast Asia.

(2) Information on directors, supervisors, general managers, deputy general managers, associates, heads of departments and branches

1. Information on Directors and Supervisors (1)

March 31, 108;Unit: Unit;%

Title	Name	Gend er	National ity or Register ed land	the first time Date of appointm ent	empan el Date,	Ren Perio d	Holding Shares at Election		Hold shares now		Spouse, minor Children now hold shares		Use another person's name Righteousness holds shares		Major classics	At present, he is concurrently the company and Positions in other companies	Having a spouse or second degree Other Directors of Internal Relations Director or supervisor		
							Number of shares	Holdi ng shares (%)	Number of shares	Holdi ng shares (%)	Numb er of shares	Holdi ng shares (%)	Number of shares	Holdi ng shares (%)			Titl e	Nam e	Relations hip
Chairman of the board	Shi Xin technolo gy co., ltd	-	China Republic of China	106.6.19	106.6. 19	3	24,000,0 00	13.33 %	39,904,4 88	20.02 %	-	-	-	-	No	No	No	No	No
Representat ive of Legal Person Director (Chairman)	Liao Wenjia	male	China Republic of China	-	-	-	-	-	3,512,00 0	1.76%	-	-	23,500,0 00	11.79 %	Boston University/Ma ster of Electronic Commerce Bachelor of Science, National Taiwan University	Chairman of Ender Technology (Stock) Company Chairman and General Manager of Shixin Technology (Stock) Company Parpro Holdings Co., Ltd. Representativ e of legal person director	No	No	No

																Appar pro, inc. corporate director representativ e Representativ e of the legal person director of Shide Technology (Stock) Company Chairman of Padre Investment Co., Ltd. Chairman of jesse investment co., ltd. Chairman of Yun Yong Investment Co., Ltd. Parpro(Neva da) Inc corporate director representativ e Representativ e of corporate director of Pilot(Las Vegas) Inc Representativ e of the legal director of Parpro Technologies Inc Representativ e of Parpro			
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

																Quality Inc corporate director Chairman of Zongge Precision (Stock) Company Chairman of Shengde (Stock) Company Chairman of Willis Co., Ltd. Chairman of Yude Industrial (Stock) Company Director of Giben Holdings Ltd. (SAMOA) Director of Giben Holdings Ltd. (BVI)			
Representat ive of legal person director	Lin Qiquan	male	China Republic of China	-	-	-	-	-	632,010	0.32%	11,90 2	0.01%	-	-	EMBA Master of Political University	Representativ e of the Legal Person Director of Ender Technology (Stock) Company Representativ e of the legal person director of the company	No	No	No

																Director of Ender (USA) Director of Ender (Germany) Director of Ender (Hong Kong) Company Representativ e of Corporate Director of Zongge Precision (Shanghai) Company Chairman of Zhongde Industrial (Shanghai) Company Chairman of Youde Machinery (Shanghai) Company Representativ e of Legal Person Director of Yude Industrial (Stock) Company Director of Giben America Inc Director of Matic Trading (Shanghai) Company			
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

																Special Assistance from the Chairman of Ender Technology (Stock) Company			
Representative of legal person director	Xu Yonghao	male	China Republic of China	-	-	-	-	-	10,000	0.01%	-	-	-	-	Doctor of International Transport, University of Cardiff, UK Master of Shipping, Institute of Oceanography , University of Culture Bachelor's degree from Taiwan Ocean Institute Consultant to China Aviation Development Foundation	Representative of the Legal Person Director of Ender Technology (Stock) Company	No	No	No
Representative of legal person director	Zeng Xueqing	female	China Republic of China	-	-	-	-	-	-	-	-	-	-	-	Practitioner Specializes in Clothing Design Head of Fontaine International Trading Company Head of Fufeng Engineering Company	Representative of the Legal Person Director of Ender Technology (Stock) Company Director of Shixin Technology (Stock) Company	No	No	No

																Consultancy of Chang chi co., ltd			
Director	Sheng Haitian	male	China Republic of China	97.6.19	106.6. 19	3	451,494	0.25%	451,494	0.23%	344,9 53	0.17%	-	-	Department of Accounting, Political University Audit Manager of Anhou Jianye Certified Public Accountants	Director of Ender Technology (Stock) Company Director of Ender (Hong Kong) Company	No	No	No
Independen t Director	Lai Junliang	male	China Republic of China	106.6.19	106.6. 19	3	-	-	-	-	-	-	-	-	Professor, Department of Mechanical Engineering, Taiwan University NASA-Lewis Research Center, NASA	Independent Director of Ender Technology (Stock) Company	No	No	No
Independen t Director	Wu Qingson g	male	China Republic of China	106.6.19	106.6. 19	3	-	-	-	-	-	-	-	-	Professor of Chinese Culture University Professor of Taiwan University	Independent Director of Ender Technology (Stock) Company Independent Director of Zongge Precision (Stock) Company Independent Director of Guopiao Financial Holding	No	No	No

																(Stock) Company Independent Director of Weibang Technology (Stock) Company			
Supervisor	Zhu Yongda	male	China Republic of China	102.6.25	106.6. 19	3	786,000	0.44%	396,000	0.20%	-	-	-	-	Deming University of Finance and Economics Land Officer of Yongkuan Land Office	Yongkuan Land Law Firm Practises Land Law Supervisor of Ender Technology (Stock) Company Supervisor of Shengde (Stock) Company Supervisor of Zhongde Industrial (Shanghai) Company Supervisor of Youde Machinery (Shanghai) Company	No	No	No
Supervisor	Li Huiqin	male	China Republic of China	103.6.6	106.6. 19	3	565,000	0.31%	285,000	0.14%	-	-	-	-	Taiwan University EMBA Graduate Master of Business Studies (91) Deputy General	Chief Technology Officer and Director of Zhanda Communicati ons Co., Ltd. Supervisor of Ender	No	No	No

															Manager of C-com Communications Co., Ltd. Graduated from Physics Department of Donghai University (1976)	Technology (Stock) Company			
Supervisor	Jess investment co., ltd	-	China Republic of China	106.6.19	106.6. 19	3	1,150,000	0.64%	1,150,000	0.58%	-	-	-	-	No	No	No	No	No
Representative of legal person supervisor	Wu xiubi	female	China Republic of China	-	-	-	-	-	60,000	0.03%	-	-	-	-	Department of Systems, Practitioners' Institute Director of Materials of Yulin Technology (Stock) Company	Representative of the legal person supervisor of Ender Technology (Stock) Company Director and Treasurer of Shixin Technology (Holdings) Company Appar pro, inc. corporate director representative Parpro(Nevada) Inc corporate director representative Representative of corporate	No	No	No

																director of Pilot(Las Vegas) Inc Representativ e of the legal director of Parpro Technologies Inc Representativ e of Parpro Quality Inc corporate director Representativ e of the legal person director of Shide Technology (Stock) Company Director of Shengde (Stock) Company Chief Financial Officer of Yude Industrial (Stock) Company			
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Table 1: Major Shareholders of corporate shareholders

March 31, 108

The name of the French shareholder	Major Shareholders of corporate shareholders
Shi Xin technology co., ltd	Yun Yong Investment Co., Ltd. (12%)

Table 2: Table 1 Major Shareholders of Legal Persons

March 31, 108

French name	The head of the French people wants shareholders.
Yun Yong Investment Co., Ltd.	Liao Wenjia (92%), Chen Shiwei (8%)

Information on Directors and Supervisors (2)

Condition Name	Do you have more than 5 years working experience And the following professional qualifications			(Note 1)										Number of Independent Directors of Other Public Offering Companies
	At least lecturers from public and private colleges and universities in relevant disciplines required for business, legal affairs, finance, accounting or company business.	Judges, prosecutors, lawyers, accountants or other professional and technical personnel who have passed the national examination and obtained certificates necessary for the company's business.	Work experience required for business, legal affairs, finance, accounting or company business.	1	2	3	4	5	6	7	8	9	10	
Shi Xin Technology Representative: Liao Wenjia	-	-	V	V	-	-	V	-	V	V	V	V	-	No

Shi Xin Technology Representative: Lin Qiquan	-	-	V	-	-	V	V	V	V	V	V	V	V	-	No
Representative of Shi Xin Technology: Xu Yonghao	-	-	V	V	V	V	V	-	V	V	V	V	V	-	No
Representative of Shi Xin Technology: Zeng Xueqing	-	-	V	V	-	V	V	-	V	V	V	V	V	-	No
Sheng Haitian	-	-	V	-	-	V	V	V	V	V	V	V	V	V	No
Lai Junliang	V	-	V	V	V	V	V	V	V	V	V	V	V	V	No
Wu Qingsong	V	-	V	V	V	V	V	V	V	V	V	V	V	V	3
Zhu Yongda	-	-	V	V	V	V	V	V	V	V	V	V	V	V	No
Li Huiqin	-	-	V	V	V	V	V	V	V	V	V	V	V	V	No
Jess investment co., ltd Representative: Wu xiubi	-	-	V	-	-	V	V	-	V	V	V	V	V	-	No

Note 1: For directors and supervisors who meet the following conditions two years before their appointment and during their term of office, please type "" in the space below each condition code.

(1) Not employed by the company or its affiliated enterprises.

(2) Directors and supervisors of non-companies or their affiliated enterprises (except for independent directors of companies or their parent companies and subsidiaries established in accordance with this Law or local laws and regulations).

(3) natural person shareholders who are not themselves, their spouses, minor children or who hold more than 1% of the total issued shares of the company in the name of others or who hold the top 10 shares.

(4) spouses, relatives within the second degree of kinship or lineal relatives within the fifth degree of kinship of persons not listed in the preceding three paragraphs.

(5) Directors, supervisors or employees of corporate shareholders who do not directly hold 5% or more of the total issued shares of the company, or directors, supervisors or employees of the top five corporate shareholders shareholders.

(6) Directors (directors), supervisors (supervisors), managers or shareholders holding more than 5% of the shares of a specific company or institution that does not have financial or business dealings with the company.

(7) Professionals, proprietorships, partnerships, business owners, partners, directors (directors), supervisors (supervisors), managers and their spouses who are not providing business, legal, financial, accounting and other services or consulting services for companies or affiliated enterprises. However, this restriction does not apply to members of the remuneration Committee who perform their duties in accordance with article 7 of the regulations governing the establishment and exercise of the remuneration Committee of companies whose shares are listed or traded on the securities firm's business premises.

(8) It has no spouse or kinship within the second degree with other directors.

(9) There is no one of the circumstances specified in Article 30 of the Company Law.

(10) Article 27 of the Company Law does not stipulate that the government, legal person or their representatives shall be elected.

2 general manager, deputy general manager, assistant manager, department and branch manager information

March 31, 108;Unit: Unit;%

Title	Name	Gender	Nationality	take office Date,	Hold shares		Spouse, minor Children hold shares		Holding Shares in the Name of Others		Major classics	At present, he concurrently holds the position of other companies.	Managers with spouse or second degree relationship			Situation of Managers Obtaining Employee Stock Option Certificates
					Number of shares	Holding shares Proportion (%)	Number of shares	Holding shares Proportion (%)	Number of shares	Holding shares Proportion (%)			Title	Name	Relationship	
General principles	Raymond Ward	male	U.S.A	107.03.23	-	-	-	-	-	-	German High School in Moenchengladbach School of Economics and Trade, Duesseldorf, Germany, branch in Moenchengladbach	No	No	No	No	No
General Manager of Greater China	Lin Chengwei	male	Republic of China	104.01.01	50,000	0.03%	-	-	-	-	Dongshi Gaogong	Director of Zongge Precision (Shanghai) Company Director of Zhongde Industrial (Shanghai) Company Director of Youde Machinery (Shanghai) Company	No	No	No	No

Chief Financial Officer and Chief Accountant	Huang Yijun	female	Republic of China	103.10.01	316,000	0.16%	-	-	-	-	Master of Accounting and Management Decision Group, EMBA, Taiwan University Chief Financial Officer of Huanrui Medical Investment Holding Co., Ltd. Deputy Chief of Audit Department of Zicheng United Certified Public Accountants	Supervisor of Zongge Precision (Shanghai) Company Director of Zongge Precision (Stock) Company Director of Zhongde Industrial (Shanghai) Company Director of Youde Machinery (Shanghai) Company Supervisor of Yude Industrial (Stock) Company Director of Ender (Germany) Representative of the legal person director of shengde (stock) company Director of Giben America Inc Matec executive director Monforts executive director	No	No	No	No
--	-------------	--------	-------------------	-----------	---------	-------	---	---	---	---	---	--	----	----	----	----

Executive vice president	Li Mingzhe	male	Republic of China	104.01.01	256,404	0.13%	-	-	-	-	Institute of Mechanical Research, Zhongxing University	Representative of the legal person director of the company Director of Giben America Inc	No	No	No	No
Deputy general manager	Wu Hongming	male	Republic of China	107.04.30	-	-	340,000	0.17%	-	-	Luodong High School	No	No	No	No	No
Co-ordination	Liu Junhong	male	Republic of China	103.01.01	70,930	0.04%	-	-	-	-	Department of Automatic Control, Fengjia University	No	No	No	No	No
Co-ordination	Lai Zhixian	male	Republic of China	104.07.01	866	-	-	-	-	-	Department of Information Engineering, Fengjia University Director of Shixin Technology Co., Ltd. Deputy General Manager of Liyu Electronics Co., Ltd.	No	No	No	No	No

December 31, 107

[illegible]

[illegible]

Salary scale

The remuneration levels for each director of the company	Name of director			
	Total remuneration for the first four items (A+B+C+D)		Total remuneration of the first seven items (A+B+C+D+E+F+G)	
	Our company	All companies in the financial report	Our company	All companies in the financial report
Less than 2,000,000 yuan	Shi Xin Technology (Stock) Company, Lin Qiquan, Xu Yonghao, Zeng Xueqing, Sheng Haitian, Lai Junliang, Wu Qingsong	Shi Xin Technology (Stock) Company, Lin Qiquan, Xu Yonghao, Zeng Xueqing, Sheng Haitian, Lai Junliang, Wu Qingsong	Shi Xin Technology (Stock) Company, Xu Yonghao, Zeng Xueqing, Sheng Haitian, Lai Junliang, Wu Qingsong	Shi Xin Technology (Stock) Company, Xu Yonghao, Zeng Xueqing, Sheng Haitian, Lai Junliang, Wu Qingsong
2,000,000 yuan (inclusive) to 5,000,000 yuan (exclusive)	—	—	Lin Qiquan	Lin Qiquan
5,000,000 yuan (inclusive) to 10,000,000 yuan (exclusive)	Liao Wenjia	—	Liao Wenjia	—
10,000,000 yuan (inclusive) to 15,000,000 yuan (exclusive)	—	Liao Wenjia	—	Liao Wenjia
15,000,000 yuan (inclusive) to 30,000,000 yuan (exclusive)	—	—	—	—
30,000,000 yuan (inclusive) to 50,000,000 yuan (exclusive)	—	—	—	—
50,000,000 yuan (inclusive) to	—	—	—	—

100,000,000 yuan (exclusive)				
More than 100,000,000 yuan	—	—	—	—
Total	8	8	8	8

* The content of remuneration disclosed in this table is different from the concept of income in the income tax law. Therefore, the purpose of this table is for information disclosure and not for tax purposes.

(2) Remuneration of supervisors (summary of ways to disclose names in coordination with grade intervals)

Unit: thousand yuan

December 31, 107

Title	Name	Supervisor's remuneration						Proportion of total amount of items A, B and C to net profit after tax (%)		Have you received any remuneration from subsidiaries for reinvestment
		Compensation (a)		Remuneration (b) (note)		Business execution				
		Our company	All companies in the financial report	Our company	All companies in the financial report	Our company	All companies in the financial report	Our company	All companies in the financial report	
Supervisor	Zhu Yongda	—	—	569	569	600	600	2.85%	2.85%	No
Supervisor	Li Huiqin									
Legal person supervisor	Jess investment co., ltd									
Representative of legal person supervisor	Wu xiubi									

Note: The remuneration of directors and supervisors is the 107-year remuneration approved and distributed by the board of directors on March 11, 108.

Salary scale

The remuneration levels for each supervisor of the company	Name of supervisor	
	Total remuneration for the first three items (A+B+C)	
	The Company (Note 8)	All companies in the consolidated statement (note 9) I
Less than 2,000,000 yuan	Representatives of Zhu Yongda, Li Huiqin, Jie Shi Investment Co., Ltd. and Jie Shi Investment Co., Ltd.: Wu Xiubi	Representatives of Zhu Yongda, Li Huiqin, Jie Shi Investment Co., Ltd. and Jie Shi Investment Co., Ltd.: Wu Xiubi
2,000,000 yuan (inclusive) to 5,000,000 yuan (exclusive)	—	—
5,000,000 yuan (inclusive) to 10,000,000 yuan (exclusive)	—	—
10,000,000 yuan (inclusive) to 15,000,000 yuan (exclusive)	—	—
15,000,000 yuan (inclusive) to 30,000,000 yuan (exclusive)	—	—
30,000,000 yuan (inclusive) to 50,000,000 yuan (exclusive)	—	—
50,000,000 yuan (inclusive) to 100,000,000 yuan (exclusive)	—	—
More than 100,000,000 yuan	—	—
Total	4	4

* The content of remuneration disclosed in this table is different from the concept of income in the income tax law. Therefore, the purpose of this table is for information disclosure and not for tax purposes.

(3) Remuneration of General Manager and Deputy General Manager (Method of Disclosure of Names Based on Summary and Coordination Level)

Unit: Thousand Yuan

December 31, 107

Title	Name	Salary (a)		Retirement pension (b)		Bonuses and Special expenses, etc (C)		Employee compensation amount (d)				Proportion of total amount of items A, B, C and D to net profit after tax (%)		Have you received any remuneration from subsidiaries for reinvestment
		Our company	All companies in the financial report	Our company	All companies in the financial report	Our company	All companies in the financial report	Our company		In the financial report All companies		Our company	In the financial report All companies	
								Cash money	Stock money	Cash money	Stock money			
General manager	Raymond Ward	5,944	12,953	-	-	3,479	3,479	-	-	-	-	23.00%	40.10%	No
General Manager of Greater China	Lin Chengwei													
Chief Financial Officer and Chief	Huang Yijun													

[illegible]

Salary scale

Pay the remuneration levels of each general manager and deputy general manager of the company	Names of General Manager and Deputy General Manager	
	Our company	All companies in the financial report
Less than 2,000,000 yuan	Raymond Ward, Lin Chengwei, Wu Hongming	Wu Hongming
2,000,000 yuan (inclusive) to 5,000,000 yuan (exclusive)	Huang Yijun and Li Mingzhe	Lin Chengwei, Huang Yijun, Li Mingzhe
5,000,000 yuan (inclusive) to 10,000,000 yuan (exclusive)	—	Raymond Ward
10,000,000 yuan (inclusive) to 15,000,000 yuan (exclusive)	—	—
15,000,000 yuan (inclusive) to 30,000,000 yuan (exclusive)	—	—
30,000,000 yuan (inclusive) to 50,000,000 yuan (exclusive)	—	—
50,000,000 yuan (inclusive) to 100,000,000 yuan (exclusive)	—	—
More than 100,000,000 yuan	—	—
Total	5	5

* The content of remuneration disclosed in this table is different from the concept of income in the income tax law. Therefore, the purpose of this table is for information disclosure and not for tax purposes.

(4) the name and distribution of the manager who distributes the employee's remuneration

Unit: thousand yuan

December 31, 107

	Job title	First name	Stock amount	Cash amount	Total	Percentage of total net profit after tax (%)

through Reason people	General manager	Raymond Ward	-	-	-	-
	General Manager of Greater China	Lin Chengwei				
	Chief Financial Officer and Chief Accountant	Huang Yijun				
	Executive vice president	Li Mingzhe				
	Deputy general manager	Wu Hongming				
	Co-ordination	Liu Junhong				
	Co-ordination	Lai Zhixian				

4. To compare and explain the analysis of the proportion of the total remuneration paid to the directors, supervisors, general managers and deputy general managers of the Company and all the companies in the consolidated report to the net profit after tax in individual or individual financial reports respectively, and to explain the policies, standards and combinations of remuneration payment, the procedures for setting remuneration, and the correlation with operating performance and future risks.

(1) the proportion of the total remuneration to the net profit after tax

Title	Our company		All companies in the consolidated statement	
	106 years	107 years	106 years	107 years
Director	16.73%	34.96%	20.38%	45.35%
Supervisor	1.53%	2.85%	1.53%	2.85%

General Manager and Deputy General Manager	12.79%	23.00%	13.06%	40.10%
--	--------	--------	--------	--------

(2) The Company's Policy on Payment of Remuneration

The remuneration of directors and supervisors of the Company includes travel expenses and remuneration of directors and supervisors for surplus distribution. In terms of transportation expenses, those who do not hold positions in the company are fixed to receive transportation expenses according to the resolution of the board of directors. The remuneration of directors and supervisors for surplus distribution shall be handled in accordance with Articles 17 and 20 of the Articles of Association of the Company. The remuneration of directors and supervisors shall be agreed upon by the board of directors on the basis of the degree of participation and contribution value of the directors and supervisors in the operation of the company, and taking into account the usual payment standards of domestic and foreign industries. In addition, according to the company's pre-tax benefits for the current year minus the benefits before the distribution of employees' remuneration and directors' remuneration, 1%~10% of the employees' remuneration shall be allocated by the board of directors in the form of shares or cash distribution, and the objects of distribution may include employees of subordinate companies who meet certain conditions. The company's above-mentioned profit amount shall be decided by the board of directors to allocate not more than 3% as remuneration to the directors and supervisors, which shall only be paid in cash. The distribution of employee remuneration and supervisor remuneration shall be reported to the shareholders' meeting. However, when the company still has accumulated losses, it shall reserve the amount to make up for the losses. The remuneration of the general manager and deputy general manager includes salary, bonus, special expenses and employee bonus, etc. It is determined according to the positions and responsibilities assumed and with reference to the standards of peers.

(3) The operation of corporate governance

1. Operation of the Board of Directors

The board of directors held 11 [a] meetings in the latest year (107). The attendance of directors is as follows:

Title	Name	Actual output (column) Number of seats [b]	Number of Entrusted Attendance	Actual Seating Rate (%) [B/A]	Remarks
Chairman of the board	Shi Xin technology co., ltd Representative: Liao Wenjia	9	2	82%	
Director	Shi Xin technology co., ltd Representative: Zeng Xueqing	9	2	82%	

Director	Shi Xin technology co., ltd Representative: Wu xiubi	8	1	89%	107/10/17 Changes in Representative of Legal Person Directors
Director	Shi Xin technology co., ltd Representative: Xu Yonghao	2	-	100%	107/10/17 Changes in Representative of Legal Person Directors
Director	Shi Xin technology co., ltd Representative: Lin Qiquan	11	-	100%	
Director	Sheng Haitian	9	1	82%	
Independent director	Wu Qingsong	10	1	91%	
Independent director	Lai Junliang	11	-	89%	

Other items to be recorded:

1. In case of any of the following circumstances in the operation of the board of directors, the date, duration, contents of the proposal, opinions of all independent directors and the company's handling of the opinions of independent directors shall be stated:

(1) The items listed in Article 14 ter of the Securities and Exchange Law: None.

(2) Except for the previous matters, other matters decided by the board of directors that have been opposed or reserved by independent directors and have records or written statements: none.

2. The directors shall state the name of the directors, the contents of the proposal, the reasons for the withdrawal of the interests and the voting situation when the directors withdraw from the interest proposal: None.

3. Objectives for strengthening the functions of the board of directors in the current year and the latest year (e.g. setting up an audit committee, enhancing information transparency, etc.) and evaluation of implementation: In order to enhance the professional knowledge and ability of directors and supervisors and implement corporate governance, the Company arranged refresher courses for directors and supervisors in 107 years.

2. The operation of the audit committee or the participation of supervisors in the operation of the board of directors:

1. The Company has not set up an audit committee, so it is not applicable.

2. Participation of supervisors in the operation of the board of directors

In the last year (107) the board of directors held 11 [a] meetings, and the supervisors attended as follows:

Title	Name	Actual output (column) Number of seats [b]	Number of Entrusted Attendance	Actual Seating Rate (%) [B/A]	Remarks
Supervisor	Zhu Yongda	11	-	100%	
Supervisor	Li Huiqin	5	5	45%	
Supervisor	Jess investment co., ltd Representative: Liao Wenyu	6	2	67%	107/11/12 Change of board of directors
Supervisor	Jess investment co., ltd Representative: Wu xiubi	2	-	100%	107/11/12 Change of board of directors

Other items to be recorded:

I composition and duties of supervisors:

(1) Communication between supervisors and employees and shareholders of the company (e.g. communication channels, methods, etc.);

If necessary, you can contact by phone or E-Mail at any time, and the communication channel is unblocked.

(2) communication between supervisors and internal audit supervisors and accountants (e.g. matters, methods and results of communication on the company's financial and business conditions):

The audit supervisor of the company will report the audit report to the supervisor every month. In addition, the supervisor has smooth communication channels with the internal audit supervisor and the certified public accountant. In case of any special matters, the supervisor can fully discuss and properly handle them.

2. If the supervisor attends the board of directors as a nonvoting member and has any comments, he/she shall state the date, duration, contents of the proposal, results of the board resolution and the company's handling of the supervisor's comments: None.

3. The operation of corporate governance and the differences between it and the code of practice for corporate governance on the OTC market and the reasons therefor:

Assessment project	Operation			The Differences and Reasons between the Code
	Yes	no	Summary description	

				of Practice for Corporate Governance and Listed and OTC Companies
1. Has the company formulated and disclosed the Code of Practice for Corporate Governance in accordance with the Code of Practice for Listed and OTC Companies?	V		The Company has adopted a "Code of Practice for Corporate Governance" by resolution of the Board of Directors and has published it on the Public Information Observatory and the Company's website.	There is no difference.
Second, the company's equity structure and shareholders' rights and interests (1) Does the company have internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigation matters and implement them in accordance with the procedures? (2) Does the company have a list of the major shareholders who actually control the company and the ultimate controllers of the major shareholders? (3) Does the company establish,	V V V V		The company has a special person in charge of relevant matters. If legal issues are involved, the legal department will be asked to deal with them. The company committee shall be headed by a professional stock affairs agency, and shall regularly report and disclose the list of major shareholders and the final controllers of major shareholders in accordance with the law, and shall have good relations with major shareholders and control at any time. The company has set up subsidiary monitoring operations and implemented them. The company has adopted a resolution	There is no difference. There is no difference. There is no difference. There is no difference.

implement and implement risk control and firewall mechanisms with related enterprises? (4) Does the company have internal regulations to prohibit insiders from using unpublished information in the market to buy and sell securities?			by the board of directors to establish "internal major information processing operations and management procedures for preventing insider trading" in order to regulate insider trading of securities.	
III. Composition and Responsibilities of the Board of Directors (a) whether the board of directors has drawn up a diversified policy on the composition of its members and implemented it? (2) Does the company voluntarily set up other functional committees besides the salary and remuneration committee and the audit committee according to law? (3) Has the company formulated performance evaluation methods and methods for the board of directors, and conducts performance	V V V	V	According to the "Code of Practice on Corporate Governance", the Company implements the policy of diversification of board members. Apart from one female member, Director Zeng Xueqing, who is good at management, Director Sheng Haitian is good at financial accounting, Director Lin Qiquan and Chairman Liao Wenjia are familiar with the market situation of the machine tool industry. Two new independent directors, Director Wu Qingsong and Independent Director Lai Junliang, are good at mergers and acquisitions and mechanical technology	There is no difference. Relevant functional committees will be set up for necessary functions in the near future. There is no difference. There is no difference.

evaluation on an annual and regular basis? (4) Does the company regularly evaluate the independence of certified public accountants?			respectively. The board members of the Company are experts in different professional fields. (2) At present, the company has not voluntarily set up other functional committees. (3) The Company has currently formulated performance evaluation methods for the board of directors, and conducts performance evaluation on a regular basis every year. (4) once a year, the company evaluates the professionalism and independence of the certified public accountant. According to the assessment of the accounting department of the company, Guo Liwen and Lin Wenqin certified public accountants of Qinye Zhongxin United Certified Public Accountants are both qualified to be certified public accountants and certified public accountants of the company and have issued statement letters (Note 2).	
4. Has the listed and OTC company set up a special (part-time) corporate	V		The company has a corporate governance group in the chairman's office, with chief financial	There is no difference.

governance unit or personnel to be responsible for corporate governance-related affairs (including but not limited to providing information required by directors and supervisors to carry out business, handling matters related to meetings of the board of directors and shareholders' meeting in accordance with the law, handling company registration and change of registration, making minutes of the board of directors and shareholders' meeting, etc.)?			officer Huang yijun as the convener of corporate governance. chief financial officer Huang has over three years of management experience in finance, stock affairs and deliberation in public companies. The responsibilities of the corporate governance team are to provide the directors and independent directors with the necessary information to carry out their business, to assist the directors and independent directors to comply with the laws and regulations, and to handle the relevant matters of the board of directors and the shareholders' meeting in accordance with the law. The implementation of the business in 107 is as follows: 1. Arrange further training courses for directors. 2. Take out directors' and managers' liability insurance. 3. Handle all affairs convened by the board of directors according to law. 4. Handle all affairs of regular shareholders' meeting according to law. 5.107 Electronic voting shall be adopted in the annual regular meeting of shareholders.	
---	--	--	--	--

			6. Responsible for and implement the establishment of diversified communication channels with investors. 7. Assistance in major operational matters and revision of management measures (e.g. revision of procedures for the assessment and execution of loans, acquisition or disposal of assets).	
5. Has the company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), set up a special section for stakeholders on the company's website, and properly respond to important corporate social responsibility issues of concern to stakeholders?	V		The company has established communication channels with stakeholders on its website and has responded appropriately to important corporate social responsibility issues that are of concern to stakeholders.	There is no difference.
6. Does the company appoint a specialized agency for stock affairs to handle the affairs of the shareholders' meeting?	V		The company has appointed the stock affairs agency department of keji securities to handle the affairs of the shareholders' meeting.	There is no difference.

VII. Information Disclosure (a) whether the company has set up a website to disclose financial business and corporate governance information? (2) Does the company adopt other methods of information disclosure (such as setting up an English website, appointing a person to be responsible for collecting and disclosing company information, implementing the spokesperson system, and placing the company website during the legal person explanation meeting, etc.)?	V V		All information to be disclosed by the company shall be announced at the public information observatory and disclosed on the company's website. The company has a special person responsible for collecting data and disclosing them. And establish a spokesman system to publish the company's relevant financial information.	There is no difference.
8. Does the company have other important information that is helpful for understanding the operation of corporate governance (including but not limited to employee rights and interests, employee care, investor relations, supplier relations,	V		Employee Rights and Interests, Employee Care: The company has always paid attention to labor relations, held the concept that employees are the company's assets, took full care of employee benefits, protected the legitimate rights and interests of employees in accordance with the	There is no difference.

rights of interested parties, further education of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, and purchase of liability insurance for directors and supervisors, etc.)?			Labor Law, set up employee benefits committees, implemented pension systems, set up labor safety and health management units in accordance with laws, encouraged employees to participate in various training courses and technical discussions, took out employee group insurance, and arranged regular health checks. Investor relations: There is a special person responsible for dealing with issues related to investor relations. The company website also provides information related to investors so that investors can understand the company's operating conditions. Supplier relations: The company has always maintained good relations with suppliers. Rights of interested parties: Interested parties may communicate with the company and make suggestions in order to safeguard their legitimate rights and interests. Status of directors and supervisors' further studies: The directors and supervisors of the Company shall study according to actual	
--	--	--	---	--

			needs, such as corporate governance and internal control, corporate social responsibility and investment forum for sustainable operation, investor relations, functions and powers of the board of directors and supervisors, relevant laws and practices of IFRSs, XBRL and other accounting supervisors, compliance with insider equity trading laws and other relevant courses. All the studies are disclosed in the public information observatory. Implementation of risk management policies and risk measurement standards: Assess the product market, external economy, cash flow, etc. in due course to minimize the company's possible risks. Implementation of customer policies: The company has set up a customer order and service management system to provide customers with faster and more convenient services. It also has product liability insurance to protect the rights and interests of customers. (8) The Company's Purchase of Liability	
--	--	--	---	--

			Insurance for Directors and Supervisors: The Company has purchased Liability Insurance for Directors, Supervisors and Managers in 107 years.	
--	--	--	--	--

9. Please explain the improved situation according to the results of corporate governance evaluation released by the Corporate Governance Center of Taiwan Stock Exchange Corporation Limited in the latest year, and put forward priority strengthening items and measures for those that have not been improved:

1. In order to strengthen the structure of the board of directors, the Company has added independent directors to its articles of association. Candidate nomination system is also adopted for the election of independent directors. When the board of directors and supervisors are fully re-elected at the 106th ordinary meeting of shareholders, the candidate nomination system is adopted for the election of 2 independent directors.

2. In order to strengthen equal treatment of shareholders, the Company has increased the provision of English version of meeting notice, shareholders' meeting procedure manual and shareholders' meeting annual report since the 106th ordinary meeting of shareholders. Besides uploading the shareholders' meeting annual report to the public information workstation within 7 days before the shareholders' meeting, the meeting notice and shareholders' meeting procedure manual are uploaded to the public information observatory simultaneously with the Chinese version.

3. In order to strengthen the operation of the board of directors, the Company has strengthened its communication with the audit director and the certified public accountant after the independent directors elected at the 106-year regular meeting of shareholders took office, and made their communication information available on the Company's website.

4. In order to enhance the transparency of information, the company will disclose financial reports in English and plans to make the company's website fully English-culture, mainly including financial, business and corporate governance-related information.

Note 1: Standards for Evaluating the Independence of Accountants

Referring to Article 47 of the Accountant Law and Bulletin No.10 of the Code of Professional Ethics for Accountants, it is stipulated that:

Projects	Result
1. As of the last visa application, there has been no change for seven years.	■ Yes □ No
2. It has no significant financial interest with the client.	■ Yes □ No
3. Avoid any inappropriate relationship with the client.	■ Yes □ No

4. The accountant shall ensure that his assistants are honest, impartial and independent.	■ Yes □ No
5. The financial statements of service organizations within two years prior to practicing shall not be audited and certified.	■ Yes □ No
6. The name of an accountant shall not be used by others.	■ Yes □ No
7. does not hold shares in the company or related enterprises.	■ Yes □ No
8. It has not borrowed money from the Company or related enterprises.	■ Yes □ No
9. There is no relationship of joint investment or benefit sharing with the Company or related enterprises.	■ Yes □ No
10. If he does not take part in the regular work of the Company or related enterprises, he will receive a fixed salary.	■ Yes □ No
11. It does not involve the management functions of the Company or related enterprises in making decisions.	■ Yes □ No
12. Not concurrently engaging in other businesses that may lose their independence.	■ Yes □ No
13. There is no spouse, lineal relatives by marriage or collateral relatives within the second degree of kinship with the management personnel of the Company.	■ Yes □ No
14. No business-related commission is charged.	■ Yes □ No
15. To date, there has been no sanction or violation of the principle of independence.	■ Yes □ No
Assessment results: The above assessment contents conform to the independence and objectivity of accountants.	

Note 2: Statement Letter Issued by Qinye Zhongxin Certified Public Accountants

108.03.11 No.10801763 for regular review

Recipient: Ender Technology Co., Ltd.

Main purpose: this exchange has been entrusted to examine your company's consolidated and individual financial reports for the year of the Republic of China 107. in accordance with the provisions of the "code of ethics bulletin no 10, integrity, impartiality, objectivity and independence" issued by the national Federation of the Republic of China association of accountants, this exchange's affiliated enterprises and members of the audit team (hereinafter referred to as members) declare that they have complied with the following standards and have not violated their independence.

State:

1. No member, spouse or dependent relative has any of the following circumstances:

1. Hold your company's direct or indirect major financial interests.

2. Any business relationship, financing or guarantee with your company or its directors, supervisors and managers that affects its independence.

2. During the audit period, the members, their spouses and dependent relatives did not serve as directors, supervisors or managers of your company or have direct and significant influence on the audit cases.

3. Each member has no spouse, lineal consanguinity, lineal affinity or collateral consanguinity within the second degree of kinship with the directors, supervisors or managers of your company.

4. Each member has not received any gift or gift of great value from your company or its directors, supervisors, managers or major shareholders (its value does not exceed the general social etiquette standard).

5. Each member has implemented necessary independence/conflict of interest procedures and found no violation of independence or unresolved conflict of interest.

Qinye Zhongxin United Certified Public Accountants

Accountant Guo Liwen

Accountant Lin Wen Qin

4. The company has set up a salary and compensation committee and its composition, duties and operation:

(1) composition of the remuneration Committee

Body separation	Condition Name	Do you have more than 5 years working experience And the following professional qualifications			Compliance with Independence (Note)								Number of members of remuneration committees of other public offering companies concurrently	Remarks The full text is complete.
		At least lecturers from public and private colleges and universities in business, legal affairs, finance, accounting or related materials required for the company's business.	Judges, prosecutors, lawyers, accountants or other professional and technical personnel who have passed the national examination and obtained certificates necessary for the company's business.	Experience in business, legal affairs, finance, accounting or company business	1	2	3	4	5	6	7	8		
Independent director	Wu Qingsong	V			V	V	V	V	V	V	V	V	3	-
Independent director	Lai Junliang	V			V	V	V	V	V	V	V	V	0	-
committee member	Liang yihong	V			V	V	V	V	V	V	V	V	0	-

Note: Each member meets the following conditions two years before the election and during the term of office:

Not employed by the company or its affiliated enterprises.

Directors and supervisors of non-companies or their affiliated enterprises. However, this is not the case if the company or its parent company or subsidiary company is an independent director established in accordance with this law or local laws and regulations.

Not himself or his spouse, minor children or natural person shareholders who hold more than 1% of the total issued shares of the company or hold the top 10 shares in the name of others.

The spouse of a person not listed in the preceding three paragraphs, a relative within the second degree of kinship, or a lineal relative within the third degree of kinship.

Directors, supervisors or employees of corporate shareholders who do not directly hold 5% or more of the total issued shares of the company, or directors, supervisors or employees of corporate shareholders who hold the top five shares.

Directors (directors), supervisors (supervisors), managers or shareholders holding more than 5% of the shares of a specific company or institution that does not have financial or business dealings with the company.

Professionals, proprietorships, partnerships, business owners, partners, directors (directors), supervisors (supervisors), managers and their spouses who are not providing business, legal, financial, accounting and other services or consulting services for the company or its affiliated enterprises.

There is no one of the circumstances specified in Article 30 of the Company Law.

(2) Duties: To implement policies to review the performance evaluation of directors, supervisors and managers of the Company and to review salary and remuneration.

(3) Information on the operation of the Remuneration Committee

1. There are 3 members of the Company's Remuneration Committee.

II. Term of office of the current member: June 19, 106 to June 18, 109

Recently (107) the annual board of directors met twice (a) between the date of publication of the annual report and the date of publication of the annual report. the qualifications and attendance of the members are as follows:

Title	Name	Actual attendance (b)	Number of Entrusted Attendance	Actual attendance rate (Note) (B / A)	Remarks
Convenor	Wu Qingsong	2	-	100%	
committee member	Lai Junliang	2	-	100%	
committee member	Liang yihong	2	-	100%	
Other items to be recorded: If the board of directors does not adopt or amend the recommendations of the remuneration Committee, it shall state the date of the board of directors, the period, the contents of the proposal,					

the results of the board's resolution and the company's handling of the opinions of the remuneration Committee (if the remuneration approved by the board of directors is superior to the recommendations of the remuneration Committee, it shall state the differences and reasons): No .. If members have objections or reservations and have records or written statements on matters to be decided by the Remuneration Committee, they shall state the date, period, contents of the proposal, opinions of all members and treatment of the opinions of members: None.

Note 1: If any member of the Remuneration Committee leaves office before the end of the year, the date of leaving office shall be indicated in the remarks column, and the actual attendance (%) shall be calculated based on the number of meetings of the Remuneration Committee and its actual attendance during his tenure.

Note 2: Before the end of the year, if there is a re-election of the remuneration committee, the new and old members of the remuneration committee shall be filled in, and the date of the re-election shall be indicated in the remarks column. Actual attendance (%) is calculated based on the number of meetings of the Remuneration Committee and its actual attendance.

5. Fulfilment of Social Responsibility

Assessment project	Operation			Differences and Reasons between the Code of Practice on Corporate Social Responsibility of Listed and OTC Companies
	Yes	no	Summary description	
I. Implementing Corporate Governance (a) whether the company has formulated a corporate social responsibility policy or system and reviewed the effectiveness of its implementation? (2) Does the company regularly hold social responsibility education training? (3) Does the company set up special (part-time) units to promote corporate social	V	V V V	(a) The Company has formulated a code of corporate social responsibility. And the company will continue to practice corporate social responsibility. (2) The Company has not held regular social responsibility education training. However, the company will continue to practice corporate social responsibility.	There is no difference. The company will hold it according to actual needs. The company will set it up according to actual needs. The company will decide according to actual needs.

responsibility, which are authorized by the board of directors to be handled by senior management and reported to the board of directors? (4) Has the company formulated a reasonable salary and reward policy, combined the employee performance appraisal system with the corporate social responsibility policy, and established a clear and effective reward and punishment system?			(3) The Company has not set up any relevant units. However, the company will continue to practice corporate social responsibility. (4) The Company's compensation policy has not been integrated with the corporate social responsibility policy. However, the company will continue to practice corporate social responsibility.	
II. Developing a Sustainable Environment (a) whether the company is committed to improving the utilization efficiency of various resources and using recycled materials with low impact on the environment? (2) Does the company establish an appropriate environmental management system according to its industrial characteristics?	V V V		(1) The Company has appointed a waste removal license institution to be responsible for recycling. (2) The Company has formulated a safety and health work manual and abided by relevant laws and regulations to maintain the working environment and natural environment. (3) The Company has formulated a safety and health work manual and	There is no difference. There is no difference. There is no difference.

education for employees? (4) Does the company set up a mechanism for regular communication among employees and inform employees in a reasonable manner of any changes in operations that may have a significant impact on employees? (5) Does the company establish an effective career development training program for employees? (6) Does the company formulate relevant policies and complaint procedures for the protection of consumer rights and interests regarding research and development, procurement, production, operation and service processes? (7) Does the company comply with relevant regulations and international standards regarding the marketing and labeling of products and services? (8) When the company and its suppliers come forward, will they			(4) The Company regularly organizes meeting reports to publicize the Company's important policies, actively understand the opinions of employees and reasonably meet their needs. (5) The Company has established an effective career development training program for its employees. (6) The Company has formulated relevant policies and complaint procedures for the protection of consumer rights and interests regarding R&D, procurement, production, operation and service processes. (7) The Company's marketing and labeling of products and services comply with relevant regulations and international standards. (8) The Company evaluates whether the supplier has any past record of environmental and social impacts. (9) Whether the contract between the Company and the major	
---	--	--	---	--

assess whether the suppliers have any past records of environmental and social impacts? (9) Does the contract between the company and its major suppliers include the provision that the supplier may terminate or cancel the contract at any time if it violates its corporate social responsibility policy and has a significant impact on the environment and society?			suppliers includes the provision that suppliers may terminate or cancel the contract at any time if they violate their corporate social responsibility policies and have significant impact on the environment and society.	
IV. Strengthening Information Disclosure (a) Does the company disclose relevant and reliable corporate social responsibility information on its website and public information observatory?		V	(1) At present, there is no relevant information to reveal corporate social responsibility.	The company will disclose it according to actual needs.
5. If a company has its own corporate social responsibility code according to the "Code of Practice for Corporate Social Responsibility of Listed and OTC Companies", please state the difference between its operation and the prescribed code: None.				
6. Other important information helpful for understanding the operation of corporate social responsibility: (1) The Company has appointed a specialized agency to be responsible for the removal and disposal of wastes and the recycling of waste containers, in an effort to promote environmental protection for all employees. (2) The Company regularly donates funds to local authorities such as town halls and police stations to repay the society.				

(3) The Company has taken out employee group insurance, formulated safety and health work manuals, set up labor safety and health management units, and regularly implemented safety and health education.

(4) On April 21, 107, the Company held the "2018 Houlong Cup Public Welfare Road Race". In addition to assisting in promoting tourism through sports events, the application fee for the event will be increased by 10% to about 351,000 yuan to support the development of school sports associations in Houlong Town and the special school savings account of the Ministry of Education, so as to help about 60 economically disadvantaged students in Houlong New Port to study and make way for more meaningful and continuous running activities.

(5) Based in Houlong and Xingang districts of Miaoli County, the Company donated 20,000 yuan and 10,000 yuan respectively to Houlong and Yixiao and Yixiao police teams of Miaoli County and Xingang County, respectively, on the basis of paying attention to local development and construction and assisting local schoolchildren to develop their traditional skills; Donate 100,000 yuan to the bell squads of Houlong Elementary School in Miaoli.

7. If the corporate social responsibility report has passed the verification standards of relevant verification agencies, it shall state:

The company has obtained the ISO-9001 CERTification and the certification of AMTRI's European ce machinery safety instruction.

6. Implementation of Integrity Management

Assessment items	Operation			Differences and Reasons between the Code of Good Faith Management and Listed and OTC Companies
	Yes	no	Summary description	
I. Formulating Integrity Management Policies and Plans (1) Does the company clearly state in its regulations and external documents the policies and practices of honest operation, and the commitment of the board of directors and management to actively implement the operation policies?	V V V		(1) The Company has adopted a "Code of Good Faith" by resolution of the Board of Directors, stipulating that directors, managers and employees shall abide by laws and regulations in carrying out their business, and shall publish it on the public information observatory and the Company's website. (2) The Company has adopted the	There is no difference. There is no difference. There is no difference.

(2) whether the company has drawn up a plan to prevent dishonest behaviors, and has specified in each plan the operating procedures, behavior guidelines, disciplinary and complaint systems for violations, and implemented them? (c) whether the company has adopted preventive measures for the business activities in the second paragraph of article 7 of the "code of good faith for listed and OTC companies" or other business activities with high risk of dishonest behaviors within its business scope?			"Code of Good Faith" and "Code of Ethical Conduct" by resolution of the Board of Directors, which have been published on the Public Information Observatory and the Company's website and have been implemented. (3) The Company has clearly stated the relevant operating procedures and guidelines for good faith in the "Code of Good Faith" to strengthen prevention of business activities with high risk of dishonest behaviors within its business scope, and covers the acts in Paragraph 2 of Article 7 of the "Code of Good Faith for Listed and OTC Companies".	
Second, the implementation of good faith management (1) Does the company evaluate the credit records of the clients and stipulate the terms of credit behavior in the contracts it	V V V V	V	(1) The Company evaluates the credit records of the counterparties and specifies the terms of the credit behavior in the contracts signed with the counterparties.	There is no difference. There is no difference. There is no difference. There is no difference. The company will set it up according to actual needs.

has signed with the clients? (2) Does the company set up a special (part-time) unit under the board of directors to promote the integrity of the enterprise, and regularly report its implementation to the board of directors? (3) Does the company formulate policies to prevent conflicts of interest, provide appropriate channels for statements, and implement them? (4) Has the company established an effective accounting system and internal control system for the implementation of honest operation, and has the internal audit unit conducted regular inspections, or entrusted accountants to carry out inspections? (5) Does the company regularly organize internal and external education and training for honest operation?			(2) The Human Resources Department of the Company is a part-time unit under the Board of Directors to promote the integrity of enterprises. (3) The Company has adopted a "Code of Good Faith" by resolution of the Board of Directors to prevent conflicts of interest policies, provide appropriate channels of representation and implement them. (4) The Company has adopted a "Code of Good Faith" by resolution of the Board of Directors to establish an effective accounting system and internal control system. The internal audit unit shall conduct regular inspections and entrust accountants to carry out the inspections. (5) The Company has not organized regular internal and external education and training for honest operation.	
---	--	--	---	--

3. Operation of the Company's Prosecution System (1) Does the company set up specific reporting and reward systems, establish convenient reporting channels, and assign appropriate specialized personnel for receiving reports? (2) Does the company have standard operating procedures and relevant confidentiality mechanisms for accepting reports? (3) Does the company take measures to protect the whistleblower from improper handling due to the report?	V V V		(1) The Company has adopted a resolution by the Board of Directors to formulate a "Code of Good Faith" and a specific reporting and reward system. The Company has also established a convenient reporting channel and appointed appropriate specialized personnel for receiving reports. (2) the company has adopted a resolution by the board of directors to establish a "code of good faith operation" and to establish standard operating procedures and related confidentiality mechanisms for the investigation of complaints. (3) the company has adopted a resolution by the board of directors to formulate a "code of good faith operation" and to formulate measures to protect whistleblowers from improper handling due to whistleblowing.	There is no difference. There is no difference. There is no difference.
---	----------------------------	--	---	--

IV. Strengthening Information Disclosure (a) whether the company has disclosed on its website and public information observation stations the contents of its code of good faith operation and the effectiveness of its promotion?		V	(a) The Company has disclosed the "Code of Good Faith" on its website and public information observatory, but has not yet disclosed its promotion results.	The company will make public the results according to the actual situation.
---	--	---	--	---

5. If a company has its own code of good faith according to the Code of Good Faith for Listed and OTC Companies, please state the difference between its operation and the code: no difference.

6. other important information that helps to understand the company's good faith operation: (e.g. the company reviews and amends its code of good faith operation, etc.)

(1) The Company abides by the Company Law, the Securities and Exchange Law, the Commercial Accounting Law, the relevant regulations on listing and OTC listing, and other relevant laws and regulations on commercial activities, as the basis for the implementation of honest operation.

(2) The Company's "Rules of Procedure of the Board of Directors" have a system of withdrawal of directors' interests. Those who have an interest in the proposals listed by the board of directors should withdraw.

7. Inquiry methods for corporate governance codes and relevant regulations: The Company has 48 corporate governance codes of practice, which have been posted on the Company's website as follows: Home Page > Investor and Corporate Responsibility > Articles of Association and Operating Procedures > Corporate Governance Codes of Practice (<http://www.anderson.com.tw/responsibility.asp>) for shareholders to inquire.

8. Other important information sufficient to enhance understanding of corporate governance operations: None.

9. Status of implementation of internal control system

(1) Declaration of Internal Control

Ender technology co., ltd

Declaration of Internal Control System

Date: March 11, 108

According to the results of our own inspection, the company's internal control system for the year 107 of the Republic of China is hereby declared as follows:

1. The Company knows that it is the responsibility of the board of directors and managers of the Company to establish, implement and maintain an internal control system. The Company has already established such a system. Its purpose is to provide reasonable assurance for the achievement of the objectives of operation effect and efficiency (including profit, performance and

asset safety), reliability, timeliness, transparency and compliance with relevant regulations and laws and regulations.

Second, the internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide reasonable assurance for the achievement of the above three objectives. Moreover, due to changes in environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the company's internal control system has a self-monitoring mechanism. Once the defects are identified, the company will take corrective actions.

3. The Company judges whether the design and implementation of the internal control system are effective or not according to the judgment items on the effectiveness of the internal control system specified in the "Guidelines for the Establishment of Internal Control Systems by Public Offering Companies" (hereinafter referred to as "the Guidelines"). According to the process of management control, the internal control system used in the "handling criteria" is divided into five components: 1. control environment, 2. risk assessment, 3. control operation, 4. information and communication, and 5. supervision operation. Each component also includes several items. For the above items, please refer to the provisions of the "handling criteria".

4. The Company has already used the above-mentioned internal control system to judge the project and evaluate the effectiveness of the design and implementation of the internal control system.

5. Based on the evaluation results mentioned in the preceding paragraph, the Company believes that the design and implementation of the Company's internal control system (including supervision and management of subsidiaries) as of December 31, 107 of the Republic of China are effective, including understanding the operation effect and the degree to which the efficiency objectives have been achieved, and the reporting is reliable, timely, transparent and in compliance with relevant norms and laws and regulations. The design and implementation of the relevant internal control system are effective, which can reasonably ensure the achievement of the above objectives.

6. This declaration will become the main content of the company's annual report and prospectus and will be made public to the public. If there is any falsehood or concealment in the above disclosure, it will involve the legal liabilities of Articles 20, 32, 171 and 174 of the Securities and Exchange Law.

7. This declaration was approved by the board of directors of the Company on March 11, 108. Of the 7 directors present, 0 held dissenting opinions. The rest agreed with the contents of this declaration and made this declaration.

Ender technology co., ltd

Chairman: Liao Wenjia Signature

General manager: signature of Raymond Ward

(2) If an accountant is entrusted to examine the internal control system professionally, the accounting examination report shall be disclosed: None.

10. In the recent (107) year and up to the date of publication of the annual report, the company and its internal personnel have been punished according to law, and the company has imposed penalties on its internal personnel for violating the provisions of the internal control system, as well as major deficiencies and improvements: None.

11. Important resolutions of the board of shareholders and the board of directors for the most recent (107) year and up to the date of publication of the annual report.

(1) Shareholders' Meeting

Date of meeting	Summary of Important Bills	Resolution result	Implementation status
107.05.29	1. Recognition of the 106-year Business Report and Financial Statements. 2. Acknowledge the 106-year surplus distribution plan. 3. Revise some articles in the "Measures for Loan of Funds to Others". 4. Revise some articles of the "Procedures for Obtaining or Disposing Assets". 5. Revise some articles of the "Endorsement and Guarantee Measures". 6. Revise some articles in the Articles of Association of the Company. 7. Cash Dividends from Capital Reserves. 8. Giving up the subscription for the capital increase of the subsidiary company Zongge Precision Co., Ltd. in the future.	After all the shareholders present voted to pass the resolution. After all the shareholders present voted to pass the resolution. After all the shareholders present voted to pass the resolution. After all the shareholders present voted to pass the resolution. After all the shareholders present voted for the election After all the shareholders present voted to pass the resolution. After all the shareholders present voted to pass the resolution. After all the shareholders present voted to pass the resolution.	Has been operated in accordance with the approved operating procedures. August 20, 107 has been set as the benchmark date for interest distribution and cash dividends will be paid in September. Has been operated in accordance with the approved operating procedures. Has been operated in accordance with the approved operating procedures. Has been operated in accordance with the approved operating procedures. Has been operated in accordance with the approved operating procedures. August 20, 107 has been set as the benchmark date for interest distribution and cash dividends will be paid in September. Has been operated in accordance with the approved operating procedures.

(2) Board of Directors

Period	Date of meeting	Summary of Important Bills	Resolution result
First meeting of the 10th board of directors in 107	107.01.12	It is planned to transfer the treasury stock to employees and set the benchmark date for stock subscription.	All the directors present at the meeting unanimously agreed to adopt the proposal.

		The 10th Stockpile Manager Subscription Review in 104. Revise the Company's "Other Operation Control" and "Internal Audit Implementation Rules". Revise the Company's "Procedures for Obtaining or Disposing Assets". Revise the Company's "Procedures for Handling Loans to Others". Revision of the Company's "Endorsement and Guarantee Measures". Revise the Company's "Supervision and Management Measures for Subsidiaries". Add endorsements and guarantees for subsidiary company Zongge Precision Co., Ltd. The personnel case of the company's managers. It is planned to apply to Taipei Fubang Bank for a credit line of US\$ 300,000 for derivative financial products.	
The 2nd Meeting of the 10th Board of Directors in 107	107.03.09	Case of capital increase subsidiary company Zongge precision co., ltd. Revision of the Company's "Endorsement and Guarantee Procedures". A 106-year Ordinary Meeting of Shareholders was held.	All the directors present at the meeting unanimously agreed to adopt the proposal.

		Add endorsements and guarantees for subsidiary company Zongge Precision Co., Ltd. On behalf of the spokesman change case. Case concerning the establishment of subsidiary gibeonEurope s.r.l. Formulate the Company's "Measures for the Operation and Management of Salary and Compensation Committee". Anderson Europe GmbH, capital increase subsidiary.	
The 3rd Meeting of the 10th Board of Directors in 107	107.03.22	Salary distribution plan for employees and supervisors in 106. Recognition of individual financial report for the year 106. 106 consolidated financial report recognition and business report case. Surplus distribution for the year 106. Case of distributing cash dividends from capital reserve. Internal control self-inspection case in 106. Revise some articles of the Articles of Association. Executive compensation case of the company and its subsidiary company Zongge precision co., ltd. 106 actual amount of year-end bonus paid by managers.	All the directors present at the meeting unanimously agreed to adopt the proposal.

		The personnel case of the company's managers.	
The 4th Meeting of the 10th Board of Directors in 107	107.04.09	Evaluation of independence and objectivity of certified public accountants. Case of changing visa accountant. Abandoning subscription for capital increase of future subsidiary company Zongge Precision Co., Ltd. The agenda adjustment plan of the shareholders' meeting of the company. Case of setting up a special committee on mergers and acquisitions. Revise some articles of the Company's "Measures for Supervision and Management of Subsidiaries".	All the directors present at the meeting unanimously agreed to adopt the proposal.
The 5th Meeting of the 10th Board of Directors in 107	107.05.14	Amendments to the company's internal control system. The personnel case of the company's managers. The company plans to handle a cash capital increase and issue new shares.	All the directors present at the meeting unanimously agreed to adopt the proposal.
The 6th Meeting of the 10th Board of Directors in 107	107.05.29	Adjustment of Endorsement and Guarantee Quota for Subsidiary Yude Industrial Co., Ltd. Set the benchmark date and payment date for cash dividend	All the directors present at the meeting unanimously agreed to adopt the proposal.

		distribution of the company. Set the base date and date of distribution of cash dividends from the company's capital reserves.	
The 7th Meeting of the 10th Board of Directors in 107	107.06.08	Abandoning subscription for cash capital increase of subsidiary company Zongge Precision Co., Ltd. Endorsement and guarantee limit renewal for subsidiaries and sun companies.	All the directors present at the meeting unanimously agreed to adopt the proposal.
The 8th Meeting of the 10th Board of Directors in 107	107.07.23	Set the issue price for 107 years of cash capital increase and issuance of new shares and the benchmark date for subscription and other related matters. The Company's "Staff Subscription Method for 107 Years of Cash Capital Increase". List of options available to managers of the company's 107-year cash capital increase. The Company's Manager's Salary and Manager's Salary Adjustment Plan. The case of loan of funds from subsidiary zhongde industrial (Shanghai) co., ltd. to great sun company metik trading (Shanghai) co., ltd.	All the directors present at the meeting unanimously agreed to adopt the proposal.
The 9th Meeting of the 10th Board of Directors in 107	107.08.10	Proposed application for medium-term loan from Taiwan bank.	All the directors present at the meeting unanimously agreed to adopt the proposal.

		Amendments to the Company's internal control system and management measures.	
The 10th meeting of the 10th board of directors in 107	107.11.12	Fund loan to sun company Giben America, Inc Fund loan to sun company Monforts Werkzeugmaschinen GmbH. Amendments to the Company's "Rules of Procedure of the Board of Directors". Amendments to the Company's internal control system and management measures. The company cancelled the capital reduction case of treasury stock. 108 annual internal audit plan.	All the directors present at the meeting unanimously agreed to adopt the proposal.
The 11th Meeting of the 10th Board of Directors in 107	107.12.10	The 108-year operation plan. Anderson Europe GmbH Loan to Sun Company Monforts Werkzeugmaschinen GmbH and MATEC GmbH. Revise the Company's "Procedures for Obtaining or Disposing Assets".	All the directors present at the meeting unanimously agreed to adopt the proposal.
The first meeting of the 10th board of directors in 108 years	108.03.11	Salary distribution plan for employees and supervisors in 107. Recognition of individual financial reports for the year 107. 107 consolidated financial report recognition and business report case.	All the directors present at the meeting unanimously agreed to pass the proposal, except that the fourth proposal will be re-proposed by the board of directors next time.

		The distribution of surplus for the year 107. Internal control self-inspection case in 107. Amendments to the Company's Code of Practice on Corporate Governance. Abandoning subscription for capital increase of future subsidiary company Zongge Precision Co., Ltd. 107 case of actual payment of year-end bonus and salary for managers. Meeting of Shareholders for 108 Years. The company cancelled the capital reduction case of treasury stock. Evaluation of independence and objectivity of certified public accountants. Adjust the amount of endorsement and guarantee for subsidiaries. To formulate the Company's "Standard Operating Procedures for Handling Directors' Requests".	
The 2nd Meeting of the 10th Board of Directors in 108 Years	108.04.01	The distribution of surplus for the year 107. Case of distribution of cash dividends from capital reserves. Revise some articles of the "Procedures for Loan of Funds to Others". Revise the text of some articles in the	All the directors present at the meeting unanimously agreed to adopt the proposal.

		"endorsement and guarantee measures". The agenda adjustment plan of the shareholders' meeting of the company.	
--	--	--	--

12. In the recent (107) year and up to the date of publication of the annual report, if directors or supervisors have different opinions on important resolutions passed by the board of directors and have records or written statements, the main contents are as follows: None.

13. Summary of resignations and dismissals of the company's chairman, general manager, accounting supervisor, finance supervisor, internal audit supervisor and R&D supervisor in the latest (107) year and up to the date of publication of the annual report:

March 31, 108

Title	Name	Date of arrival	Date of termination	Reasons for Resignation or Dismissal
General manager	Lin Qiquan	1040101	1070112	retirement
General manager	Luo Laihuang	1070112	1070322	Transfer to other positions in the group

(4) Information on public expenses of accountants

Unit: NT\$ 1000

Name of accounting firm	Accountant Name	Audit fees	Non-audit fees					Check period	Note
			System design	Business registration	Human resources	Other	Subtotal,		
Qinye Zhongxin United Certified Public Accountants	Lin Wenqin and Guo Liwen	3,000	-	-	-	160	160	1070101~1071231	Other departments handle cash capital increase and issue new shares at a public expense of RMB 100,000 and financial

									statements at a public expense of RMB 60,000.
--	--	--	--	--	--	--	--	--	---

(1) where the non-audit fees paid to the certified public accountant, the firm to which the certified public accountant belongs and its affiliated enterprises are not more than one-fourth of the audit fees: this is not the case.

2. If the accounting firm is replaced and the audit fees paid in the year of replacement are lower than those of the previous year, the amount and reason of the audit fees before and after the replacement: there is no such situation.

3. The audit fees decreased by more than 15% from the previous year: the audit fees in the previous year were 4,330,000 yuan, and the fees decreased by 1,330,000 yuan, a decrease of 30.7%. Reason: due to meeting the needs of public offering and emerging of key subsidiary company zongge precision co., ltd., the key subsidiary company was transferred to other accountants for auditing.

(5) Replacement of Certified Public Accountants Information: Due to the need of internal adjustment, the Company's Certified Public Accountants Qinye Zhongxin United Certified Public Accountants replaced the former certified public accountants Fan Youwei and Lin Wenqin with Lin Wenqin and Guo Liwen from the first quarter of the year 107.

(6) the company's chairman, general manager, or manager in charge of financial or accounting affairs has worked in a firm affiliated with a certified public accountant or its affiliated enterprises in the past year: none.

(7) In the latest year and up to the date of publication of the annual report, the transfer of shares and changes in the pledge of shares of directors, supervisors, managers and shareholders whose shareholding ratio exceeds 10%;

1. Changes in equity transfer and equity pledge of directors, supervisors, managers and shareholders with more than 10% of shares:

Job title	First name	107 years		As of March 31, 108	
		Number of pledged shares Increase (decrease)	Number of shares held Increase (decrease)	Number of pledged shares Increase (decrease)	Number of shares held Increase (decrease)
Chairman and Major Shareholder of Legal Person	Shi Xin Technology (Stock) Co., Ltd.	-	15,904,488	-	-
Legal person director representative	Liao Wenjia	-	1,522,000	-	(10,000)

and major shareholder					
Representative of legal person director	Lin Qiquan	-	-	-	-
Representative of legal person director	Xu Yonghao (Note 1)	-	10,000	-	-
Representative of legal person director	Zeng Xueqing	-	-	-	-
Director	Sheng Haitian	-	-	-	-
Independent director	Lai Junliang	-	-	-	-
Independent director	Wu Qingsong	-	-	-	-
Supervisor	Zhu Yongda	-	(390,000)	-	-
Supervisor	Li Huiqin	-	-	-	-
Legal person supervisor	Jess investment co., ltd	-	-	-	-
General manager	Raymond Ward	-	-	-	-
General Manager of Greater China	Lin Chengwei	-	50,000	-	
Chief Financial Officer and Chief Accountant	Huang Yijun	-	200,000	-	
Deputy general manager	Li Mingzhe	-	121,000	-	

Deputy general manager	Wu Hongming (Note 2)		-		
Associate	Yang Weiren (Note 2)		-		
Associate	Liu Junhong	-	33,668	-	
Associate	Lai Zhixian	-	886	-	
Major shareholder	Yun Yong Investment Co., Ltd.	1,400,000	-	-	-

Note 1: on October 17, 107, the legal representative of the original matter Xin technology co., ltd. was reassigned from Wu xiubi to Xu yonghao.

Note 2: On August 27, 107, Wu Hongming served as deputy chief of the production and manufacturing department. On August 27, 107, yang weiren served as assistant manager of the marketing planning department.

(2) if the opposite party to the equity transfer is a related party: none.

3. if the opposite party to the pledge of equity is a related party: none.

(8) information on the relationship between the top 10 shareholders who hold the largest proportion of shares.

March 31, 108

Name (Note 1)	Myself Hold shares		Spouse, minor children Hold shares		Use the name of others to add up Hold shares		The names and relationships of the top ten shareholders who have relations with each other or are spouses or relatives within the second degree of kinship.(Note 3)	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name (or name)	Relationship
Shi Xin Technology (Stock) Co., Ltd.	39,904,488	20.02%	-	-	-	-	Liao Wenjia	Person in charge

Representative: Liao Wenjia								
Yun Yong Investment Co., Ltd. Representative: Liao Wenjia	20,000,000	10.03%	-	-	-	-	Liao Wenjia	Person in charge
Yellow circle	6,677,536	3.35%	-	-	-	-	Wang yingjia	Mother and daughter
							Wang Xuanfu	Mother and son
							Wang Weilong	Mother and son
Liao Wenjia	3,512,000	1.76%	-	-	-	-	Liao Wenjia	Person in charge
Pieter investment co., Ltd Representative: Liao Wenjia	2,350,000	1.18%	-	-	-	-	Liao Wenjia	Person in charge
Yang Yuehua	2,280,481	1.14%	-	-	-	-	No	No
Wang Xuanfu	2,254,582	1.13%	-	-	-	-	Yellow circle	Mother and son
							Wang yingjia	Brother and sister
							Wang Weilong	Brother
Wang Weilong	2,119,098	1.06%	-	-	-	-	Yellow circle	Mother and son
							Wang yingjia	Brother and sister
							Wang Xuanfu	Brother

Wang yingjia	2,000,183	1.00%	-	-	-	-	Yellow circle	Mother and son
							Wang Xuanfu	Brother and sister
							Wang Weilong	Brother and sister
Wang Pidong	1,635,353	0.82%	-	-	-	-	No	No

Note 1: All the top ten shareholders are listed. For those who belong to corporate shareholders, the names of corporate shareholders and their representatives are listed separately.

Note 2: The calculation of shareholding ratio refers to the calculation of shareholding ratio in one's own name, spouse, minor children or in the name of others.

Note 3: The shareholders listed above, including legal persons and natural persons, shall disclose their relationship in accordance with the issuer's financial reporting standards.

(9) the number of shares held by the company, its directors, supervisors, managers and enterprises directly or indirectly controlled by the company in the same reinvestment enterprise and the comprehensive shareholding ratio

March 31, 108

Unit: thousands of shares

(Note 1)	Our company invests		Directors, Supervisors, Managers and Direct or Indirect control of business investment		Comprehensive investment	
	Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio
Ended Hong Kong	300	100%	-	-	300	100%
Ended Germany	Note 2	100%	Note 2	-	Note 2	100%
Ended America	1	100%	-	-	1	100%
Zhongde industry	Note 2	100%	Note 2	-	Note 2	100%
Youde machinery	Note 2	100%	Note 2	-	Note 2	100%

Shengde company	22,000	100%	-	-	22,000	100%
Overall precision	11,796	65.53%	4,511	25.06%	16,307	90.59%
Yude company	5,000	100%	-	-	5,000	100%
Giben Holdings Co.Ltd.(BVI)	10	100%	-	-	10	100%
Giben Holdings Co. Ltd.(SAMOA)	10	100%	-	-	10	100%
Giben America, Inc.	Note 2	-	Note 2	100%	Note 2	100%
Giben do Brasil Maquinas e Equipamentos Ltd.	Note 2	-	Note 2	100%	Note 2	100%
Monforts Werkzeugmaschinen GmbH (Monforts GmbH)	Note 2	-	Note 2	100%	Note 2	100%
Zongge Precision Machinery (Shanghai) Co., Ltd.	Note 2	-	Note 2	100%	Note 2	100%
MATEC GmbH	Note 2	-	Note 2	100%	Note 2	100%
Metik Trading (Shanghai) Co., Ltd.	Note 2	-	Note 2	100%	Note 2	100%

Note 1: This is an investment made by the company using the equity method.

Note 2: It is a limited company.

Iv. fundraising

I. Capital and Shares

(1) Sources of Capital Stock

1. issued shares

Unit: New Taiwan Dollar;share

Year	issue Price (denomination)	Verification of share capital		Earned share capital		Note		
		Number of shares	Amount of gold	Number of shares	Amount of gold	Source of capital stock	Use property other than cash to offset the share proceeds	Other
82.12	10	12,100,000	121,000,000	12,100,000	121,000,000	Combined capital increase of 53,000,000	-	-
83.03	10	14,047,000	140,470,000	14,047,000	140,470,000	Cash capital increase 19,470,000	-	-
83.09	10	17,047,000	170,470,000	17,047,000	170,470,000	Cash capital increase of 30,000,000	-	-
84.06	10	18,726,000	187,260,000	18,726,000	187,260,000	Cash capital increase of 16,790,000	-	-
85.03	10	19,650,000	196,500,000	19,650,000	196,500,000	Cash capital increase of 9,240,000	-	-
85.06	10	26,650,000	266,500,000	26,650,000	266,500,000	Cash capital increase 70,000,000	-	-
86.07	10	35,000,000	350,000,000	31,000,000	310,000,000	Surplus to Increase Capital by 35,505,000 Capital reserve is transferred to increase capital by 7,995,000	-	-

87.10	10	70,000,000	700,000,000	47,500,000	475,000,000	Surplus to Increase Capital by 34,000,000 Capital reserve to increase capital by 31 million Cash capital increase of 100,000,000	-	Note 1
88.09	10	70,000,000	700,000,000	54,900,000	549,000,000	Surplus to Capital Increase 17,000,000 Capital Reserve to Capital Increase 57,000,000	-	Note 2
88.12	10	70,000,000	700,000,000	61,900,000	619,000,000	Cash capital increase 70,000,000	-	Note 3
89.12	10	71,900,000	719,000,000	71,900,000	719,000,000	Surplus to Increase Capital by 44,290,000 Capital reserve to increase 55,710,000	-	Note 4
90.08	10	120,000,000	1,200,000,000	80,000,000	800,000,000	Surplus to Increase Capital by 16,290,000 Transfer of capital reserve to increase capital by 64,710,000	-	Note 5
91.11	10	120,000,000	1,200,000,000	82,000,000	820,000,000	Capital reserve to increase	-	Note 6

						capital by 20,000,000		
92.04	10	120,000,000	1,200,000,000	78,000,000	780,000,000	The Treasury Unit Write- off 40,000,000	-	Note 7
92.08	10	120,000,000	1,200,000,000	74,200,000	742,000,000	Treasury stock write- off 38 million	-	Note 8
93.06	10	160,000,000	1,600,000,000	74,200,000	742,000,000	Increase approved share capital by 400,000,000	-	Note 9
94.06	10	120,000,000	1,200,000,000	74,200,000	742,000,000	Reduce the approved share capital by 400,000,000	-	Note 10
94.08	10	120,000,000	1,200,000,000	76,200,000	762,000,000	Surplus to Increase Capital by 12,580,000 Capital reserve is transferred to increase capital by 7,420,000	-	Note 11
95.01 95.04	10	120,000,000	1,200,000,000	89,492,348	894,923,480	Conversion of overseas convertible corporate bonds increased by 132,923,480	-	Note 12
95.10	10	150,000,000	1,500,000,000	96,000,000	960,000,000	Surplus to Increase Capital by 48,967,890	-	Note 13

						Capital reserve is transferred to increase capital by 16,108,630		
96.09	10	150,000,000	1,500,000,000	120,000,000	1,200,000,000	Surplus to Increase Capital by 40,000,000 Cash capital increase of 200,000,000	-	Note 14
97.01 ~ 97.07	10	150,000,000	1,500,000,000	120,968,206	1,209,682,060	Domestic convertible corporate bonds increased by 9,682,060	-	Note 15
97.09	10	200,000,000	2,000,000,000	127,068,206	1,270,682,060	Surplus to Increase Capital by 61,000,000	-	Note 16
97.10	10	200,000,000	2,000,000,000	115,068,206	1,150,682,060	The Treasury Unit Write-off 120,000,000	-	Note 17
98.09	10	200,000,000	2,000,000,000	117,568,206	1,175,682,060	Capital reserve is transferred to increase capital by 25,000,000	-	Note 18
99.01	10	200,000,000	2,000,000,000	117,811,448	1,178,114,480	Domestic convertible corporate bonds increased by 2,432,420	-	Note 19
99.09	10	200,000,000	2,000,000,000	120,117,677	1,201,176,770	Capital reserve to	-	Note 20

						increase 23,062,290		
100.01 ~ 100.07	10	200,000,000	2,000,000,000	134,082,897	1,340,828,970	Domestic convertible corporate bonds increased by 139,652,200	-	Note 21
100.09	10	200,000,000	2,000,000,000	137,082,897	1,370,828,970	Capital reserve is transferred to increase capital by 30,000,000	-	Note 22
100.10	10	200,000,000	2,000,000,000	142,694,498	1,426,944,980	Domestic convertible corporate bonds increased by 56,116,010	-	Note 23
101.01	10	200,000,000	2,000,000,000	140,918,754	1,409,187,540	The Treasury Stock Write-off of 30,220,000 Conversion of domestic convertible corporate bonds increased by 12,462,560	-	Note 24
101.10	10	200,000,000	2,000,000,000	147,000,000	1,470,000,000	Surplus to Increase Capital 60,812,460	-	Note 25
104.05	10	200,000,000	2,000,000,000	180,000,000	1,800,000,000	Cash capital increase 330,000,000	-	Note 26
107.09	10	200,000,000	2,000,000,000	200,000,000	2,000,000,000	Cash capital increase 200,000,000	-	Note 27

107.12	10	200,000,000	2,000,000,000	199,881,000	199,881,000	Cancellation of treasury stock 119,000	-	Note 28
108.03	10	200,000,000	2,000,000,000	199,331,000	199,331,000	Cancellation of treasury stock 550,000	-	Note 29

Note 1: this surplus capital increase of 34,000,000, capital reserve capital increase of 31,000,000 and cash capital increase of 100,000,000 were approved by the securities and futures Commission of the Ministry of finance on June 30, 87, Taiwan finance certificate (I) no 56582 and August 5, 87, 87, Taiwan finance certificate (I) no 56582.

Note 2: this surplus was transferred to capital increase of 17,000,000, and capital reserve was transferred to capital increase of 57,000,000, which was approved by the securities and futures management Committee of the Ministry of finance on July 6, 88, Taiwan finance certificate (I) no 61630-1.

Note 3: this cash capital increase of 70,000,000 yuan was declared effective by the securities and futures management Committee of the Ministry of finance on December 22, 88, Taiwan finance certificate (I) no 107181.

Note 4: this surplus was transferred to capital increase of 44,290,000 and capital reserve was transferred to capital increase of 55,710,000, which was declared effective by the securities and futures Commission of the Ministry of finance in letter no 86817 of Taiwan finance certificate (I) dated October 20, 89.

Note 5: this surplus was transferred to capital increase of 16,290,000 and capital reserve was transferred to capital increase of 64,710,000, which was declared effective by the securities and futures Commission of the Ministry of finance in letter no 132762 of Taiwan finance certificate (I) dated may 25, 1990.

Note 6: this capital reserve transfer and capital increase of 20,000,000 was declared effective by the securities and futures Commission of the Ministry of finance on July 31, 91, Taiwan finance certificate no 0910142555.

Note 7: The write-off of 40,000,000 treasury shares was approved and effective by the Securities and Futures Commission of the Ministry of Finance on January 9, 1992, Taiwan Finance Certificate No.09200100185 and Taiwan Finance Certificate No.0920108577 on March 12, 1992.

Note 8: The write-off of 38,000,000 treasury shares this time was approved by the Securities and Futures Commission of the Ministry of Finance in its letter 0920130631 of July 15, 1992.

Note 9: The increase of the approved capital stock of 400,000,000 was approved by the shareholders' meeting on June 25, 93 to meet the needs of the expansion of the company's operating scale.

Note 10: The reduction of the approved share capital of 400,000,000 is due to the increase of the total capital in 1993 for the purpose of capital increase, but no capital increase was actually carried out. Therefore, the approved share capital was reduced through revision by the shareholders' meeting on June 23, 1994.

Note 11: this surplus transfer to capital increase of 12,580,000 and capital reserve transfer to capital increase of 7,420,000 were declared effective by letter no 0940129400 of the financial regulatory Commission of the executive yuan on July 20, 1994.

Note 12: The total increase in the conversion of overseas convertible corporate bonds is 132,923,480, which was approved by the Securities and Futures Commission of the Ministry of Finance in its letter 0910168636 of February 11, 1992.

Note 13: this surplus was transferred to capital increase of 48,967,890 and capital reserve was transferred to capital increase of 16,108,630, which was declared effective by letter no 0950131960 of the financial regulatory Commission of the executive yuan on July 21, 1995.

Note 14: this surplus transfer to capital increase of 40,000,000 was declared effective by letter no 0960033806 of the financial regulatory Commission of the executive yuan on July 3, 1996. The cash capital increase of 200,000,000 was approved by the Financial Supervision and Administration Commission of the Executive Yuan in its letter No.0960026070 of May 29, 1996.

Note 15: The total increase in the conversion of domestic convertible corporate bonds is 9,682,060, which was approved by the Securities and Futures Administration Committee of the Ministry of Finance in its letter No.09600260701 of May 29, 1996. Taiwan Stock Exchange agreed with the letter No.09700021731 of January 23, 1997, the letter No.0970091271 of April 15, 1997 and the letter No.09700203971 of July 18, 1997.

Note 16: The capital increase of 61 million yuan from the surplus was declared effective by the Financial Supervision and Administration Commission of the Executive Yuan in its letter No.0970036651 of July 21, 1997.

Note 17: The cancellation of 120,000,000 treasury shares was approved by the Financial Supervision and Administration Commission of the Executive Yuan in its letter No.0970038240 of July 21, 1997 and its letter No.0970054535 of October 17, 1997.

Note 18: this transfer of capital reserve to increase capital by 25,000,000 was declared effective by letter no 0980036431 of the financial regulatory Commission of the executive yuan on July 21, 1998.

Note 19: the total increase in the conversion of domestic convertible corporate bonds is 2,432,420, which was approved by the securities and futures regulatory Commission of the Ministry of finance on may 29, 1996 with the letter no 09600260701., Taiwan Stock Exchange, January 18, 1999 Taiwan Securities No.09900017011 letter agreed.

Note 20: this transfer of capital reserve to increase capital by 23,062,290 was declared effective by letter no 0990037233 issued by the financial regulatory Commission of the executive yuan on July 16, 1999.

Note 21: The total increase in the conversion of domestic convertible corporate bonds is 139,652,200, which was approved and effective by the Securities and Futures Commission of the Ministry of Finance on June 23, 1999, and approved by the Taiwan Stock Exchange on January 20,

100, Taiwan Securities No.1000020315, Taiwan Securities No.10000111411, and Taiwan Securities No.10000240901.

Note 22: this capital reserve transfer and capital increase of 30,000,000 was declared effective by letter no 100003493 of the financial regulatory Commission of the executive yuan on July 19, 100.

Note 23: The total increase in the conversion of domestic convertible corporate bonds is 56,116,010, which was approved by the Securities and Futures Commission of the Ministry of Finance in its letter No.0990030840 of June 23, 1999, and approved by the Taiwan Stock Exchange in its letter No.1000038991 of October 21, 100.

Note 24: The write-off of 30,220,000 treasury shares was approved and effective by the Financial Supervision and Administration Commission of the Executive Yuan's Letter No.097006537 of November 28, 1997 and Letter No.1000052519 of October 28, 100.

The total increase in the conversion of domestic convertible corporate bonds was 12,462,560, which was approved by the securities and futures Commission of the Ministry of finance in its letter no 0990030840 of June 23, 1999, and approved by the Taiwan stock exchange in its letter no 10100009271 of January 12, 101.

Note 25: the capital increase of the surplus was 60,812,460, which was declared effective by the financial supervision and administration Commission in its letter no 1010032982 of July 24, 101.

Note 26: this cash capital increase of 330,000,000 was declared effective by the financial supervision and administration Commission in its letter no 1040001410 of January 29, 104.

Note 27: The cash capital increase of 200 million yuan was declared effective by the Financial Supervision and Administration Commission on July 6, 107 with the letter No.1070323634.

Note 28: The cancellation of 119,000 treasury shares was approved by the Financial Supervision and Administration Commission in its letter No.1050001447 of January 14, 105 and approved by the Taiwan Stock Exchange on December 24, 107.

Note 29: The cancellation of 550,000 treasury shares was approved by the Financial Supervision and Administration Commission in its letter No.1050009808 dated March 29, 105 and approved by the Taiwan Stock Exchange on March 26, 108.

2. Type of shares

March 31, 108

Type of shares	authorized capital stock			Remarks
	Shares in circulation	Unpublished shares	Total	
Registered common stock	199,331,000 shares	669,000 shares	200,000,000 shares	notes

Note: The shareholders' general meeting on June 30, 104 approved the revision of the articles of association, and the rated capital was changed to 100 million shares.

3. Information related to the blanket declaration system: None.

(II) Shareholder Structure

March 31, 108

Shareholder structure	Government Institutions	financial Institutions	Other Legal person	Foreign institutions and Foreigners	personal	Total
Number of people	1	0	151	38	27,589	27,779
Number of shares held	4	0	67,084,967	2,368,984	129,877,045	199,331,000
Proportion of shares held	0.00%	0%	33.65%	1.19%	65.16%	100.00%

(three) the dispersion of equity

1. Common stock

March 31, 107

Stock ownership classification	Number of shareholders	Number of shares held (shares)	Proportion of shares held
1 to 999	18,925	638,469	0.32%
1,000 to 5,000	5,653	11,944,527	5.99%
5,001 to 10,000	1,389	10,990,361	5.51%
10,001 to 15,000	470	5,919,109	2.97%
15,001 to 20,000	340	6,303,611	3.16%
20,001 to 30,000	326	8,274,330	4.15%
30,001 to 40,000	173	6,194,326	3.11%
40,001 to 50,000	99	4,544,256	2.28%

50,001 to 100,000	229	15,831,746	7.94%
100,001 to 200,000	89	12,638,096	6.34%
200,001 to 400,000	50	14,340,211	7.19%
400,001 to 600,000	13	6,363,760	3.19%
600,001 to 800,000	5	3,640,305	1.83%
800,001 to 1,000,000	2	1,897,413	0.95%
More than 1,000,001	16	89,810,480	45.07%
Combined meter	27,779	199,331,000	100.00%

2. Special Shares: The Company has not issued any special shares.

(4) List of major shareholders

The major shareholders who hold more than 5% of the shares or whose shares account for the top 10.

March 31, 108

Serial number	Name of major shareholder	Number of shares held (shares)	Holding ratio
1	Shi Xin technology co., ltd	39,904,488	20.02%
2	Yun Yong Investment Co., Ltd.	20,000,000	10.03%
3	Yellow circle	6,677,536	3.35%
4	Liao Wenjia	3,512,000	1.76%
5	Pieter investment co., ltd	2,350,000	1.18%
6	Yang Yuehua	2,280,481	1.14%
7	Wang Xuanfu	2,254,582	1.13%

8	Wang Weilong	2,119,098	1.06%
9	Wang yingjia	2,000,183	1.00%
10	Wang Pidong	1,635,353	0.82%

(5) Price, net value, surplus, dividend and relevant information of each stock market in the last two years

Unit: New Taiwan Dollar

year Projects			106 years	107 years	108 years (as at 31 March)
per share Market price (Note 1)	Highest		16.05	17.75	10.7
	Lowest		9.91	9.60	9.82
	Average		11.35	13.65	10.29
per share net worth	Before distribution		13.05	12.93	-
	After distribution		12.54	-	-
per share Surplus	Weighted average number of shares (thousands)		176,331	186,100	-
	Earnings per Share (Note 3)	Before retrospective adjustment	0.55	0.22	-
		After retrospective adjustment	0.55	0.22	-
per share Dividend	Cash dividend		0.5	(Note 2)	-
	free Share allotment	Surplus allotment	-	(Note 2)	-
		Capital reserve allotment	-	(Note 2)	-
	Accumulated unpaid dividends		-	-	-

Investment Remuneration Analysis (Note 4)	Cost-benefit ratio	20.64	62.05	-
	Benfica	22.7	(Note 2)	-
	Cash dividend yield (%)	4.41%	(Note 2)	-

Note 1: Sources are Taiwan Stock Exchange websites.

Note 2: Dividend distribution in 107 years is yet to be recognized by shareholders in 108 years.

Note 3: Retroactive adjustment calculation of unpaid rights issue.

Note 4: PE = average closing price per share/earnings per share for the current year; Cost-benefit ratio = average closing price per share/cash dividend per share for the current year; Cash dividend yield = cash dividend per share/average closing price per share for the current year.

(6) dividend policy and implementation status of the company

1. Dividend Policy

According to the Articles of Association of the Company, the Company shall allocate 1% to 10% of the pre-tax benefits of the current year before deducting the employee remuneration and directors' remuneration to be distributed in stock or cash by resolution of the Board of Directors, and the target of distribution may include employees of subordinate companies who meet certain conditions. The company's above-mentioned profit amount shall be decided by the board of directors to allocate not more than 3% as remuneration to the directors and supervisors, which shall only be paid in cash. The distribution of employee remuneration and supervisor remuneration shall be reported to the shareholders' meeting. However, when the company still has accumulated losses, it shall reserve the amount to make up for the losses.

The company's dividend policy takes into account the changeable industrial environment, the stable growth stage of the enterprise's life cycle, the company's future capital demand and long-term financial planning. If the company has any surplus after the annual final accounts, in addition to paying profit-making enterprise income tax and making up for losses in previous years, the company shall first allocate 10% of the statutory surplus reserve, then allocate or reverse the special surplus reserve in accordance with the regulations of the competent authority. The remaining balance plus the initial undistributed surplus shall be the distributable surplus. The distributable surplus shall be allocated not less than 10% of the shareholders' dividend, and the shareholders' dividend shall be distributed. The board of directors shall draw up a surplus distribution proposal and submit it to the shareholders' meeting for resolution.

The distribution of shareholders' surplus can be done in the form of cash dividends and stock dividends, but cash dividends below 0.1 yuan per share will not be paid. The distribution of shareholders' dividends includes cash dividends accounting for 30% ~ 100% of the total dividends and stock dividends accounting for 0% ~ 70% of the total dividends. The ratio of surplus distribution mentioned above may be adjusted by resolution of the shareholders' meeting depending on actual profit and capital status.

2. The proposed dividend distribution at this shareholders' meeting:

The company has been approved by the board of directors on April 1, 108 to draw up a 107-year surplus distribution plan as shown in the following table. this plan will be submitted to the shareholders' general meeting on may 30, 108 for approval and will be handled in accordance with relevant regulations.

Common stock cash dividend	NT\$ 0.13 per share	NT\$ 25,913,030
Cash Dividend from Capital Reserve	NT\$ 0.07 per share	NT\$ 13,953,170 yuan

3. Major changes in dividend policy are expected: None.

(7) The impact of the proposed free rights issue at this shareholders' meeting on the company's operating performance and earnings per share: None.

(8) Remuneration of employees, directors and supervisors

1. Percentage or scope of remuneration for employees, directors and supervisors as set forth in the articles of association: Details (6).

2. The basis for estimating the remuneration of employees, directors and supervisors in the current period, the basis for calculating the number of shares of employees' remuneration based on stock distribution, and the accounting treatment if the actual distribution amount is different from the estimated amount: the remuneration of employees, directors and supervisors estimated to be paid according to the articles of association of the Company shall be listed as the appropriate accounting item under the operating cost or operating expenses according to its nature. Any difference between the actual distribution amount and the estimated amount in the current period shall be regarded as the estimated change and listed as the profit and loss of the current distribution period.

3. The Board of Directors approves the distribution of remuneration:

(1) Employees' Compensation and Directors' and Supervisors' Compensation Allocated in Cash or Stock: On March 11, 108, the Board of Directors of the Company approved the 107-year employees' and directors' and supervisors' compensation, with the allocated amounts of 568,942 yuan each.

(2) The proportion of the amount of employee remuneration distributed by shares to the total amount of net profit after tax and employee remuneration for the current period of individual or individual financial reports: not applicable.

4. The actual distribution of remuneration for employees, directors and supervisors in the previous (106) year (including the number of shares distributed, amount and share price), if there is any difference between the actual distribution of remuneration and that of recognized employees, directors and supervisors, and the number of differences, reasons and treatment shall be stated: the actual distribution of remuneration for employees and directors and supervisors in the company in the 106 year is not different from that recognized in the financial report in the 106 year.

(nine) the company to buy back the company's shares:

March 31, 108

Buy-back period	Tenth
Purpose of repurchase	Transfer of shares to employees
Buy-back period	Estimate: August 31, 104 to October 30, 104 Actual: August 31, 104 to October 23, 104
Buy-back interval price	6.5 yuan to 12 yuan
Type and quantity of shares bought back	3,000,000 shares of common stock
Amount of shares bought back	28,956,037 yuan
Number of shares removed or transferred	3,000,000 shares
Accumulated shares of the company	0 shares
Cumulative proportion of the company's shares held to the total number of shares issued	0%

March 31, 108

Buy-back period	Eleven times
Purpose of repurchase	Transfer of shares to employees
Buy-back period	Estimate: November 11, 104 to January 10, 105 Actual: December 2, 104 to December 7, 104
Buy-back interval price	7.5 yuan to 14 yuan
Type and quantity of shares bought back	119,000 ordinary shares
Amount of shares bought back	1,107,363 yuan
Number of shares removed or transferred	119,000 shares
Accumulated shares of the company	0 shares
Cumulative proportion of the company's shares held to the total number of shares issued	0%

March 31, 108

Buy-back period	Twelfth
Purpose of repurchase	Transfer of shares to employees
Buy-back period	Estimate: January 25, 105 to March 21, 105 Actual: January 30, 105 to March 2, 105
Buy-back interval price	6.5 yuan to 12 yuan
Type and quantity of shares bought back	550,000 ordinary shares
Amount of shares bought back	4,908,697 yuan
Number of shares removed or transferred	550,000 shares
Accumulated shares of the company	0 shares
Cumulative proportion of the company's shares held to the total number of shares issued	0%

Note: The Company has issued and disposed of or transferred all treasury shares according to law.

II. Handling of Corporate Bonds: None.

III. Special Unit Handling: None.

IV. Handling of Overseas Depository Receipts: None.

V. Handling of Employee Stock Option Certificates: None.

6. Restrictions on Employees' Rights in Handling New Shares: None.

VII. Handling of Mergers and Acquisitions or Acquisitions of Shares of Other Companies and Issuance of New Shares: None.

8. Implementation of the Funds Utilization Plan:: None.

General situation of operation

I. business content

(1) Scope of business

1. The main contents of the business

(1) Trading of various machinery and hardware equipment.

(2) Trading of various mechanical parts and tools.

(3) Manufacturing, processing and trading of semi-finished products of flat knife grinder and flat knife grinder.

(4) The design, manufacture, processing and trading of working machines, chemical machinery, mining machinery, hydraulic machinery and other various machinery.

(5) Design, manufacture, processing and trading of various machines.

(6) Design, manufacture, processing and trading of various furniture and kitchenware.

(7) Bidding and contracting for the previous installation projects.

(8) Trading of chemical raw materials (non-toxic).

(9) Import and export trade and agency business of the previous related products.

(10) Leasing of the previous mechanical products.

(11) Printing of the previous mechanical products.

(12) General import and export business (except licensing business).

2. Operating proportion

Unit: NT\$ 1000

Item	107 years	
	Turnover	Operating proportion
Machinery	4,198,125	85.58%
Plate material	707,109	14.42%
Combined meter	4,905,234	100.00%

3. The Company's Current Commodities

(1) Machinery: Computer Numerical Control Machining Center and all kinds of computer numerical control industrial machinery (applicable to metal and nonmetal) and computer surface grinding machines and related cutting tools, spare parts, printed circuit board drilling machines, forming machines and testing machines.

(2) Board: wood, melamine board and building materials, but in order to position the company as a professional machinery company, Yude Industrial Co., Ltd. was established in May 2013 with a transfer of NT\$ 50 million to undertake the business of the Board Division of the company and to operate the board business on a full-time basis. It has been officially opened since August 2013.

4. New commodities planned to be developed

Precision Machinery Factory:

1. Development of NC Series Automatic Loading and Unloading and Finishing Machine
2. Development of High Precision Spindle Head Group (Torque Motor Version)
3. Development of high-speed and high-precision thin aluminum plate processing machine
4. Development of fully automatic six-sided plate drilling machine

Jet Printing Machinery Factory:

5. Development of Stereo Digital Jet Printing Two-fluid Environmental Protection Leather Technology
6. Development of Aerospace Composite Cloth Cutting Machine
7. Development of concise inkjet printer series

Spindle factory:

8. HSK63F DC central jet spindle development
9. HSK63A spindle development
10. Development of M36 Grinding Spindle

Electronic machinery factory

11. Refined Development of Molding Machines
12. Refined Development of Laser Product Line
13. Automation integration design and development

Monforts factory in germany

14. Improvement and Development of Axis B and Axis C of Unicen Aerospace Processors
15. Development of New Unicen Aerospace Processing Machine

(2) general situation of the industry

1. The current situation and development of the industry

A. application of machine tools in woodworking industry

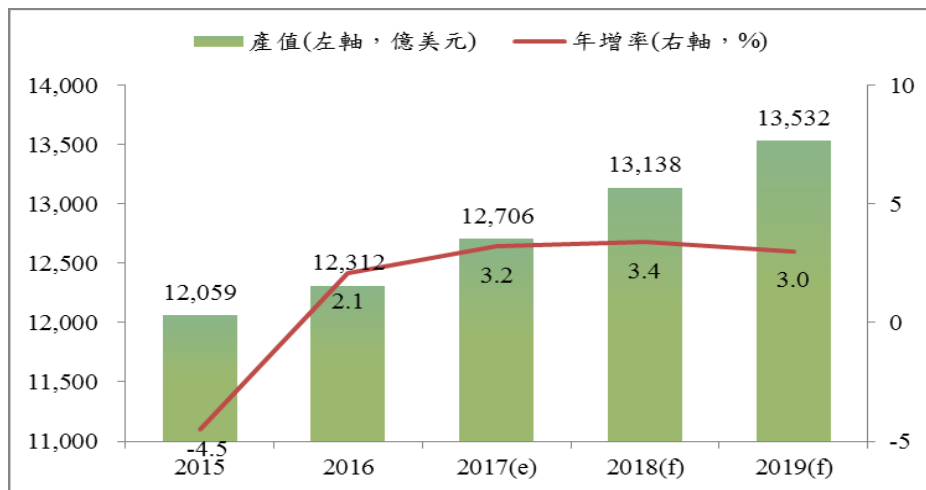
Home furnishing industry has existed since human beings began to build rooms. The development of modern industry and technology has made this industry constantly update in materials and production technology. The more highly developed the economy is, the higher the requirements of human beings for home furnishing quality are. Therefore, home furnishing industry is an indispensable industry to meet human beings' four basic needs of food, clothing, housing and

transportation. Since the household industry is indispensable, the necessary raw material for this industry-board will not be completely replaced in the foreseeable future, while Taiwan is an area lacking natural resources, and its demand for board will always depend on imports. Looking around Taiwan and the advanced countries in the world, after the national income has increased year by year, human beings have developed towards comfortable, exquisite and beautiful home environment and articles in addition to the basic needs of living. Therefore, a small variety of products is an inevitable trend. However, traditional manpower and processing machinery, either due to the rise of labor consciousness and the rise of wages, or due to the lack of mechanical precision, cannot effectively and economically meet the needs of consumers. Instead, it is the computer numerical control working mother machine combined with high-precision electronic technology. In addition, the vigorous development of modern materials science has not only diversified the materials of the home industry, but also made many other industries such as electronics, sculpture, mold, sports equipment, plastics, etc. However, if these industries want to produce products with economic benefits, none of them need to use computer numerical control machines in the manufacturing process.

The mechanical industry is the cornerstone of a country's industrial development. Its technological evolution represents a symbol of a country's national strength. The mechanical industry covers almost all human needs and is widely used. The machinery industry is the mother of industry. It plays a key role in the development of industry and in the process of promoting economic growth and foreign trade. The motive force of research and development, production, manufacturing and service required by industrial development is mechanical equipment. Its characteristics are closely related to the development of various downstream application industries such as aerospace and national defense industries, automobile industries, general machinery and metal processing industries. Therefore, the development of the machinery industry has a profound impact on the expansion of Taiwan's overall industrial output value and the enhancement of its added value. Household industry is the basic industry of human beings. On the whole, as long as industry is more advanced, it cannot be independent of machinery. As long as human beings exist, household needs will inevitably occur and relevant materials will always exist.

Affected by the financial tsunami and the European debt crisis in the past few years, the global machinery industry is in a depressed state and its output value is also in a declining state. However, as the financial tsunami and the European debt crisis gradually fade away, the global economy is beginning to warm up and encourage enterprises to invest. The Taiwan Economic and Social Council pointed out that the global machinery industry will resume growth in 2016, with its output value reaching US\$ 1,231.2 billion, with an annual growth rate of 2.1%. In addition, the U.S. has begun to implement measures such as scale reduction and interest rate increase, while other major economies have stopped adopting quantitative easing and switched to a gradual and steady monetary tightening policy. This shows that the global economy has obviously improved. It is estimated that the global machinery industry output value will reach 1,353.2 billion U.S. dollars in 2019, maintaining a moderate growth trend.

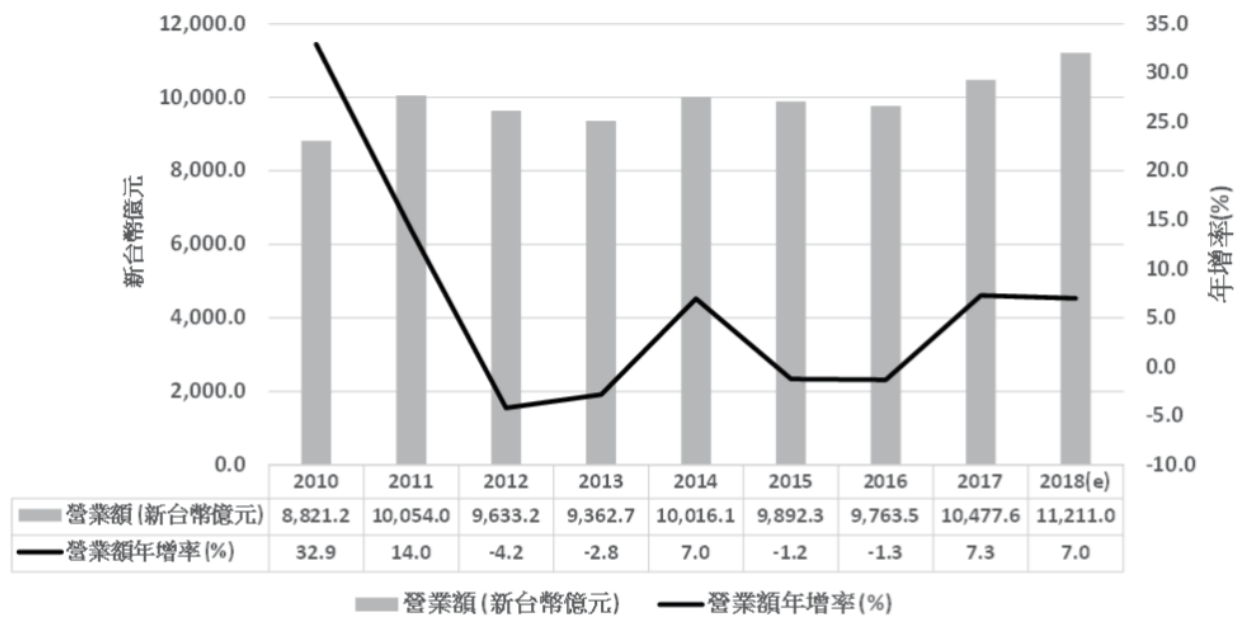
Output Value and Annual Growth Rate of Global Machinery Industry from 2015 to 2019



Source: 2017 machinery industry yearbook (technical department, Ministry of economy)

On Taiwan's side, in recent years, the domestic machinery industry has been slowed down by the global economic growth and the conservative investment of enterprises. In addition, Japanese Prime Minister Shinzo Abe started to promote "Abenomics" after taking office, resulting in a sharp devaluation of the Japanese yen, which seriously threatens the export competitiveness of Taiwan's machinery industry, especially the machine tool industry. On the other hand, in order to foster the local machinery industry, China has been more active in promoting the import substitution of machinery industry after the 12th Five-Year Plan. At the same time, it has also impacted the export performance of Taiwan's machinery industry, resulting in a relatively sluggish situation in Taiwan's machinery industry in recent years. The Taiwan Economic and Social Council pointed out that the turnover of Taiwan's machinery industry in 2016 was about 976.4 billion yuan, down 1.29% from 2015. However, since 2017, in response to a marked improvement in the global economy and China's reversal of the previous import substitution policy, it has also expanded its import procurement. Meanwhile, the return of US manufacturing industry has led to a significant increase in export orders for Taiwan's machinery industry. In addition, under the government's push for a break to force enterprises to increase equipment to improve production efficiency. As a result, the sales scale of machinery and equipment has increased significantly, so the turnover of Taiwan's machinery industry is expected to rise to 1,121.1 billion yuan in 2018, with an expected increase of about 7.0%. In 2019, it is expected that the global economy will continue to benefit from the improvement. Driven by the increase in equipment spending by international enterprises, the output and sales value of Taiwan's machinery and equipment manufacturing industry will be increased, and the growth trend in 2018 is expected to continue.

Turnover and Annual Growth Rate of Taiwan Machinery Industry from 2010 to 2018



Source: Economic Statistics Department, Taiwan Economic and Technological Institute's Economic and Technological Database Estimate, Journal of Mechanical Industry

B. application of machine tools in the steam industry

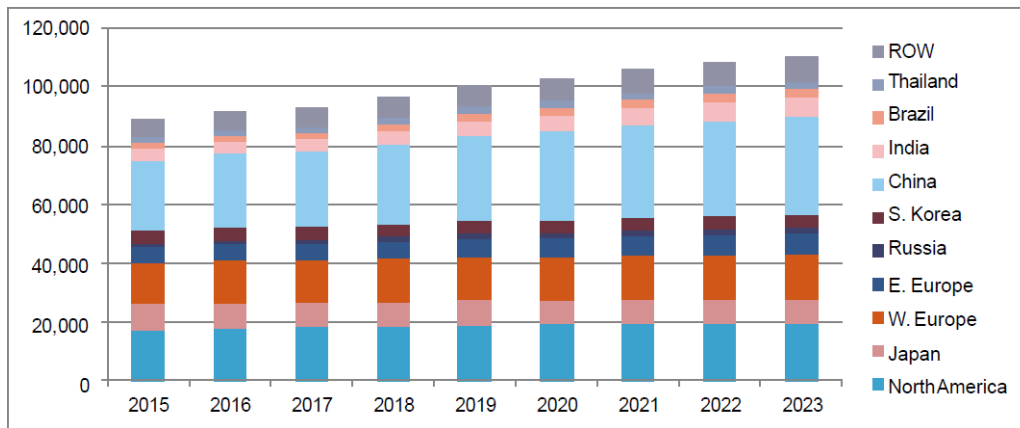
The application industry of Taiwan's machine tools has gradually covered national defense, aerospace, steam, 3C, semiconductors, rail vehicles and so on from its early classified processing. It has a wide range of applications. Due to the complicated manufacturing process of machine tools and the huge components required, it must rely on the supply of co-factories. In addition to the controller in the upstream, the rest includes transmission and air-pressure components, classified components, cast iron, tool magazine and so on. Taiwan's machine tools industry has a complete intermediate system, and the upstream and downstream are closely related, so the original supply can be self-sufficient.

At present, Taiwan's machine tool manufacturers are mature in the application of turbine components, accounting for 30-60% of the revenues of many manufacturers, including cylinders, crankshafts, safety rods, molds, disc brake discs, tire molds and aluminum rings, etc., which can be scaled up and produced accurately through machine tools. Apart from this, Taiwan's tool factories in the aerospace and shale oil fields have also begun to import products.

According to the forecast of OICA of the World Auto Organization, the global auto industry market will maintain a stable growth trend in the future. Global auto sales will reach 100,000,000 vehicles in 2019, mainly driven by the demand of emerging markets and ASEAN countries. Although China has turned to medium-low speed growth, due to its large overall market size, it still has a high impact on the market. 2023 Global demand for automobiles will further increase to 110,000 vehicles, including China's huge consumption scale and the economic growth of Brazil, India and Southeast Asian countries among the four brick countries, which will provide abundant automobile consumption routes.

Global marketing from 2015 to 2023

Unit: 1,000

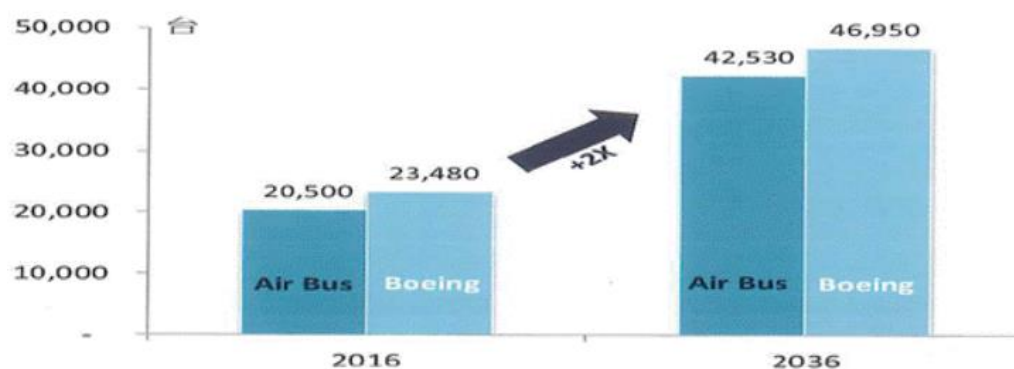


Source: OICA, LMC, IEK of ITRI (2017)

C. application of machine tools in aerospace industry

According to the forecasts of Airbus and Boeing, the world's two major aircraft manufacturers, the global fleet will double to 42,530 and 46,950 respectively in 2036, with the Asia-Pacific region as the largest market and single-aisle aircraft as the mainstream, accounting for more than 70% of the world's newly added aircraft. The main momentum of growth comes from cheap aviation. As its cheap air tickets and the growth of consumption in tourism-related industries in the world economy have pushed up the demand for aviation tourism, the company's composite material processing machines and metal processing tools can be applied to the aerospace industry. Therefore, in recent years, the company has extended the industry to the aerospace-related supply chain industry through overseas mergers and acquisitions. Starting from 106 to show the combined effect, it is expected that the company's aerospace related application tools will grow with the high growth momentum of the international aerospace industry.

Two Major International Airlines Predict Global Fleet Numbers in 2016-2036



Source: Boeing, Airbus (2018 January 2018)

2. The relevance of the upper, middle and lower reaches of the industry

A. precision machinery and plate industry

The manufacturing process of precision machinery in Taiwan is mainly started from product design and development, followed by outsourcing procurement and quality inspection of relevant

components, and then through precision assembly and testing. The mechanical assembly part can be roughly divided into three stages, namely, electrical assembly, mechanical assembly and software application (CNC models are applicable). The upstream is mainly machinery, motor component suppliers and information industry with professional division of labor, while the downstream is the industry of non-ferrous metal material processing and application. The correlation between the upstream and downstream industries of precision machinery and its peripheral products sheet industry is as follows:

Shipping industry

B. electronic machinery industry

Go upstream

Swim down

Industrial computer industry

Motor industry

Electrical components

Computer industry

Steel industry

machine industry

Mechanical processing industry

Metal products industry

Air oil pressure industry

Granite industry

Plastic industry

Transport machine

Software Information Industry

Testing system industry

Optical instrument industry

Photographic equipment

Electric assembly

Mechanical assembly

Software application

Electronic machinery industry

Baseboard industry

Printed circuit board industry

Computer industry

Telefax industry

Auto industry

Consumer goods

Packaging industry

Semiconductor industry

Passive component industry

Medical electronics industry

LCD industry

optoelectronics industry

Military use

Visual inspection

3. Various development trends of products

(1) machinery:

A. precision machinery

The prices of the computer numerical control machining centers produced by our company are mostly between US\$ 100,000 and US\$ 200,000. They are mainly designed and manufactured according to the different processing requirements of non-metallic fiber materials such as cutting, grinding, drilling and cutting, etc. during the production process of customers. Their functions can be processed in five axes at most. In the future, with more complex changes in industrial products, the five-axis processing center is likely to become a high value-added model that the market is chasing. In addition, due to the rise of computer numerical control machining centers, all walks of life in developed countries and developing countries, where labor costs are increasingly high, are pondering how to replace old semi-artificial machining machines with more automated, more precise and faster modern machines to produce more competitive products. After more than ten years of research and development, the company has a solid foundation in technology. In addition to being able to meet various customers' more demanding demands for five-axis processing machines in processing centers, the company also provides the expectations of small and medium-sized enterprises for automation machines in industrial upgrading. Therefore, the CNC machining center

is no longer only the demand of large-scale manufacturing industry and precision industry, but also a comprehensive and indispensable model in industrial upgrading. This trend will enable the company's machinery development space to create more mass-produced models priced below US\$ 100,000 and advanced models with special specifications priced above US\$ 200,000.

In addition, through the global merger and acquisition layout, the company successfully expanded the existing high-end five-axis composite precision machine tools from woodworking and composite processing equipment markets to aerospace and automotive applications after acquiring the German precision machine manufacturers Monforts and Matec in August 104 and March 106 respectively. The products are mainly customized machine tools, including CNC rotary working machines, moving column type machine tools and gantry series machine tools, etc. The applicable materials are expanded from woodworking and composite materials to steel and other non-ferrous metals, etc.

B. electronic machinery

The output value of printed circuit boards on both sides of the Taiwan Strait occupies a leading position in the world. One of the main processing machines of printed circuit boards is drilling machines and forming machines. Such machines are characterized by high precision, high rotation speed and large amount of processing by users. Therefore, the demand for stability is also high. In an environment of huge market and fierce competition, it is the future development trend to reduce costs and cooperate with customer process technology to continuously improve product quality.

(2) Board: Taiwan's natural fiber board materials for furniture and building decoration are almost 100% imported due to Taiwan's environmental protection policy prohibiting deforestation. In the early days, all kinds of solid wood were used as the main raw materials. In the past ten years, OA office furniture and European kitchenware were favored by consumers, making the raw materials of U.S. plywood increasingly common. In the future, as consumers and the government attach great importance to public safety, raw materials made of fireproof materials will play a very important role in the market. In order to position the company as a professional machinery company, yude industrial co., ltd. was established in may 2013 by transferring investment of nt \$50 million to undertake the business of the board division of the company, to operate the board business on a full-time basis, and to officially operate since August 2013.

4. Competition

(1) machinery:

A. precision machinery

The main machine type produced by our company is the computer numerical control processing center with the highest added value among woodworking machines. There are very few peers producing similar products in China, and its scale is still insufficient to compete with our company. Therefore, almost 90% of our products are in the domestic market. The output value of China's woodworking machines ranks fourth in the world after Germany, Italy and China, while the export value surpasses Japan and ranks fourth in the world. HOMAG, IMA, MARKA and REICHENBACHER ; of Germany are among the well-known woodworking machinery factories in Germany and Italy that produce similar models to our company. Italian CMS, scm; KOMO, etc. In order to expand the export market, the company has set up subsidiaries in Germany and the United States to market nearby and provide after-sales service, which has already occupied a place in the European and American markets. In addition, with excellent and stable quality and flexible marketing strategy, the company has become the import brand with the highest sales volume in the

U.S. market. The most important problems Taiwan woodworking machinery currently faces, such as the lack of international marketing talents to face the European and American markets, how to strengthen the management of the mainland market and reduce the threat of mainland woodworking machinery to Taiwan products, the appreciation of the Taiwan dollar, and how the industry should respond, are all issues of concern to the industry. The company has a wide range of precision machinery applications and a wide variety of types. In addition to stabilizing the existing channels, the company will continue to deepen its cultivation in mainland China, Southeast Asia and Brazil, and develop the Indian market to design models suitable for the local market and sell them through agents. Mainland factories are actively setting up new marketing service bases, developing new models suitable for local customers' grades, and striving for the domestic market. Taiwan factories continue to develop high value-added products to increase profits. The signing of ECFA will help the machinery and equipment industry to expand the mainland market. In addition, inkjet printing machinery is a new product of the company in the past 3 years. A special department will be set up in the Chinese language area to extend the successful application experience to furniture decoration and advertising industry in mainland China and Southeast Asia. In addition, combined with market demand, customized spray painting equipment for specific applications is developed to seize new market opportunities.

In addition, after acquiring German precision machinery manufacturers Monforts and Matec through global mergers and acquisitions, the company has successfully introduced the existing high-end five-axis composite precision machine tools into aerospace and automotive applications. The products are mainly customized machine tools, including CNC rotary working machines, moving column type machine tools and gantry series machine tools. Its main customers include aircraft manufacturers Airbus and Boeing, and automobile manufacturers BMW, Volkswagen and Rolls Royce to expand aerospace and automotive markets.

B. electronic machinery

The company's main products in electronic machinery are printed circuit board drilling machines and molding machines. At present, the products with highly recognized quality and extremely high market share are the cumulative results of more than 20 years of research and development technology. The main shaft of its main components has been successfully developed and partially self-made, which will effectively reduce costs. In the future, the self-made rate of other key components will be expanded to become the largest competitive niche. At present, PCB industry has been relocated to the mainland in large quantities. The company has marketing service bases in Shanghai, Beijing and Shenzhen on the mainland, which can quickly meet the needs of customers and create competitive advantages. As the global financial tsunami gradually recedes, the printed circuit board industry expands its equipment procurement business opportunities, and mainland China continues to promote the policy of expanding domestic demand, the company will continue to train production, marketing and service personnel in all directions, and set up additional service bases to meet customer needs so as to expand its market share.

(2) Plate: The plate market has many competitors due to low barriers to industrial entry. Among them, U.S. resistant plates are all supplied from Europe. Although there are markets in Taiwan in regions rich in forest resources in the world, wood is still mainly American wood. The Company has subsidiaries in Europe and America, which have advantages over peers in terms of supply and price, and has established complete computer connection storage and transportation centers and sales networks in Taipei, Taichung and Kaohsiung in China. In order to integrate sheet stock management, the company has completed the establishment of a domestic delivery center to centralize the stock scattered in warehouses in northern, central and southern Taiwan to reduce storage costs. However, most of the competitors are still regional family or individual companies, which is not enough to cause great competitive pressure on the company.

(3) Technology and R&D Overview

1. Technical level

Looking forward to the development trend of industrial machinery in the future, it will gradually move towards automation and computerized machinery. The company's efforts and equipment invested in research and development and design over the years will be the driving force for the development of new models in the future. In terms of precision machinery, the company has successfully developed various types of CNC five-axis processing machines, AIR PAD, water-cooled high-speed spindles, movable column five-axis machines, inclined five-axis machines, CAD/CAM software and other research and development achievements in recent years. In terms of electronics and machinery, over the years, the company has successively developed printed circuit board drilling machines, molding machines, and letterpress machines, etc. This clearly shows the company's efforts in developing key components and its strength in developing new products. After the design and development of precision machinery and electronic machinery and the purchase of components, the intermediate process requires careful assembly and precision testing by professional technicians. The company has a very low turnover rate of technical quality control personnel and attaches great importance to the professional training of personnel. Besides the domestic academic machinery training courses, it also provides opportunities for foreign machinery professional seminars. Its years of training and accumulated professional and technical experience have made the company the first precision machinery factory in China to pass the German ISO-9001 certification and the European CE certification.

Judging from its global management and industrial trend, the company has set up marketing bases in the north, central and south since 66, opened a new marketing model of "woodworking machinery province tour exhibition", and set up subsidiaries in Europe, America and Singapore since 82. it uses computerized management system to master the control processes of production, sales and material management, carefully selects niche products and applies product sales strategies through the response of international market information. Since 1986, the company has invested more in the research and development of electronic machinery. As Taiwan is the world's third largest PCB producer and is close to the mainland market, and the after-sales service of the machinery industry has always been one of the factors that customers decide to purchase, the company will be able to provide integrated technical information services to customers due to its close proximity to the market, making the company more conducive to the internationalization of the company.

2. Research and development

The company attaches great importance to research and development. It has a research and development department and an electronic control design department, a mechanical design department, a spindle room and a software application group.

Research and Development Expenditure and Its Results in the Last Two Years and Up to the Date of Publication of the Annual Report

Unit: thousand yuan

Years	Amount of gold	Research and development results

106 years	79,029 (Note 1)	The Development of Crossing Light Machining Machine Development of High Speed Multi-head Drilling Machine Development of Machine Networking System Development of Intelligent Machined Door Panel Production Line UV kitchen cabinet box spray printing automation Development of UV Board Edge Spray Printing Automation Machine Development of Rigid Tapping Function of Permanent Magnet Spindle
107 years	81,786 (Note 1)	Development of Flexible Head Group Machining Machine Development of NC Series Automatic Loading and Unloading and Finishing Machine Development of Beginner Five-Axis Machine (Fagor Controller) Development of High Precision Spindle Head Set Development of Permanent Magnet High Speed Spindle Development of Wide Monochrome Rapid Jet Printing Automation Line
As of the date of publication of the annual report	-(Note 2)	Development of NC Series Automatic Loading and Unloading and Finishing Machine Development of High Precision Spindle Head Set (Torque Motor Version) Development of High Speed and High Precision Thin Aluminum Plate Processing Machine Development of Fully Automatic Drilling Machine for Hexagonal Plate Development of Stereo Digital Jet Printing Technology for

		Two-fluid Environmental Protection Leather Development of Aerospace Composite Cloth Cutting Machine Development of Concise Ink-jet Printer Series HSK63F DC central jet spindle development HSK63A spindle development Development of 1M36 Grinding Spindle Refined Development of Molding Machines Refined Development of Laser Product Line Automation integration design and development Improvement and Development of Axis B and Axis C of Unicen Aerospace Processing Machine Development of a New Unicen Aerospace Processing Machine
--	--	--

Note 1: The consolidated financial statements audited, certified or reviewed by a certified public accountant.

Note 2: As of the date of publication of the annual report, there is no financial information that has been audited, certified or reviewed by a certified public accountant recently.

(4) Long-term and short-term business development plans

1. Short-term plan

(1) Production

A. in response to the increasing application of precision machinery and the booming development of Taiwan's electronics industry, the company plans to increase the production capacity of various electronics manufacturers. it is expected that the demand for electronic equipment and precision machinery will increase accordingly, while the company's existing production capacity is slightly insufficient. therefore, the company plans to increase the production plant area and raw material warehouse for mechanical assembly, with a view to increasing the output and strengthening the competitiveness.

B according to the sales situation and market survey results, besides order-based production, several standardized and standardized models are designed according to the production capacity, and planned production schedule is adopted to improve the production capacity utilization rate, reduce the production cost, and increase the market share based on the product price and performance advantages.

C considering the cost and the huge demand for cutting tools in mainland China, the company expects to move cutting tools production to the mainland for production by subsidiaries. the original

cutting tool factory building will be used as a precision machinery and electronic machinery components processing plant in order to master the quality of mechanical components and reduce costs.

(2) product research and development capability

A. strengthening research and development of key components

High-speed spindle: Based on self-developed technology and in cooperation with the Institute of Machinery of the Institute of Industry and Research and academic circles, the company has developed an air-cooled 10Hp, 24000rpm high-speed spindle and uses a grease lubrication method of higher-level technology. In the short term, the company will continue to complete 15Hp, 24000rpm oil mist, grease and other products.

High feed speed: saving time in cutting feed and moving process will be one of the future trends. The company plans to invest in research and development of feed technology to enhance product competitiveness.

B. research and development of new product lines

The following new products are developed through core technologies and foreign technical cooperation:

A. development of flexible head assembly processing machine

B. development of nc series automatic feeding and discharging wire trimming machine

C. development of entry-level five-axis machine (Fagor controller)

D. development of high precision spindle head assembly

E. development of permanent magnet high-speed spindle

F. development of wide-width monochrome rapid jet printing automation line

C. in addition to the continuous implementation of staff education and professional skills training and the irregular arrangement of staff to participate in international technical study courses to enhance the professional quality of staff, it is also planned to recruit professional engineers in technology, science and technology and other fields into the research and development team.

(3) Marketing strategy

A strengthen the market development capability of overseas subsidiaries in Europe, the United States, southeast Asia and the mainland, recruit more business and technical personnel, and provide fast and good sales and after-sales services. In addition, information on the development of new product markets and applied technologies is collected locally to provide reference for manufacturing, design and research institutes.

B. to set up additional sales service bases at home and abroad, in addition to providing product sales and after-sales service nearby to meet customer needs and strengthen the image of its own brand, and to provide new product information at any time through the collection and mastery of regional

market information, so as to play the interactive function of research and development and coordination of production and marketing.

(4) management

A. Establish a global information network and a video conference system for real-time management to save management costs.

B. strengthen inventory and accounts receivable management, reduce capital demand and reduce capital cost.

2. Long-term development plan

(1) Production

A. the company expects to gradually increase the proportion of CNC machinery production, so that the company's own brand machinery can be sold at home and abroad to increase the market share and expand the domestic machinery production plant to increase the machinery production capacity.

B based on the factors of regional production and consumption, the implementation of possible international protection policies in the future and the close access to the market and other factors, the company plans to find suitable overseas assembly plants, make use of local production resources nearby and reduce production costs in order to increase the depth and breadth of product lines and enable the company to become a professional CNC machine manufacturer with international reputation.

(2) product research and development capability

A. Continue to develop new functions or key components of CNC machinery, and seek to replace imported related components, so as to strengthen the technical capability of CNC machinery manufacturing and improve product quality.

B. through the successful development and mass production of machines such as printed circuit board drilling machines and forming machines, the company has successfully expanded into the field of electronic machinery. with the booming development of the electronic industry, the demand for related electronic machinery will increase relatively. the company's future plans and cooperation with the machinery institute of the institute of technology and other related units are aimed at the development of a series of related machinery in the electronic industry, such as motherboard, semiconductor and other related electronic machinery and equipment. it is expected to cooperate with the national economic development policy to replace imports with self-made machinery and enhance the national competitiveness.

(3) Marketing strategy

In addition to strengthening the sales performance of marketing locations in various regions of the world, considering the number of sales customers in various regions, installation technical guidance and after-sales maintenance services and other factors, it is planned to set up technical support centers in key overseas market regions to provide technical and parts services nearby to meet customer needs and maintain the company's quality image.

(4) management

In the future, planning overseas subsidiaries and overseas assembly plants to carry out computer connectivity operations will not only manage the general situation of overseas reinvestment businesses in real time, but also help product marketing, cost control and fund management operations. Taiwan's head office will be upgraded to a research and development, manufacturing and financial control center. In addition, it will be able to quickly grasp market information, new product design and technology, and market strategies from all over the world to cope with the complex and changeable environment of the global economy. Such a management mode can pave the way for future multinational enterprise management.

II. General Situation of Market and Production and Marketing

(A) Market Analysis

1. Sales (provision) areas of major commodities (services)

The company is mainly engaged in precision machinery, electronic machinery, metal cutting tools, plates and other products. The main distribution areas are as follows:

Unit: NT\$ 1000

Land classification	107 years
Taiwan bay	1,100,245
China	1,273,611
Germany	885,647
The United States	622,354
Basie	133,845
Australia	129,859
Thailand	15,736
Others	743,937
Combined meter	4,905,234

2. Major competitors

(1) Precision machinery: There are many kinds of precision machining machinery products, and most of them are small-scale manufacturers in China. Most of them can only produce or sell some models. According to the list of manufacturers of China Woodworking Machinery Development Association, domestic manufacturers that manufacture or sell CNC machinery on their own or on their behalf include China National Machinery Corporation, Changfeng Corporation and Gaomao Corporation in addition to Ender. As for the famous precision processing machine factories in

Germany and Italy that produce similar models with our company, there are Germany's HOMAG, IMA, MARKA, REICHENBACHER, Italy's CMS, SCM, KOMO and other companies in the United States.

(2) Electronic machinery: well-known foreign manufacturers of PCB machinery include HITACHI of Japan and SCHMOLL of Germany, while Taiwan's peers include a large number of companies, such as Long Ze and Dongtai.

3. The future supply and demand situation and growth of the market

mechanical

(a) precision machinery

The company's precision machinery is mainly computer numerical control metal, non-ferrous metal and composite material processing machines, mainly divided into woodworking machinery, composite material processing machinery, and metal processing machinery. The mechanical specifications are as follows:

(a) woodworking machinery

The company is mainly the computer numerical control machining center and spindle with the highest added value in woodworking machinery. There are very few peers producing similar products in China, and the scale is still insufficient to compete with the company. Therefore, 90% of the domestic market share is the company's products. Taiwan's woodworking machinery used to be mainly sold in domestic markets. With the relocation of furniture and woodworking industries to Southeast Asia and the mainland, Taiwan's woodworking machinery has now become the most important market for Taiwan's traditional woodworking machinery. Computer numerical control and automation machinery have always been dominated by Europe and the United States. In recent years, there has been a trend of increasing demand in Southeast Asia. DIY machinery has always been export-oriented, with North America and Europe as the main markets in the region, which can be distinguished by the differences in target markets. According to customs export statistics, the main export markets are North America (United States and Canada), the mainland and Southeast Asia (Vietnam, Malaysia, Indonesia, Thailand, etc.) (see the table below). Most of them are DIY machines such as low-price sawing machines and woodworking lathes, and the second is processing machines with high added value. Apart from the main export markets for woodworking machinery, developing countries such as India, Turkey, Russia and Eastern Europe are another emerging market for Taiwanese machinery manufacturers to export.

Taiwan woodworking machinery has become the world's third largest exporter after Germany and Italy since its annual output value exceeded NT\$ 10 billion in 82 years. After Taiwan's woodworking machinery moved out of Southeast Asia and mainland China along with the building materials and furniture industry, European and American countries also moved their production bases here. Therefore, the demand for woodworking machinery in the region has grown dramatically. As Southeast Asian countries and mainland China are both Chinese-dominated industrial and commercial development, and their cultures and living habits are similar, Taiwan has successfully opened up the export market here. In recent years, due to vicious competition in the domestic industry, the profit situation is not good, resulting in a decline in the proportion of Southeast Asian exports. On the other hand, the value of exports to mainland China has grown substantially. The region's demand for construction and decoration industries has driven the development of woodworking machinery industry. In the past few years, it has been the second

largest market for woodworking machinery exports after the United States, but it has surpassed the United States and ranked first in Taiwan's exports since 1999.

However, the world's most representative export countries such as Germany, Italy and Taiwan are still exporting less because the United States is currently dominated by the North American market, while the three countries of Germany, Italy and Taiwan, Taiwan and Italy have more intense export competition.

Ranking of Major Importing and Exporting Countries (Regions)

Unit: %

	2013年	2014年	2015年	2016年	2017年1~7月
前五大進口國	日本(26.65)	日本(34.05)	中國(30.01)	中國(37.31)	中國(42.42)
	中國(25.82)	中國(22.79)	日本(24.88)	日本(25.44)	日本(29.95)
	德國(12.68)	德國(11.19)	德國(15.25)	德國(15.58)	德國(10.79)
	瑞士(9.16)	英國(7.37)	南韓(6.63)	義大利(5.9)	義大利(5.28)
	英國(7.7)	美國(4.97)	英國(6.06)	瑞士(4.12)	美國(2.4)
前五大出口國	美國(34.78)	美國(36.11)	美國(37.76)	美國(42.22)	美國(40.8)
	中國(17.73)	中國(20.62)	中國(15.49)	中國(14.34)	中國(16.96)
	越南(5.26)	越南(5.2)	越南(6.89)	越南(7.4)	越南(6.17)
	加拿大(4.22)	加拿大(4.36)	加拿大(5.05)	加拿大(4.75)	加拿大(5.05)
	泰國(3.99)	印尼(3.49)	印尼(3.29)	德國(2.94)	德國(3.95)

Source: Data of import and export tapes from the Customs of the Republic of China, collated by the Taiwan Economic and Technological Institute's Economic and Technological Database (2017/8).

(b) Composite material processing machinery (applicable to the processing of supply chain equipment and car bodies related to automobile and aerospace industries)

The application industry of Taiwan's machine tools has gradually covered national defense, aerospace, steam, 3C, semiconductors, rail vehicles and so on from its early classified processing. It has a wide range of applications. Due to the complicated manufacturing process of machine tools and the huge components required, it must rely on the supply of co-factories. In addition to the controller in the upstream, the rest includes transmission and air-pressure components, classified components, cast iron, tool magazine and so on. Taiwan's machine tools industry has a complete intermediate system, and the upstream and downstream are closely related, so the original supply can be self-sufficient.

At present, Taiwan's machine tool manufacturers are mature in the application of turbine components, accounting for 30-60% of the revenues of many manufacturers, including cylinders, crankshafts, safety rods, molds, disc brake discs, tire molds and aluminum rings, etc., which can be scaled up and produced accurately through machine tools. Apart from this, Taiwan's tool factories in the aerospace and shale oil fields have also begun to import products.

According to the forecast of OICA of the World Auto Organization, the global auto industry market will maintain a stable growth trend in the future. Global auto sales will reach 100,000,000 vehicles in 2019, mainly driven by the demand of emerging markets and ASEAN countries. Although China has turned to medium-low speed growth, due to its large overall market size, it still has a high impact on the market. 2023 Global demand for automobiles will further increase to 110,000

vehicles, including China's huge consumption scale and the economic growth of Brazil, India and Southeast Asian countries among the four brick countries, which will provide abundant automobile consumption routes.

(c) Metal processing machinery (mainly applied to customers in aerospace industry and automobile industry)

As it takes time for the aircraft to be ordered to be handed over, the boom cycle of the aerospace manufacturing industry is slower than that of the demand-side air transport industry, but it is still closely related to the global overall economy and air passenger transportation. According to the market forecast reports of Airbus and Boeing, the average annual growth rate of air passenger turnover in the next 20 years (2015-2034) will be 4.6%~4.9%, while the global demand for new passenger aircraft will be about 32,000~38,000, with a market value of US\$ 4.9 trillion to 5.6 trillion. Among them, the Asia-Pacific region has the strongest demand for new aircraft, with 40% of its output value contributing to business opportunities in aerospace manufacturing.

(b) electronic machinery

The company's main products are forming machines and drilling machines for printed circuit boards. Electronic products are changing with each passing day, and their applications are becoming more and more extensive. For example, 3C integration trend products, HDTV, LCD TV, multimedia sound effects, video products, high-speed network interface cards and various IC cards are on the market one after another. Personal computers and notebook computers are growing rapidly with the continuous improvement of CPU level, and their computer peripherals are still growing in the future Due to the continuous growth of various electronic product markets, the printed circuit board industry, which provides electronic component support and interconnection lines, is also growing steadily. There are many printed circuit board products, and many people are engaged in the production and marketing of this product in China. The main products of our company are forming machines and drilling machines for printed circuit boards. In 2013, the global output value of printed circuit boards (PCB) was 18.6 billion US dollars, of which the total output value of mainland China, Japan, Taiwan and South Korea exceeded 80%. China, Japan, Taiwan and South Korea can be regarded as the most important bases for PCB production in the world. It shows that manufacturers in all regional markets have recovered from the last recession. The Taiwan PCB Association (TPCA) and IEK estimate that the output value of Taiwan PCB industry will reach 651.4 billion yuan in 2018, up 5% from 2017. In addition, as the PCB industry moves towards industry 4.0, the use of ICT hardware, software and system integration technology to make factory production behavior have the characteristics of sensing networking, data collection and analysis, artificial intelligence and virtual-real system integration and man-machine cooperation, etc. will lead the industry to achieve "intelligent manufacturing", optimize the capacity allocation and production links of production lines, independently adjust the supply and distribution of upstream and downstream, and track production history in real time. The forming machines and drilling machines currently produced by our company will also grow with the growth of the printed circuit board industry in the future.

board

The company's board products mainly include wood, various high-grade building materials and melamine board. The current market demand value of such products is estimated to be about 5 million yuan. The company's sales have shown a return to warm after the financial turmoil. The company will continue to focus on developing new products and strengthen sales promotion in cooperation with suppliers to increase the revenue of board products.

4. Competitive niche

A. planning and flexible production, grasp the market opportunities

The company has accumulated many years of research and design experience in CNC machines. Apart from flexible design to meet the diverse market demands and meet the processing demands of different customers, the company also induces, analyzes, develops and designs modular production of mechanical functions to reduce costs and shorten the time for mechanical development. The products have the advantages of price, speed and flexibility, and make full use of CNC precision machinery technology to take the lead in entering the electronic machinery market and grasp the opportunities in the future machinery market.

B. strong research and development strength, the products have won many awards.

Looking forward to the development trend of industrial machinery in the future, it will gradually move towards automation and computerized machinery. The company's efforts and equipment in research and development and design over the years will be the driving force for the development of new models in the future. In precision machinery, the company has successfully developed such research and development achievements as "WOOD CAM Software", "Polo Flower Engraving Machine CAD/CAM Software" and "10Hp/2400rpm Spindle" in recent years. In electronic machinery, the company has successfully developed the first "Printed Circuit Board Drilling Machine" in China.

C. precise assembly technology and quality control, stable product quality

After the design and development of precision machinery and electronic machinery and the purchase of components, the intermediate process requires careful assembly and precision testing by professional technicians. The company has a very low turnover rate of technical quality control personnel and attaches great importance to professional training of personnel. In addition to the domestic academic machinery training courses, it also provides opportunities for foreign machinery professional seminars. With years of training and accumulated professional and technical experience, the company has become the first precision machinery factory in China that has passed the German ISO-9002 certification and the European CE certification.

D. smooth domestic and foreign marketing networks and integrated services

Judging from the company's global management and industrial trend, it has set up marketing bases in the north, central and south since 66, opened a new marketing model of "woodworking machinery province tour exhibition", and set up subsidiaries in Europe, America and Singapore since 82. it uses computerized management system to master the control processes of production, sales and material management, carefully selects niche products and applies product sales strategies through the response of international market information. Since 1986, the company has invested more in the research and development of electronic machinery. As Taiwan is the world's third largest PCB producer and is close to the mainland market, and the after-sales service of the machinery industry has always been one of the factors that customers decide to purchase, the company will be able to provide integrated technical information services to customers due to its close proximity to the market, making the company more conducive to the internationalization of the company.

5. Advantages and Disadvantages of the Development Vision and Countermeasures:

A. enabling factors

(a) Self-owned brands and channels. In addition to establishing a good product image that is conducive to market promotion, the Company is also committed to establishing its own marketing channels and establishing a close marketing network both at home and abroad, which is conducive to deepening the market and mastering the source of customers so as to occupy the market for a long time.

(b) Diversified products are operated with low operational risks. The company is engaged in mechanical straddle nonmetal precision processing machines, printed circuit board processing machines and related cutting tools; Board types also include wood, melamine board, building materials, etc. The products are diversified and are not affected by changes in the single market economy.

(c) With a small amount of diversified production capacity, the company has dozens of different types of products, which can quickly meet customers' different needs under the conditions of design, modular production and complete supply of Zhongwei components.

(d) The quality of our products is excellent and widely recognized. Our products are the only computer numerical control non-ferrous metal processing machines that have passed ISO-9001 and European Union CE safety standards in China, contributing to the expansion of the export market. Among them, five products have won the national quality award, while CNC five-axis non-ferrous metal processing machines have won the national product image silver award, which shows that excellent quality is definitely more popular with customers besides the government.

(b) adverse factors

Different brand products have high homogeneity, intense price competition and short product life cycle.

Countermeasures:

A. acting as an agent for international strong brands with different market positioning to build a complete product line.

B actively develop the export market and build multi-brand product types.

C. strengthen the differentiated marketing model of its own product line to enhance its sales value.

D. establish and operate a long-term relationship between customers and suppliers.

B. adverse factors

(a) There are limited suppliers worldwide for high-speed air-floating spindles and controllers for key parts of electronic machinery.

Countermeasures:

The company has sufficient research and development talents, and has started the development of its main shaft project, and has achieved preliminary results. After mass production, the disadvantage of limited supply of spare parts will be eliminated.

(b) adverse factors

A the scale of existing competitors is getting larger and larger, and many FAB factories have combined with strategic alliance partners.

Countermeasures:

To strengthen the cooperation with customers, in addition to improving the yield and shortening the delivery period to meet customer requirements, we have also introduced large international factories as strategic alliance partners to strengthen the cooperation between the two sides.

B the printed circuit board industry has made rapid progress in production technology due to fierce competition. in order to coordinate with the development of the industry, it also requires the related production equipment to rapidly upgrade its functions.

Countermeasures:

In view of the short life cycle of mechanical products in the market, the company has not only increased research and development expenditures, but also obtained technical cooperation with foreign countries to coordinate with industrial development.

C board products are mostly imported, so exchange rate changes have a great impact on the company's profits.

Countermeasures:

The Company adopts appropriate hedging financial operations to eliminate unfavorable factors of exchange rate changes.

(2) The important uses of the main products and the production process

1. Important Uses of Main Products

(1) machinery:

A it is used for cutting, grinding, drilling, forming and cutting metal and nonmetal fiber wood in the automatic production process. it can be used in furniture industry, electronic industry, mould industry, carving industry, sports equipment industry, plastic industry, automobile industry and aerospace industry.

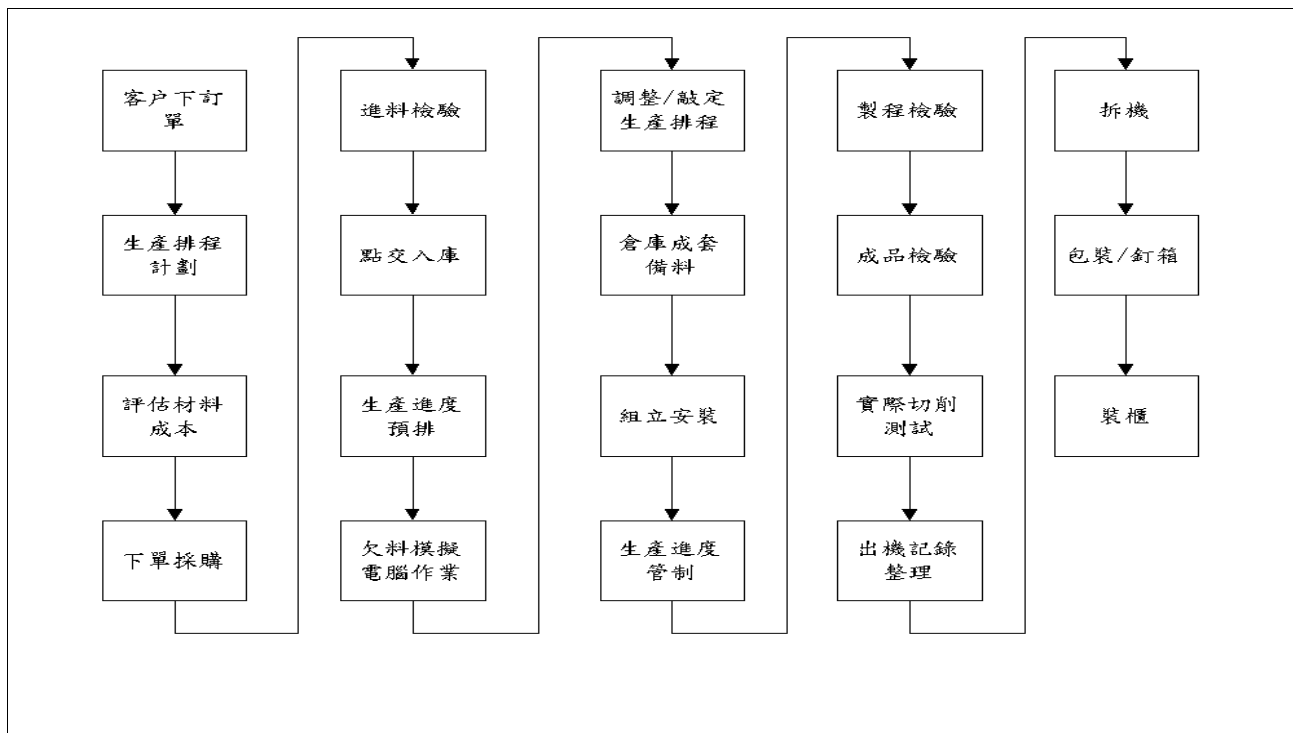
B. provide flat knives and profile knives required for the use of the above-mentioned mechanical functions.

(2) plate:

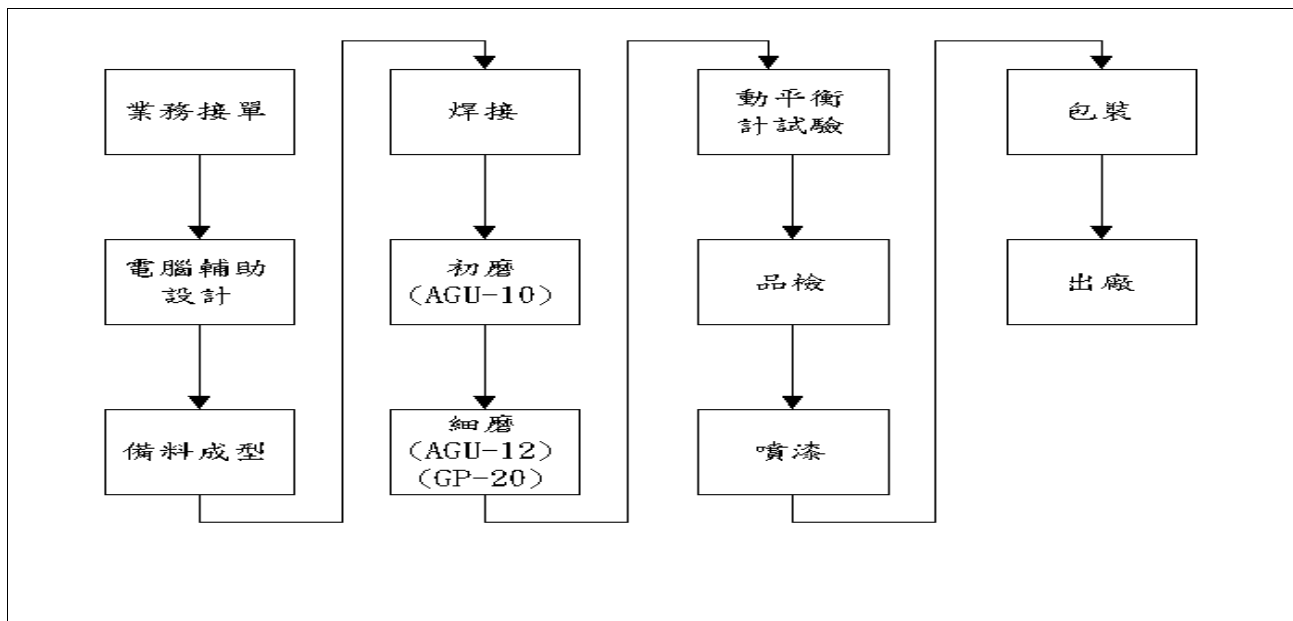
It can be used to make furnishings and decorations in homes, offices and commercial places.

2. Production process

(1)



(2)



(3) the supply of major raw materials

The company has thousands of mechanical raw materials, of which the main materials are cast iron, granite, controllers, motors, spindles, ball screws, etc. Besides domestic and foreign suppliers are also spread throughout Japan, Germany, France and other advanced countries. As the company has operated CNC machinery for more than 20 years and has long-term good relations with suppliers, it can meet the company's needs in terms of quality, price and after-sales service. Up to now, there has been no shutdown and waiting for materials.

(4) A list of customers who accounted for more than 10% of the total sales in any of the last two years

1. Names of manufacturers that accounted for more than 10% of the total purchase amount in any of the last two years and their purchase amount and proportion: The Company has no customers that

accounted for more than 10% of the total sales amount in any of the last two years, so it is not applicable.

2. Names of customers who accounted for more than 10% of the total sales in any of the last two years and the amount and proportion of the sales: the company has no customers who accounted for more than 10% of the total sales in any of the last two years, so it is not applicable.

(5) Production value in the last two years

Value Unit: NT\$ 1000

Quantity Unit: Machinery-Taiwan

Production value Major commodities	106 years			107 years		
	capacity	Yield	Output value	capacity	Yield	Output value
mechanical	1010	1010	2,711,949	977	977	2,649,503
Total	1010	1010	2,711,949	977	977	2,649,503

(6) Sales volume in the last two years

Value Unit: NT\$ 1000

Quantity Unit: Machinery-Taiwan

Sales value Major commodities		106 years				107 years			
		for the domestic market		Export		for the domestic market		Export	
		amount	value	amount	value	amount	value	amount	value
mechanical	mechanical	109	365,975	980	3,358,808	115	362,172	921	3,751,857
	Business	notes	13,060	notes	-	notes	32,497	notes	51,599
board	Business	notes	721,660	notes	5,631	notes	705,576	notes	1,533
Combined meter		109	1,100,695	980	3,364,439	115	1,100,245	921	3,804,989

Note: Sales volume of sales and other products are not listed due to inconsistent measurement units.

III. Employees

Information on Employees in the Last Two Years and Up to the Date of Publication of the Annual Report

March 31, 108

year		106 years	107 years	When the year ends March 31, 108
Employee The number of	Direct employee	288	276	264
	Indirect employee	465	472	477
	R & d personnel	96	103	103
	Total	849	851	844
Average age		41.2	40.8	41.9
Average length of service		9.6	5.9	6.2
Education Distribution Ratio	Doctor	0	0	0
	master	58	65	67
	Junior college	406	360	357
	High school	323	246	242
	Below high school	62	180	178

IV. Information on Environmental Expenditure

1. The factory of our company mainly produces CNC machinery and electronic machinery, and adopts the production mode of central satellite system. The central factory (our company) is responsible for development, design, assembly and marketing. Most of the components are supplied by third parties. Therefore, the central factory will not produce any pollution or damage the ecological environment during the manufacturing process. However, the company is still committed to the following measures to improve the working environment so as to provide a comfortable and pleasant environment for employees to work, thus improving work efficiency.

(1) to formulate safety and health work manual.

(2) set up labor safety and health management unit.

(3) Set up a complete fire fighting system.

(4) Carry out work environment measurement.

(5) Greening and beautifying the plant area.

(6) Cooperate with the government's environmental protection policy.

2. The total amount and future countermeasures of losses and shares suffered due to environmental pollution in the latest year and up to the date of publication of the annual report: Not applicable.

Five, labor relations

(a) employee welfare measures, continuing education, training, retirement system and its implementation:

1. Employees are an important resource of the company. Therefore, the company has always paid attention to labor-capital relations. In order to fully take care of the welfare of employees, in addition to complying with the provisions of labor laws, the company carries out an annual general health examination for employees, and encourages all employees to "study at work and work after study". Through education and training, the company improves personal quality, increases work skills, improves team performance, and promotes the realization of the group's "long-term, stable, development, science and technology, and international" business objectives. The company also has a number of measures to take care of employees.

(1) employee insurance:

A. according to the provisions of article 6 of the labor insurance regulations, all colleagues shall join the labor insurance from the date of entering the factory.

B. to insure against personal accident according to the nature of work, the premium shall be borne by the company.

(2) The implementation of the salary adjustment, bonus and bonus system for employees.

(3) All employees of the Company, their spouses, parents and children are entitled to subsidies or pensions due to marriage, childbirth, death and disability.

(4) Staff's Emergency Subsidy Measures.

(5) Distribution of uniform for employees.

(6) On-the-job and off-the-job academic training for employees.

(7) Travel and other employee activities.

2. Retirement system and its implementation:

The Company has a retirement scheme. All employees in the establishment, those who have served for a certain period of time or who have reached a certain age or are unfit for their posts, are entitled to a pension according to this scheme. The Company allocates pension to the special pension account of the Central Trust Bureau every month.

In addition, with the implementation of the Labor Pension Ordinance (hereinafter referred to as the "new system") from July 1, 1994, if the service years of the employees who originally applied this method are selected to apply the new system or the service years of the employees who come to work after the implementation of the new system are changed to the defined contribution system, the pension shall be paid by the Company at a monthly rate of not less than 6% of the monthly salary and stored in the personal account of the labor pension.

3. Agreement between Labor and Capital and Loss of Measures to Safeguard Rights and Interests of Employees

The company's labor relations have always been harmonious, and communication and coordination between labor and capital are adopted to deal with them, so as to enable both parties to obtain a common understanding and promote all work smoothly.

(1) Department meetings, through which appropriate communication is made with employees, so that employees can fully understand and timely reflect employees' ideas in production operations, safety and health and quality control, and reach a consensus.

(2) Staff Welfare Committee Meeting, whereby employers and employees can discuss various welfare measures with each other to strengthen their relationship and serve as a reference source for administration.

(2) Losses due to labor disputes in the latest year and up to the date of publication of the annual report: None.

VI. Important Contracts

Nature of contract	Party	Beginning and end of contract Date,	Main content	restrictive clause
Medium-term loan	First bank	105.02.05~ 110.02.05	The credit line is 280,000,000 yuan, with a period of 5 years, monthly interest payment, a one-year reprieve for the principal, divided into 48 periods, and the principal is amortized on a monthly basis.	No
Medium-term loan	Bank of Taiwan	103.08.21~ 108.07.21	The credit line is 220,000 yuan, with a period of 5 years, using 160,000 yuan, paying interest on a monthly basis,	No

			with a 2-year reprieve for the principal, which will be repaid in 36 equal monthly instalments starting from the third year.	
Medium-term loan	Changhua bank	105.03.21~ 110.03.21	The credit line is RMB 100,000,000.00 Yuan, with a 5-year period, monthly interest payment, a 1-year reprieve for principal, and 48 periods, with the principal amortized on a monthly basis.	No
Medium-term loan	Yuanda bank	105.02.01~ 110.02.01	The credit line is RMB 50,000,000.00 Yuan, with a period of 5 years, monthly interest payment, a 2-year reprieve of principal, repayment of the first installment on the day of expiration of 24 months, and repayment of the first installment every 6 months, with a total of 7 installments.	No
Medium-term loan	Bank of Taiwan	107.09.18~ 112.09.18	The credit line is 120,000,000 yuan, with a period of 5 years and monthly interest payment, which is divided into 60 periods and the principal	No

			is amortized on a monthly basis.	
Medium-term loan	Small and Medium Enterprises in Taiwan Bank	107.12.24~ 110.12.24	The credit line is RMB 50,000,000.00 Yuan, with a period of 3 years, using RMB 30,000,000.00 Yuan and paying interest on a monthly basis. It is divided into 36 periods and the principal is amortized on a monthly average.	No
Medium-term loan	Wang Dao Bank	108.03.14~ 111.03.14	The credit line is RMB 100,000,000.00 Yuan, with a 3-year period, monthly interest payment, a 1-year reprieve for principal, repayment of the first installment on the 1st of the latest month 12 months before the expiration, and repayment of the first installment every 3 months thereafter, with a total of 9 installments.	No

General situation of land and finance

I. Concise Balance Sheet and Consolidated Income Statement for the Last Five Years

(1) Concise Balance Sheet-International Financial Reporting Standards (Consolidated Financial Reports)

Unit: NT\$ 1000

Years Item		Financial Information for the Last Five Years (Note 1)				
		103 years	104 years	105 years	106 years	107 years
current assets		3,211,163	3,336,894	3,460,963	4,230,071	4,367,727
Property, Plant and Equipment (Note 2)		998,104	959,280	1,017,650	1,161,333	1,142,940
Intangible assets		148,839	157,583	145,008	145,840	140,371
Other Assets (Note 2)		206,239	202,864	180,184	145,595	200,370
Total assets		4,564,345	4,656,621	4,803,805	5,682,839	5,851,408
Current liabilities	Before distribution	1,737,377	2,019,864	1,907,631	2,890,362	2,734,153
	After distribution	1,755,377	2,019,864	1,995,796	2,971,061	Note 3
Non-current liabilities		788,747	353,756	575,341	470,948	492,366
total indebtedness	Before distribution	2,526,124	2,373,620	2,482,972	3,361,310	3,226,519
	After distribution	2,544,124	2,373,620	2,571,137	3,442,009	Note 3
Rights and Interests Belonging to Owners of Parent Company		2,039,063	2,261,455	2,297,840	2,300,372	2,574,248
equity		1,470,000	1,800,000	1,800,000	1,800,000	1,998,810
Capital reserve		304,206	337,206	319,573	266,674	369,134
reserve Surplus	Before distribution	235,432	165,853	263,863	326,737	289,396
	After distribution	217,432	165,853	175,698	246,038	Note 3
Other rights and interests		29,425	(11,541)	(50,624)	(58,067)	(75,178)

Treasury stock	—	(30,063)	(34,972)	(34,972)	(4,914)
Non-controlling interest	(842)	21,546	22,993	21,157	47,641
Rights and interests total sum	Before distribution	2,038,221	2,283,001	2,320,833	2,321,529
	After distribution	2,020,221	2,283,001	2,232,668	2,240,830
					Note 3

Note 1: The consolidated financial data for the above years have been audited and certified by accountants.

Note 2: No asset revaluation has been conducted in the above years.

Note 3: The figures mentioned in the above table after distribution are filled in by the resolutions of the annual shareholders' meeting.

(2) Concise Consolidated Income Statement-International Financial Reporting Standards
(Consolidated Earnings)

Unit: Except the surplus per share is NT\$ 1,000, the balance is NT\$ 1,000.

Years Item	Financial Information for the Last Five Years (Note 1)				
	103 years	104 years	105 years	106 years	107 years
Operating income	3,268,623	3,136,687	3,697,479	4,465,134	4,905,234
Gross operating profit	769,042	907,131	1,234,498	1,335,998	1,292,566
Operating profit and loss	(31,118)	(66,943)	146,488	112,622	85,628
Non-operating income and expenditure	73,537	23,805	(6,441)	10,985	(20,683)
Net profit before tax	42,419	(43,138)	140,047	123,607	64,945
Continuing business unit	16,052	(42,090)	97,025	94,935	40,188

Net profit for the current period					
Loss of closed unit	—	—	—	—	—
Net Profit (Loss) in Current Period	16,052	(42,090)	97,025	94,935	40,188
Other consolidated gains and losses for the current period (net after tax)	29,455	(51,440)	(40,850)	(6,074)	(14,055)
Total consolidated profit and loss for the current period	45,507	(93,530)	56,175	88,861	26,133
Net profit belongs to Owner of parent company	17,442	(41,201)	98,616	96,521	40,977
Net profit attributable to non-controlling interests	(1,390)	(889)	(1,591)	(1,586)	(789)
The total consolidated profit and loss belongs to the owner of the parent company.	46,897	(92,541)	58,927	90,697	26,247
The total consolidated profit and loss belongs to non-controlling interests	(1,390)	(989)	(2,752)	(1,836)	(114)

earnings per share,eps	0.12	(0.24)	0.56	0.55	0.22

Note 1: The consolidated financial data for the above years have been audited and certified by accountants.

(III) Concise Individual Balance Sheet

Unit: NT\$ 1000

Years Item		Financial Information for the Last Five Years (Note 1)				
		103 years	104 years	105 years	106 years	107 years
current assets		1,828,024	1,498,507	1,191,950	1,442,611	1,282,811
Property, Plant and Equipment (Note 2)		655,903	645,386	718,882	714,185	722,926
Intangible assets		46,765	41,407	40,030	38,653	39,192
Other Assets (Note 2)		1,513,898	1,625,560	1,674,762	1,773,559	2,073,546
Total assets		4,044,590	3,810,860	3,625,624	3,969,008	4,118,475
Current liabilities	Before distribution	1,224,105	1,212,870	775,811	1,329,552	1,238,446
	After distribution	1,242,105	1,230,503	863,976	1,410,251	Note 3
Non-current liabilities		781,422	336,535	551,973	339,084	302,781
total indebtedness	Before distribution	2,005,527	1,549,405	1,327,784	1,668,636	1,541,227
	After distribution	2,023,527	1,567,038	1,415,949	1,749,335	Note 3
Rights and Interests Belonging to Owners of Parent Company		2,039,063	2,261,455	2,297,840	2,300,372	2,577,248
equity		1,470,000	1,800,000	1,800,000	1,800,000	1,998,810

Capital reserve		304,206	337,206	319,573	266,674	369,134
reserve Surplus	Before distribution	235,432	165,853	263,863	326,737	289,396
	After distribution	217,432	148,220	175,698	246,038	Note 3
Other rights and interests		29,425	(11,541)	(50,624)	(58,067)	(75,178)
Treasury stock		—	(30,063)	(34,972)	(34,972)	(4,914)
Non-controlling interest		—	—	—	—	—
Rights and interests total sum	Before distribution	2,039,063	2,261,455	2,297,840	2,300,372	2,577,248
	After distribution	2,021,063	2,243,822	2,209,675	2,219,673	Note 3

Note 1: Financial information for the above years has been audited and certified by accountants.

Note 2: No asset revaluation has been conducted in the above years.

Note 3: The figures mentioned in the above table after distribution are filled in by the resolutions of the annual shareholders' meeting.

(4) Concise Individual Comprehensive Income Statement

Unit: NT\$ 1000

Years Item	Financial Information for the Last Five Years (Note 1)				
	103 years	104 years	105 years	106 years	107 years
Operating income	1,818,731	1,446,687	1,123,840	1,113,662	1,096,280
Gross operating profit	462,371	287,678	324,810	309,177	294,834
Operating profit and loss	95,704	(52,931)	(24,872)	(32,183)	(38,953)

Non-operating income and expenditure	(66,948)	23,914	145,151	135,609	62,836
Net profit before tax	28,756	(29,017)	120,279	103,426	23,883
Continuing business unit Net profit for the current period	17,442	(41,201)	98,616	96,521	40,977
Loss of closed unit	—	—	—	—	—
Net Profit (Loss) in Current Period	17,442	(41,201)	98,616	96,521	40,977
Other comprehensive profit and loss (net after tax) for the current period	29,455	(51,340)	(39,689)	(5,824)	(14,730)
Total consolidated profit and loss for the current period	46,897	(92,541)	58,927	90,697	26,247
Earnings per Share (Note 2)	0.12	(0.24)	0.56	0.55	0.22

Note 1: The above financial information for each year has been audited and certified by an accountant.

Note 2: The calculation is based on the weighted average number of shares in circulation after retroactive adjustment of stock dividends paid and the proportion of shares converted from corporate bonds.

(5) the name and audit opinion of the certified public accountant in the last five years

year	Name of firm	Name of visa accountant	Audit opinion

103	Anhou Jianye United Certified Public Accountants	Huang Baishu and Yu Andian	The amendment formally has no reservations.
104	Qinye Zhongxin United Certified Public Accountants	Fan Youwei and Dai Xinwei	The amendment formally has no reservations.
105	Qinye Zhongxin United Certified Public Accountants	Fan Youwei and Dai Xinwei	The standard form has no reservations.
106	Qinye Zhongxin United Certified Public Accountants	Fan Youwei and Lin Wenqin	The standard form has no reservations.
107	Qinye Zhongxin United Certified Public Accountants	Lin Wenqin and Guo Liwen	No reservations plus other paragraphs.

II. Financial Analysis in the Last Five Years

(1) Financial Analysis-International Financial Reporting Standards (Consolidated Financial Reports)

Years Analysis Items (Note 2)		Financial Analysis in Recent Five Years (Note 1)				
		103 years	104 years	105 years	106 years	107 years
property Service Junction Structure (%)	Debt to Asset Ratio (%)	55.34	50.50	51.69	59.15	55.14
	Ratio of long-term funds to real estate, plant and equipment (%)	267.80	259.54	275.41	232.10	264.35
Compensation Debt can Force (%)	Current ratio (%)	184.83	165.92	181.43	146.35	159.75
	Quick ratio (%)	107.84	102.02	113.49	82.05	90.8
	Interest protection multiple (%)	2.27	(0.84)	5.92	5.00	2.71
through battalion can	Turnover Rate of Receivables (Times)	2.58	2.81	3.21	3.38	3.58

Force	Average cash collection days		141	130	114	108	102
	Inventory Turnover Rate (Times)		2.10	1.78	2.02	2.13	2.08
	Turnover Rate of Payables (Times)		7.21	7.09	7.29	6.41	7.7
	Average number of sales days		174	205	181	171	175
	Turnover Rate of Property, Plant and Equipment (Times)		3.27	3.27	3.74	4.10	4.26
	Turnover Rate of Total Assets (Times)		0.72	0.68	0.78	0.85	0.85
Win Profit can Force	Return on Assets (%)		0.96	(0.49)	2.55	2.30	1.23
	Return on equity (%)		0.77	(1.95)	4.21	4.09	1.62
	Paid-in amount Capital ratio (%)	Operating benefits	(2.12)	(3.72)	8.14	6.26	4.28
		Profit before tax	2.89	(2.40)	7.78	6.87	3.25
	Net profit rate (%)		0.49	(1.34)	2.62	2.13	0.82
	Earnings per Share (Yuan)		0.12	(0.24)	0.56	0.55	0.21
now gold Flow amount	Cash flow ratio (%)		10.62	20.38	Note 7	Note 7	Note 7
	Cash Flow Adequacy Ratio (%)		34.21	85.85	192.56	37.49	Note 8
	Cash reinvestment ratio (%)		2.97	12.68	Note 9	Note 9	Note 9
flagstaff Rod Degrees	Operating leverage		(19.22)	(7.43)	5.23	7.34	21.23
	Financial leverage		0.48	0.74	1.24	1.38	1.8

Please explain the reasons for the changes in various financial ratios in the last two years.(If the increase or decrease is less than 20%, analysis can be exempted): Change analysis: The interest protection multiple in 107 was 45.8% lower than that in 106, mainly due to the decrease in net profit in 107. The rate of return on assets and the rate of return on equity decreased in 107 compared with 106, mainly due to the decrease in net profit in 107. Operating leverage in 107 increased by 13.89% compared with that in 106, mainly due to a decrease in operating benefits.						

Note 1: The consolidated financial data for the last five years have been audited and certified by accountants.

Note 2: Financial Analysis Calculation Formula:

1. Financial structure

(1) ratio of liabilities to assets = total liabilities/total assets.

(2) Ratio of Long-term Funds to Property, Plant and Equipment = (Total Equity+Non-current Liabilities)/Net Property, Plant and Equipment.

2. solvency

(1) Current ratio = current assets/current liabilities.

(2) quick ratio = (current assets-inventory-prepaid expenses)/current liabilities.

(3) Interest protection multiple = net profit before income tax and interest expense/interest expense for the current period.

3. Operational capability

(1) Turnover Rate of Receivables (Including Receivables and Bills Receivable Due to Business) = Net Sales/Average Receivables (Including Receivables and Bills Receivable Due to Business) Balance in Each Period.

(2) Average cash collection days = 365/receivable turnover rate.

(3) Inventory Turnover Ratio = Cost of Goods Sold/Average Inventory Amount.

(4) Turnover Rate of Payables (Including Payables and Bills Payable Due to Business) = Cost of Goods Sold/Balance of Average Payables in Each Period (Including Payables and Bills Payable Due to Business).

(5) Average number of sales days = 365/inventory turnover rate.

(6) Turnover Rate of Property, Plant and Equipment = Net Sales/Average Net Property, Plant and Equipment.

(7) Total Assets Turnover Ratio = Net Sales/Average Total Assets.

4. Profitability

(1) Return rate of assets = (after-tax profit and loss+interest expense $\times$ (1-tax rate))/average total assets.

(2) Return on equity = after-tax profit and loss/average total equity.

(3) net profit rate = after-tax profit and loss/net sales.

(4) Earnings per Share = (Profit and Loss Belonging to Owners of Parent Company-Special Share Dividends)/Weighted Average Number of Shares Issued.(Note 3)

5. Cash flow

(1) Cash flow ratio = net cash flow from operating activities/current liabilities.

(2) Net Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities in Last Five Years/Last Five Years (Capital Expenditure+Inventory Increase+Cash Dividend).

(3) Cash reinvestment ratio = (net cash flow from operating activities-cash dividends)/(gross amount of real estate, plant and equipment+long-term investment+other non-current assets+working capital).(Note 4)

6. Lever:

(1) Operating Leverage = (Net Operating Income-Variable Operating Costs and Expenses)/Operating Benefits (Note 5).

(2) Financial leverage = operating interest/(operating interest-interest expense).

Note 3: The calculation formula of earnings per share referred to in the preceding paragraph shall pay special attention to the following items when measuring:

1. The weighted average number of common shares shall prevail instead of the number of shares issued at the end of the year.

2. For cash capital increase or treasury stock transactions, the weighted average number of shares shall be calculated considering the circulation period.

3. Where there is surplus to capital increase or capital reserve to capital increase, the calculation of earnings per share for the previous year and half year shall be adjusted retroactively according to the proportion of capital increase, without considering the issue period of the capital increase.

4. If the special shares are non-convertible cumulative special shares, the dividends (whether paid or not) for the current year shall be deducted from the net profit after tax or the net loss after tax shall be increased.If the special shares are non-cumulative in nature, the dividend of the special shares shall be deducted from the net profit after tax if there is net profit after tax.If it is a loss, no adjustment is necessary.

Note 4: Special attention should be paid to the following items when measuring cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the cash outflow of capital investment every year.
3. The increase in inventory will only be counted when the ending balance is greater than the opening balance. If the inventory decreases at the end of the year, it will be counted as zero.
4. Cash dividends include cash dividends of common shares and special shares.
5. Gross amount of property, plant and equipment refers to the total amount of property, plant and equipment before deducting accumulated depreciation.

Note 5: The Issuer shall classify various operating costs and operating expenses as fixed and variable according to their nature. If estimation or subjective judgment is involved, the Issuer shall pay attention to their rationality and maintain consistency.

Note 6: The ratio of paid-in capital of foreign companies is calculated by the ratio of net worth.

Note 7: The cash flow ratio is negative, so it will not be calculated.

Note 8: This cash flow fair ratio is negative, so it will not be calculated.

Note 9: The cash reinvestment ratio is negative, so it will not be calculated.

(2) Financial Analysis-International Financial Reporting Standards (Individual Financial Reports)

Years Analysis Items (Note 2)		Financial Analysis in Recent Five Years (Note 1)				
		103 years	104 years	105 years	106 years	107 years
Financial structure (%)	Debt to Asset Ratio (%)	49.65	40.66	36.62	42.04	37.42
	Ratio of Long-term Funds to Fixed Assets (%)	407.49	382.44	385.24	360.82	390.8
Debt paying ability (%)	Current ratio (%)	149.34	123.55	153.64	108.50	103.58
	Quick ratio (%)	116.10	97.37	118.52	83.45	79.1
	Interest protection multiple (%)	2.02	(0.52)	7.49	6.73	2.3
Operational capability	Turnover Rate of Receivables (Times)	1.41	1.36	1.59	1.64	1.17

	Average cash collection days		259	268	229	223	313
	Inventory Turnover Rate (Times)		2.95	3.46	2.93	2.84	2.66
	Turnover Rate of Payables (Times)		5.12	4.93	3.71	3.62	3.56
	Average number of sales days		124	105	125	128	137
	Turnover Rate of Property, Plant and Equipment (Times)		2.77	2.24	1.65	1.55	1.53
	Turnover Rate of Total Assets (Times)		0.45	0.38	0.30	0.29	0.27
Profitability	Return on Assets (%)		0.99	(0.64)	3.07	2.94	1.38
	Return on Shareholder's Equity (%)		0.84	(1.92)	4.33	4.20	1.68
	Percentage of paid-in capital (%)	Operating benefits	6.51	(2.94)	(1.38)	(1.79)	(1.95)
		Net profit before tax	1.96	(1.61)	6.68	5.75	1.19
	Net profit rate (%)		0.96	(2.85)	8.77	8.67	3.74
	Earnings per Share (Yuan)		0.12	(0.24)	0.56	0.55	0.21
cash flow	Cash flow ratio (%)		18.09	46.56	8.34	Note 7	7.04
	Cash Flow Adequacy Ratio (%)		142.40	612.57	2654.20	833.12	0
	Cash reinvestment ratio (%)		4.26	18.59	1.44	(10.26)	2.7
Lever	Operating leverage		4.08	(4.31)	(9.22)	(6.86)	(5.29)

	Financial leverage	1.42	0.73	0.57	0.64	0.68
Please explain the reasons for the changes in various financial ratios in the last two years.(If the increase or decrease is less than 20%, analysis can be exempted): Change analysis: The interest protection multiple in 107 was 65.8% lower than that in 106, mainly due to the decrease in net profit in 107. The turnover rate of receivables in 107 decreased by 28.7% compared with that in 106, mainly due to the increase in average receivables. The rate of return on assets and the rate of return on equity decreased in 107 compared with 106, mainly due to the decrease in net profit in 107.						

Note 1: Financial information for the last five years has been audited and certified by accountants.

Note 2: Financial Analysis Calculation Formula:

1. Financial structure

(1) ratio of liabilities to assets = total liabilities/total assets.

(2) Ratio of Long-term Funds to Property, Plant and Equipment = (Total Equity+Non-current Liabilities)/Net Property, Plant and Equipment.

2. solvency

(1) Current ratio = current assets/current liabilities.

(2) quick ratio = (current assets-inventory-prepaid expenses)/current liabilities.

(3) Interest protection multiple = net profit before income tax and interest expense/interest expense for the current period.

3. Operational capability

(1) Turnover Rate of Receivables (Including Receivables and Bills Receivable Due to Business) = Net Sales/Average Receivables (Including Receivables and Bills Receivable Due to Business) Balance in Each Period.

(2) Average cash collection days = 365/receivable turnover rate.

(3) Inventory Turnover Ratio = Cost of Goods Sold/Average Inventory Amount.

(4) Turnover Rate of Payables (Including Payables and Bills Payable Due to Business) = Cost of Goods Sold/Balance of Average Payables in Each Period (Including Payables and Bills Payable Due to Business).

(5) Average number of sales days = 365/inventory turnover rate.

(6) Turnover Rate of Property, Plant and Equipment = Net Sales/Average Net Property, Plant and Equipment.

(7) Total Assets Turnover Ratio = Net Sales/Average Total Assets.

4. Profitability

(1) Return rate of assets = (after-tax profit and loss+interest expense × (1-tax rate))/average total assets.

(2) Return on equity = after-tax profit and loss/average total equity.

(3) net profit rate = after-tax profit and loss/net sales.

(4) Earnings per Share = (Profit and Loss Belonging to Owners of Parent Company-Special Share Dividends)/Weighted Average Number of Shares Issued.(Note 3)

5. Cash flow

(1) Cash flow ratio = net cash flow from operating activities/current liabilities.

(2) Net Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities in Last Five Years/Last Five Years (Capital Expenditure+Inventory Increase+Cash Dividend).

(3) Cash reinvestment ratio = (net cash flow from operating activities-cash dividends)/(gross amount of real estate, plant and equipment+long-term investment+other non-current assets+working capital).(Note 4)

6. Lever:

(1) Operating Leverage = (Net Operating Income-Variable Operating Costs and Expenses)/Operating Benefits (Note 5).

(2) Financial leverage = operating interest/(operating interest-interest expense).

Note 3: The calculation formula of earnings per share referred to in the preceding paragraph shall pay special attention to the following items when measuring:

1. The weighted average number of common shares shall prevail instead of the number of shares issued at the end of the year.

2. For cash capital increase or treasury stock transactions, the weighted average number of shares shall be calculated considering the circulation period.

3. Where there is surplus to capital increase or capital reserve to capital increase, the calculation of earnings per share for the previous year and half year shall be adjusted retroactively according to the proportion of capital increase, without considering the issue period of the capital increase.

4. If the special shares are non-convertible cumulative special shares, the dividends (whether paid or not) for the current year shall be deducted from the net profit after tax or the net loss after tax shall be increased.If the special shares are non-cumulative in nature, the dividend of the special shares shall be deducted from the net profit after tax if there is net profit after tax.If it is a loss, no adjustment is necessary.

Note 4: Special attention should be paid to the following items when measuring cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the cash outflow of capital investment every year.
3. The increase in inventory will only be counted when the ending balance is greater than the opening balance. If the inventory decreases at the end of the year, it will be counted as zero.
4. Cash dividends include cash dividends of common shares and special shares.
5. Gross amount of property, plant and equipment refers to the total amount of property, plant and equipment before deducting accumulated depreciation.

Note 5: The Issuer shall classify various operating costs and operating expenses as fixed and variable according to their nature. If estimation or subjective judgment is involved, the Issuer shall pay attention to their rationality and maintain consistency.

Note 6: The ratio of paid-in capital of foreign companies is calculated by the ratio of net worth.

Note 7: The cash flow ratio is negative, so it will not be calculated.

3. Supervisory Review Report of Recent Annual Financial Report

Ender technology co., ltd

Supervisory Review Report

The board of directors of the company has prepared and submitted the 107-year operating report, individual financial report, consolidated financial report and surplus distribution statement, of which the individual financial report and consolidated financial report have been audited and certified by qinye zhongxin joint accounting firm and an audit report has been issued.

The above-mentioned written form prepared by the board of directors has been checked by this supervisor and found to be in conformity with the company law and other relevant laws and regulations. therefore, it is in accordance with the provisions of article 219 of the company law. please check it carefully.

with the best wishes

The Company's 108th Ordinary Meeting of Shareholders

Supervisor: Wu xiubi, representative of jieshi investment co., ltd.

Inspector: Zhu Yongda

Supervisor: Li Huiqin

The Republic of China on March 11, 108

IV. Recent Annual Financial Statements

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)

ASSETS	2018		2017	
	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	<u>1,277</u>	<u>-</u>	<u>774</u>	<u>-</u>
Total current assets	<u>1,282,811</u>	<u>31</u>	<u>1,442,611</u>	<u>36</u>
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)	<u>52,824</u>	<u>1</u>	<u>21,452</u>	<u>1</u>
Total non-current assets	<u>2,835,664</u>	<u>69</u>	<u>2,526,397</u>	<u>64</u>
TOTAL	<u>\$ 4,118,475</u>	<u>100</u>	<u>\$ 3,969,008</u>	<u>100</u>
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	<u>6,827</u>	<u>-</u>	<u>42,449</u>	<u>1</u>
Total current liabilities	<u>1,238,446</u>	<u>30</u>	<u>1,329,552</u>	<u>33</u>
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	<u>445</u>	<u>-</u>	<u>344</u>	<u>-</u>
Total non-current liabilities	<u>302,781</u>	<u>7</u>	<u>339,084</u>	<u>9</u>
Total liabilities	<u>1,541,227</u>	<u>37</u>	<u>1,668,636</u>	<u>42</u>
EQUITY (Note 15)				
Share capital				
Common stock	<u>1,998,810</u>	<u>49</u>	<u>1,800,000</u>	<u>45</u>
Capital surplus	<u>369,134</u>	<u>9</u>	<u>266,674</u>	<u>7</u>
Retained earnings				
Legal reserve	182,567	5	172,915	4
Special reserve	58,067	1	50,624	1
Unappropriated earnings	<u>48,762</u>	<u>1</u>	<u>103,198</u>	<u>3</u>
Total retained earnings	<u>289,396</u>	<u>7</u>	<u>326,737</u>	<u>8</u>
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	<u>-</u>	<u>-</u>	<u>(3,067)</u>	<u>-</u>
Total other equity	<u>(75,178)</u>	<u>(2)</u>	<u>(58,067)</u>	<u>(1)</u>
Treasury shares	<u>(4,914)</u>	<u>-</u>	<u>(34,972)</u>	<u>(1)</u>
Total equity	<u>2,577,248</u>	<u>63</u>	<u>2,300,372</u>	<u>58</u>
TOTAL	<u>\$ 4,118,475</u>	<u>100</u>	<u>\$ 3,969,008</u>	<u>100</u>

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)

	Common Stock	Capital Surplus	Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Other Equity		Treasury Shares	Total Equity
			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	<u>87,151</u>	<u>(221,597)</u>
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	\$ 39,610	\$ 30,865
<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>\$ 2,185</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>\$ 720,463</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>\$ 71</u>	<u>\$ 4,841</u>	<u>\$ 4,912</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
		1
		0
		4
		,
		1
		7
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>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>
<u>Deferred tax liabilities</u>					
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	\$ 0.22	\$ 0.55
Diluted earnings per share	\$ 0.22	\$ 0.55

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	\$ 40,977	\$ 96,521

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	75	100
Weighted average number of ordinary shares used in the computation of diluted earnings per share	186,175	176,431

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.

	Currency USD Impact		Currency RMB Impact		Currency EUR Impact	
	For the Year Ended December 31		For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017	2018	2017
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
<u>Non-derivative financial liabilities</u>					
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-subsidiary
Monforts CNC Werkzeugmaschinen-technik GmbH (Monforts GmbH)	Sub-subsidiary
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	\$ 9,309	\$ -
	Anderson Industrial	<u>17,714</u>	<u>-</u>
	Monforts GmbH	<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	(Note) 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	(Note) -	100.00	82,547	(35,513)	Not applicable	Sub-subsubsidiary
	Giben Brasil	Brazil	Manufacture and sale of machinery	1,183	1,142	(Note) -	0.28	629	(39,259)	Not applicable	Sub-subsubsidiary
Giben BVI	Giben Brasil	Brazil	Manufacture and sale of machinery	421,626	407,049	(Note) -	99.72	224,245	(39,259)	Not applicable	Sub-subsubsidiary
Anderson Europe GmbH	Monforts GmbH	Germany	Manufacture and sale of machinery	197,426	125,006	(Note) -	100.00	165,126	(30,545)	Not applicable	Sub-subsubsidiary
	MATEC	Germany	Manufacture and sale of machinery	155,496	101,181	(Note) -	100.00	199,509	27,630	Not applicable	Sub-subsubsidiary

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.

5. consolidated financial statements of parent and subsidiary companies audited and certified by certified public accountants for the latest year

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the consolidated financial statements of Anderson Industrial Corporation as of and for the year ended December 31, 2018, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10 “Consolidated Financial Statements”. In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Anderson Industrial Corporation and subsidiaries do not prepare a separate set of consolidated financial statements.

Very truly yours,

ANDERSON INDUSTRIAL CORPORATION

By

WEN JIA LIAO
Chairman

March 11, 2019

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Anderson Industrial Corporation

Opinion

We have audited the accompanying consolidated financial statements of Anderson Industrial Corporation (the “Company”) and its subsidiaries (collectively, the “Group”) which comprise the consolidated balance sheet as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2018 are stated as follows:

Inventory Provision

As of December 31, 2018, the balance of inventory held by the Group was \$1,755,292 thousand, which was a significant amount and represented 30% of total assets. Because an assessment of the net realizable value of inventory involves the Group's significant judgement based on IAS 2 "Inventory", we believe that inventory provision is one of key audit matters. Refer to Notes 5 and 9 to the consolidated 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 Group was \$1,217,149 thousand, which was a significant amount and represented 21% 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 8 to the consolidated 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.

Other Matter

Among the subsidiaries included in the consolidated financial statements of the Group, the financial statements of Sogotec Enterprise Co., Ltd. (Sogotec) are audited by other independent auditors. Our opinion expressed in the opinion section of this report, insofar as it relates to the amounts recognized based on financial statements audited by other auditors, is based solely on the reports of other auditors. As of December 31, 2018, Sogotec's total assets amounted to \$1,323,494 thousand, constituting 23% of consolidated total assets of the Group, and the total operating revenue amounted to \$1,104,986 thousand, representing 23% of the consolidated total comprehensive income of the Group.

We have also audited the parent company only financial statements of the Group as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion with another matter paragraph and an unmodified opinion, respectively.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2019

Notice to Readers

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

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

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 607,901	10	\$ 706,962	12
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	214,242	4	187,165	3
Available-for-sale financial assets - current (Note 4)	-	-	32,370	1
Financial assets at amortized cost - current (Notes 4 and 26)	60,696	1	-	-
Debt investments with no active market - current (Note 4)	-	-	39,843	1
Notes receivable, net (Notes 4 and 8)	189,090	3	196,636	3
Accounts receivable, net (Notes 4, 8 and 26)	1,217,149	21	1,133,990	20
Other receivables (Notes 4 and 26)	161,487	3	55,071	1
Current tax assets (Note 4)	6,691	-	266	-
Inventories (Notes 4 and 9)	1,755,292	30	1,712,962	30
Prepayments	129,781	2	145,603	3
Other current assets	<u>25,398</u>	<u>1</u>	<u>19,203</u>	<u>-</u>
Total current assets	<u>4,367,727</u>	<u>75</u>	<u>4,230,071</u>	<u>74</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 26)	27,549	1	-	-
Financial assets at amortized cost - non-current (Notes 4 and 26)	17,006	-	-	-
Financial assets measured at cost - non-current (Note 4)	-	-	26,747	1
Investments accounted for using the equity method	8,561	-	-	-
Property, plant and equipment (Notes 4, 11 and 26)	1,142,940	20	1,161,333	20
Intangible assets (Notes 4 and 12)	140,371	2	145,840	3
Deferred tax assets (Notes 4 and 19)	81,722	1	55,464	1
Other non-current assets (Note 26)	<u>65,532</u>	<u>1</u>	<u>63,384</u>	<u>1</u>
Total non-current assets	<u>1,483,681</u>	<u>25</u>	<u>1,452,768</u>	<u>26</u>
TOTAL	<u>\$ 5,851,408</u>	<u>100</u>	<u>\$ 5,682,839</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 13 and 26)	\$ 1,349,667	23	\$ 1,131,729	20
Contract liabilities - current (Notes 4 and 17)	363,535	6	-	-
Notes payable	2,465	-	2,455	-
Accounts payable (Note 25)	353,028	6	580,300	10
Other payables (Note 14)	310,363	6	323,870	6
Current tax liabilities (Note 4)	42,166	1	23,392	-
Provisions - current (Note 4)	53,866	1	42,372	1
Current portion of long-term borrowings (Notes 13 and 26)	246,061	4	391,476	7
Other current liabilities (Note 14)	<u>13,002</u>	<u>-</u>	<u>394,768</u>	<u>7</u>
Total current liabilities	<u>2,734,153</u>	<u>47</u>	<u>2,890,362</u>	<u>51</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 13 and 26)	396,481	7	373,943	7
Deferred tax liabilities (Notes 4 and 19)	1,872	-	6,352	-
Net defined benefit liabilities (Notes 4 and 15)	62,226	1	71,349	1
Other non-current liabilities	<u>31,787</u>	<u>-</u>	<u>19,304</u>	<u>-</u>
Total non-current liabilities	<u>492,366</u>	<u>8</u>	<u>470,948</u>	<u>8</u>
Total liabilities	<u>3,226,519</u>	<u>55</u>	<u>3,361,310</u>	<u>59</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 16)				
Share capital				
Common stock	<u>1,998,810</u>	<u>34</u>	<u>1,800,000</u>	<u>32</u>
Capital surplus	<u>369,134</u>	<u>6</u>	<u>266,674</u>	<u>5</u>
Retained earnings				
Legal reserve	182,567	3	172,915	3
Special reserve	58,067	1	50,624	1
Unappropriated earnings	<u>48,762</u>	<u>1</u>	<u>103,198</u>	<u>2</u>
Total retained earnings	<u>289,396</u>	<u>5</u>	<u>326,737</u>	<u>6</u>
Other equity				
Exchange differences on translating the financial statements of foreign operations	(75,980)	(1)	(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	<u>(75,178)</u>	<u>(1)</u>	<u>(58,067)</u>	<u>(1)</u>
Treasury shares	<u>(4,914)</u>	<u>-</u>	<u>(34,972)</u>	<u>(1)</u>
NON-CONTROLLING INTERESTS	<u>47,641</u>	<u>1</u>	<u>21,157</u>	<u>-</u>
Total equity	<u>2,624,889</u>	<u>45</u>	<u>2,321,529</u>	<u>41</u>
TOTAL	<u>\$ 5,851,408</u>	<u>100</u>	<u>\$ 5,682,839</u>	<u>100</u>

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

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 17 and 30)	\$ 4,905,234	100	\$ 4,465,134	100
OPERATING COSTS (Notes 9, 18 and 25)	<u>3,612,668</u>	<u>74</u>	<u>3,129,136</u>	<u>70</u>
GROSS PROFIT	<u>1,292,566</u>	<u>26</u>	<u>1,335,998</u>	<u>30</u>
OPERATING EXPENSES (Notes 4 and 18)				
Selling and marketing expenses	587,080	12	625,764	14
General and administrative expenses	530,545	11	518,583	11
Research and development expenses	81,786	1	79,029	2
Expected credit loss	<u>7,527</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>1,206,938</u>	<u>24</u>	<u>1,223,376</u>	<u>27</u>
PROFIT FROM OPERATIONS	<u>85,628</u>	<u>2</u>	<u>112,622</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 18)				
Other income	42,110	1	60,689	1
Other gains and losses (Note 12)	(22,738)	(1)	(18,792)	-
Finance costs	(38,082)	(1)	(30,912)	(1)
Share of loss of associates accounted for using the equity method	<u>(1,973)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>(20,683)</u>	<u>(1)</u>	<u>10,985</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	64,945	1	123,607	3
INCOME TAX EXPENSE (Notes 4 and 19)	<u>(24,757)</u>	<u>-</u>	<u>(28,672)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>40,188</u>	<u>1</u>	<u>94,935</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	6,290	-	1,948	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	1,229	-	-	-
Income tax expense relating to items that will not be reclassified subsequently (Note 19)	(1,284)	-	(329)	-

(Continued)

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (20,290)	-	\$ (11,677)	-
Unrealized gain on available-for-sale financial assets	<u>-</u>	<u>-</u>	<u>3,984</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(14,055)</u>	<u>-</u>	<u>(6,074)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 26,133</u>	<u>1</u>	<u>\$ 88,861</u>	<u>2</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 40,977	1	\$ 96,521	2
Non-controlling interests	<u>(789)</u>	<u>-</u>	<u>(1,586)</u>	<u>-</u>
	<u>\$ 40,188</u>	<u>1</u>	<u>\$ 94,935</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 26,247	1	\$ 90,697	2
Non-controlling interests	<u>(114)</u>	<u>-</u>	<u>(1,836)</u>	<u>-</u>
	<u>\$ 26,133</u>	<u>1</u>	<u>\$ 88,861</u>	<u>2</u>
EARNINGS PER SHARE (Note 20)				
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 consolidated financial statements.

(Concluded)

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company										
	Common Stock	Capital Surplus	Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Other Equity		Treasury Shares	Non-controlling Interests	Total Equity
			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)	\$ 22,993	\$ 2,320,833
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	-	-	-	-	(1,586)	94,935
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,619	(11,427)	-	3,984	-	(250)	(6,074)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	98,140	(11,427)	-	3,984	-	(1,836)	88,861
BALANCE AT DECEMBER 31, 2017	1,800,000	266,674	172,915	50,624	103,198	(55,000)	-	(3,067)	(34,972)	21,157	2,321,529
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)	21,157	2,321,529
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	-	-	-	-	(789)	40,188
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	5,021	(20,980)	1,229	-	-	675	(14,055)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	45,998	(20,980)	1,229	-	-	(114)	26,133
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	-	-	-	-	-	-	-	9,358	21,559
Changes in percentage of ownership interests in subsidiaries	-	32,794	-	-	-	-	-	-	-	36,710	69,504
Share-based payment	-	6,350	-	-	-	-	-	-	-	-	6,350
Decreases in non-controlling interests	-	-	-	-	-	-	-	-	-	(15,942)	(15,942)
Cash dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	(3,528)	(3,528)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	44	-	(44)	-	-	-	-
BALANCE AT DECEMBER 31, 2018	<u>\$ 1,998,810</u>	<u>\$ 369,134</u>	<u>\$ 182,567</u>	<u>\$ 58,067</u>	<u>\$ 48,762</u>	<u>\$ (75,980)</u>	<u>\$ 802</u>	<u>\$ -</u>	<u>\$ (4,914)</u>	<u>\$ 47,641</u>	<u>\$ 2,624,889</u>

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

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 64,945	\$ 123,607
Adjustments for:		
Depreciation expenses	97,430	96,443
Amortization expenses	15,027	9,379
Expected credit loss recognized on accounts receivables	7,527	-
Impairment loss recognized on accounts receivable	-	17,633
Finance costs	38,082	30,912
Interest income	(2,470)	(6,931)
Compensation costs of employee share options	6,350	-
Share of loss of investments accounted for using the equity method	1,973	-
Loss (gain) on disposal of property, plant and equipment	1,452	(511)
Loss on disposal of available-for-sale financial assets	-	984
Impairment losses recognized on intangible assets	10,000	-
(Reversal of write-downs) write-downs of inventories	(5,867)	38,243
(Gain) loss on foreign currency exchange	(3,800)	10,904
Gain on disposal of subsidiaries	(1,233)	-
Changes in operating assets and liabilities		
Financial assets held for trading	-	(122,527)
Financial assets mandatorily classified as at fair value through profit or loss	(12,030)	-
Notes receivable	7,546	(14,564)
Accounts receivable	(97,410)	(25,847)
Other receivables	(106,430)	17,917
Inventories	(72,073)	(543,557)
Prepayments	244	(68,716)
Other current assets	(6,288)	(4,985)
Contract liabilities	9,243	-
Notes payable	10	(2,167)
Accounts payable	(223,846)	191,433
Other payables	(12,256)	79,383
Provisions	11,494	1,536
Other liabilities	(23,802)	(24,431)
Net defined benefit liabilities	(2,818)	(872)
Cash used in operations	(299,000)	(196,734)
Interest received	2,484	6,937
Interest paid	(38,216)	(30,388)
Income tax paid	(44,430)	(24,399)
Net cash used in operating activities	(379,162)	(244,584)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through other comprehensive income	13,673	-
Purchase of financial assets at amortized cost	(37,859)	-

(Continued)

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

	2018	2017
Purchase of available-for-sale financial assets	\$ -	\$ (59,772)
Proceeds from sale of available-for-sale financial assets	-	185,128
Purchase of debt investment with no active market	-	(13,875)
Net cash outflow on disposal of subsidiaries	(4,378)	-
Payments for property, plant and equipment	(88,446)	(200,769)
Proceeds from disposal of property, plant and equipment	3,596	1,459
(Increase) decrease in refundable deposits	(4,721)	3,914
Payments for intangible assets	(3,397)	(16,196)
Proceeds from disposal of intangible assets	80	-
Decrease (increase) in non-current assets	4,469	(1,669)
Decrease (increase) in prepayments for equipment	<u>8,355</u>	<u>(15,446)</u>
Net cash used in investing activities	<u>(108,628)</u>	<u>(117,226)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	217,938	502,384
Proceeds from long-term borrowings	304,960	335,534
Repayment of long-term borrowings	(428,331)	(226,414)
Increase in guarantee deposits	11,221	8,715
Increase in other non-current liabilities	1,262	4,867
Cash dividends paid	(89,666)	(88,165)
Proceeds from issuance of ordinary shares	260,000	-
Proceeds from disposals of treasury shares	28,950	-
Disposals of interests in subsidiaries	21,559	-
Dividends paid to non-controlling interests	(3,528)	-
Change in non-controlling interests	<u>64,559</u>	<u>-</u>
Net cash generated from financing activities	<u>388,924</u>	<u>536,921</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(195)</u>	<u>(5,147)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(99,061)	169,964
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>706,962</u>	<u>536,998</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 607,901</u>	<u>\$ 706,962</u>

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

(Concluded)

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Anderson Industrial Corporation (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 consolidated financial statements are presented in the Company’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

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

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS, AMENDMENTS 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 Group’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 Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group'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	\$ 706,962	\$ 706,962	-	
Equity securities	Available-for-sale	Fair value through other comprehensive income (“FVTOCI”) - equity instrument - current	13,246	13,246	a)	
	Financial assets measured at cost - non-current	FVTOCI - equity instruments - non-current	26,747	26,747	a)	
Beneficiary certificates	Available-for-sale	Mandatorily at fair value through profit or loss (“FVTPL”)	19,124	19,124	b)	
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	39,843	39,843	c)	
Notes receivable, accounts receivable and other receivables	Loans and receivables	Amortized cost	1,385,697	1,385,697	d)	
Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi- cations	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>	\$ 187,165	\$ -	\$ 187,165	\$ -	\$ -	
Add: Reclassification from available-for-sale (IAS 39)						
Required reclassification	-	19,124	19,124	(2,684)	2,684	b)
	187,165	19,124	206,289	(2,684)	2,684	
<u>Financial assets at FVTOCI</u>						
Equity instruments						
Add: Reclassification from available-for-sale (IAS 39)	-	13,246	13,246	-	-	a)
<u>Financial assets at FVTOCI - non-current</u>						
Equity instruments						
Add: Reclassification from financial assets measured at cost - non-current (IAS 39)	-	26,747	26,747	-	-	a)
<u>Financial assets at amortized cost</u>						
Add: Reclassification from loans and receivables (IAS 39)	-	39,843	39,843	-	-	c)
	\$ 187,165	\$ 98,960	\$ 286,125	\$ (2,684)	\$ 2,684	

- a) The Group elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized loss on available-for-sale financial assets of \$383 thousand was reclassified to other equity - unrealized loss on financial assets at FVTOCI.

Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value.

- b) 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.
- c) 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.
- d) 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 \$354,292 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 Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 “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 Group 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 Group as lessee

Upon initial application of IFRS 16, the Group 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 consolidated 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 consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in China are recognized as prepayments for leases. The difference between the actual payments and the expenses, as adjusted for lease incentives, is recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

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

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at the amount equal to the lease liabilities. The Group 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 Group expects to apply a single discount rate to measure lease liabilities.

The Group as lessor

Except for sublease transactions, the Group 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 Group subleased its leasehold to a third party. Such sublease is classified as an operating lease under IAS 17. The Group 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 Group 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 \$52,844 thousand.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group had assessed that the application of other standards and interpretations would not have significant impacts on the Group'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 Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for 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.
- 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 consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group 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. Basis of consolidation

- Principles for preparing consolidated financial statements

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

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

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

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

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

The fair value of investment retained in a former subsidiary at the date when control is lost is regarded

as the fair value of the cost on initial recognition of an investment in an associate.

See Note 10 and Tables 7 and 8 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

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

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.

f. 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.

g. Property, plant and equipment

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

Freehold land is not depreciated.

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. Goodwill

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

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

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

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual 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) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

j. Impairment of tangible and intangible assets other than goodwill

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

k. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to 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, financial assets at amortized cost and investments in equity instruments at FVTOCI.

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 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 24.

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.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading or designated as at FVTPL.

Financial assets at FVTPL are stated at their 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 financial assets.

ii. 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 Group'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.

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

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

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 Group 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 Group'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.

For financial assets measured at cost, the amount of the impairment loss is measured as the

difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

Before 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.

l. Provisions

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

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 Group's obligation by the management of the Group.

m. Revenue recognition

2018

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

1) Revenue from the sale of goods

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

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

2) Revenue from the rendering of services

Revenue from the rendering of services comes from the repair services and hardware installation services.

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

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

n. 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 Group as lessor

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

2) The Group as lessee

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

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related 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 Group'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 Group can no longer withdraw the offer of the termination benefits and when the Group recognizes any related restructuring costs.

p. 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 and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and 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 Group 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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the 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 Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group'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 8. 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 Group 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	\$ 3,554	\$ 3,608
Checking accounts and demand deposits	588,538	671,791
Cash equivalent		
Time deposits with original maturities less than three months	15,809	20,892
Deposit in transit	-	10,671
	<u>\$ 607,901</u>	<u>\$ 706,962</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%-0.55%	0%-0.98%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	2017
<u>Financial assets at FVTPL - current</u>		
Financial assets held for trading		
Non-derivative financial assets		
Beneficiary certificates	\$ -	\$ 187,165
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Beneficiary certificates	<u>214,242</u>	<u>-</u>
	<u>\$ 214,242</u>	<u>\$ 187,165</u>

8. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2018	2017
Notes receivable	<u>\$ 189,090</u>	<u>\$ 196,636</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 1,295,288	\$ 1,213,091
Less: Allowance for impairment loss	<u>(78,139)</u>	<u>(79,101)</u>
	<u>\$ 1,217,149</u>	<u>\$ 1,133,990</u>

Accounts Receivable

In 2018

The average credit period of sales of goods was 90-180 days.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all 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 Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group 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 Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivables.

December 31, 2018

	Under 180 Days	181 to 365 Days	Over 365 Days	Total
Gross carrying amount	\$ 1,261,246	\$ 108,209	\$ 114,923	\$ 1,484,378
Loss allowance (Lifetime ECL)	<u>(7,348)</u>	<u>(17,094)</u>	<u>(53,697)</u>	<u>(78,139)</u>
Amortized cost	<u>\$ 1,253,898</u>	<u>\$ 91,115</u>	<u>\$ 61,226</u>	<u>\$ 1,406,239</u>

The ECL ratios of each of the Group's accounts receivable aging are 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	\$ 79,101
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	79,101
Add: Provision	7,527
Less: Write-off	(7,815)
Effect of exchange rate changes	<u>(674)</u>
Balance at December 31, 2018	<u>\$ 78,139</u>

In 2017

The Group'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 Group 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 Group 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	\$ 845,985
181-365 days	122,793
More than 365 days	<u>244,313</u>
	<u>\$ 1,213,091</u>

The above aging schedule was based on the invoice date.

The aging of receivables that were past due but not impaired was as follows:

	December 31, 2017
Less than 180 days	\$ 86,663
181-365 days	15,043
More than 365 days	<u>43,379</u>
	<u>\$ 145,085</u>

The above aging schedule was based on the invoice date.

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	\$ 56,785	\$ 6,404	\$ 63,189
Reclassification	(7,683)	7,683	-
Add: Impairment losses recognized on receivables	11,205	6,428	17,633
Less: Amounts written off during the year as uncollectable	(560)	-	(560)
Foreign exchange translation	<u>(1,171)</u>	<u>10</u>	<u>(1,161)</u>
Balance at December 31, 2017	<u>\$ 58,576</u>	<u>\$ 20,525</u>	<u>\$ 79,101</u>

Refer to Note 24 for details of the factoring agreements for accounts receivable.

Refer to Note 26 for details of collaterals that the Group held for these balances.

9. INVENTORIES

	December 31	
	2018	2017
Work in progress	\$ 534,370	\$ 576,278
Raw materials	427,165	451,639
Merchandise	406,517	383,496
Finished goods	237,696	140,027
Inventory in transit	<u>149,544</u>	<u>161,522</u>
	<u>\$ 1,755,292</u>	<u>\$ 1,712,962</u>

The cost of goods sold for the years ended December 31, 2018 and 2017 included reversals of inventory write-downs of \$5,867 thousand and inventory write-downs of \$38,243 thousand, respectively. Previous write-downs were reversed as a result of increased selling prices in certain markets.

10. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership December 31		Remark
			2018	2017	
The Company	Anderson Industrial (Hong Kong) Ltd.	Importing, exporting and general investing activities	100.00%	100.00%	1)
	Anderson Europe GmbH	Manufacture and sale of machinery and service	100.00%	100.00%	-
	Anderson America Corporation (U.S.A.) (Anderson America)	Sale of machinery and service	100.00%	100.00%	-
	CNT Industrial (Shanghai) Co., Ltd. (CNT)	Manufacture and sale of woodworking machinery	100.00%	100.00%	-
	Anderson Logistics Corporation (Anderson Logistics)	Importing and exporting	100.00%	100.00%	-
	Jentec Machinery (Shanghai) Co., Ltd. (Jentec)	Manufacture and sale of machinery	100.00%	100.00%	-
	Anderson Merchandise Corporation (Anderson Merchandise)	Sale of wood panels and service	100.00%	100.00%	-
	Giben Holdings Co., Ltd. (BVI) (Giben BVI)	Investment	100.00%	100.00%	-
	Giben Holdings Co., Ltd. (SAMOA) (Giben SAMOA)	Investment	100.00%	100.00%	-
	Sogotec Enterprise Co., Ltd. (Sogotec)	Manufacture and sale of machinery	65.53%	70.63%	2)
Anderson Logistics	Sogotec	Manufacture and sale of machinery	24.78%	28.62%	2)
Anderson Merchandise	Verite Corporation (Verite)	Importing and exporting	-	50.00%	3)
	Sogotec	Manufacture and sale of machinery	0.28%	-	4)
	Giben America, Inc. (Giben America)	Sale of machinery and service	100.00%	100.00%	-
Giben SOMOA	Giben do Brasil Maquinas e Equipamentos Ltda (Giben Brasil)	Manufacture and sale of machinery	0.28%	0.28%	-
Giben BVI	Giben Brasil	Manufacture and sale of machinery	99.72%	99.72%	-
CNT	Chengdu ZhongDe Nc Machinery Co., Ltd (Chengdu ZhongDe)	Manufacture of woodworking machinery	-	66.67%	5)
Anderson Europe GmbH	Monforts CNC Werkzeugmaschinen-technik GmbH (Monforts GmbH)	Manufacture and sale of machinery	100.00%	100.00%	-
Sogotec	MATEC GmbH (MATEC)	Manufacture and sale of machinery	100.00%	100.00%	6)
	Sogotec Precision (Shanghai) Co., Ltd (Sogotec Shanghai)	Sale of machinery and service	100.00%	100.00%	-
MATEC	MATEC Machinery Trading (Shanghai) Co., Ltd. (MATEC Shanghai)	Sale of machinery and service	100.00%	100.00%	7)

Remarks:

- 1) The Group resolved to liquidate and dissolve the company. As of December 31, 2018, the process of liquidation is still ongoing.
- 2) Sogotec issued new shares for capital increase via cash in June and July 2018. The Company and Anderson Logistics did not purchase additional shares based on their percentages of ownership. Therefore, the Company's percentage of ownership in Sogotec decreased to 65.53%. In addition, Anderson Logistics partially disposed of interests in Sogotec in October 2018, reducing its percentage of ownership in Sogotec to 24.78%.
- 3) Verite issued new shares for capital increase via cash in March 2018. As Anderson Logistics did not participate in the subscription based on the percentage of ownership, its percentage of ownership dropped to 33.33%. As a result, it ceased to have control over Verite. Therefore, it accounted Verite as investments accounted for using the equity method.
- 4) Sogotec issued new shares for capital increase via cash in July 2018, and Anderson Merchandise participated in the subscription. After the subscription, Anderson Merchandise's percentage of ownership in Sogotec was 0.28%.
- 5) The Group resolved to liquidate and dissolve Chengdu ZhongDe in October 2017. The process of liquidation and dissolution has been completed in December 2018.
- 6) In February 2017, the Company invested \$91,392 thousand and incorporated MATEC. The Company held 100% ownership in MATEC.

7) In September 2017, MATEC invested \$4,630 thousand and incorporated MATEC Shanghai. MATEC held 100% ownership in MATEC Shanghai.

b. Subsidiaries excluded from consolidated financial statements: None.

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Research and Development Equipment	Other Equipment	Total
<u>Cost</u>						
Balance at January 1, 2017	\$ 264,942	\$ 1,000,969	\$ 254,498	\$ 64,955	\$ 164,812	\$ 1,750,176
Additions	80,920	69,312	16,424	1,001	31,239	198,896
Disposals	-	(28,827)	(21,015)	(205)	(4,858)	(54,905)
Reclassification	6,598	7,623	22,420	-	1,099	37,740
Effect of foreign currency exchange differences	2,795	(1,705)	(2,456)	(7)	(3,512)	(4,885)
Balance at December 31, 2017	<u>355,255</u>	<u>1,047,372</u>	<u>269,871</u>	<u>65,744</u>	<u>188,780</u>	<u>1,927,022</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2017	-	380,706	185,071	32,392	134,357	732,526
Depreciation	-	47,441	21,793	13,160	14,049	96,443
Disposals	-	(28,775)	(20,723)	(205)	(4,255)	(53,958)
Reclassification	-	(997)	(1,630)	-	997	(1,630)
Effect of foreign currency exchange differences	-	(2,508)	(2,477)	-	(2,707)	(7,692)
Balance at December 31, 2017	-	<u>395,867</u>	<u>182,034</u>	<u>45,347</u>	<u>142,441</u>	<u>765,689</u>
Carrying amounts at December 31, 2017	<u>\$ 355,255</u>	<u>\$ 651,505</u>	<u>\$ 87,837</u>	<u>\$ 20,397</u>	<u>\$ 46,339</u>	<u>\$ 1,161,333</u>
<u>Cost</u>						
Balance at January 1, 2018	\$ 355,255	\$ 1,047,372	\$ 269,871	\$ 65,744	\$ 188,780	\$ 1,927,022
Additions	129	26,102	28,729	2,287	31,199	88,446
Disposals	-	(4,125)	(77,231)	(11,370)	(23,455)	(116,181)
Reclassification	-	-	(1,387)	-	471	(916)
Effect of foreign currency exchange differences	(940)	(6,074)	(3,955)	(1)	(1,196)	(12,166)
Balance at December 31, 2018	<u>354,444</u>	<u>1,063,275</u>	<u>216,027</u>	<u>56,660</u>	<u>195,799</u>	<u>1,886,205</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2018	-	395,867	182,034	45,347	142,441	765,689
Depreciation	-	47,873	17,455	12,710	19,392	97,430
Disposals	-	(4,076)	(74,170)	(11,196)	(21,691)	(111,133)
Reclassification	-	-	(794)	-	-	(794)
Effect of foreign currency exchange differences	-	(3,873)	(2,891)	-	(1,163)	(7,927)
Balance at December 31, 2018	-	<u>435,791</u>	<u>121,634</u>	<u>46,861</u>	<u>138,979</u>	<u>743,265</u>
Carrying amounts at December 31, 2018	<u>\$ 354,444</u>	<u>\$ 627,484</u>	<u>\$ 94,393</u>	<u>\$ 9,799</u>	<u>\$ 56,820</u>	<u>\$ 1,142,940</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	1-30 years
Research and development equipment	3-11 years
Other equipment	1-33 years

In August 1996, the Company purchased land in Houlong Township of Miaoli county 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 26.

12. INTANGIBLE ASSETS

	Goodwill	Customer Relation	Patent	Trademark	Software	Technical Drawing	Total
<u>Cost</u>							
Balance at January 1, 2017	\$ 54,787	\$ 18,705	\$ 56,065	\$ 64,302	\$ 865	\$ -	\$ 194,724
Additions	-	-	629	-	1,146	14,421	16,196
Effect of foreign currency exchange differences	(3,246)	(1,443)	269	(2,366)	43	512	(6,231)
Balance at December 31, 2017	<u>51,541</u>	<u>17,262</u>	<u>56,963</u>	<u>61,936</u>	<u>2,054</u>	<u>14,933</u>	<u>204,689</u>
<u>Accumulated amortization and impairment</u>							
Balance at January 1, 2017	-	4,743	44,840	-	133	-	49,716
Amortization expense	-	3,821	2,825	-	424	2,309	9,379
Effect of foreign currency exchange differences	-	(451)	111	-	12	82	(246)
Balance at December 31, 2017	<u>-</u>	<u>8,113</u>	<u>47,776</u>	<u>-</u>	<u>569</u>	<u>2,391</u>	<u>58,849</u>
Carrying amounts at December 31, 2017	<u>\$ 51,541</u>	<u>\$ 9,149</u>	<u>\$ 9,187</u>	<u>\$ 61,936</u>	<u>\$ 1,485</u>	<u>\$ 12,542</u>	<u>\$ 145,840</u>
<u>Cost</u>							
Balance at January 1, 2018	\$ 51,541	\$ 17,262	\$ 56,963	\$ 61,936	\$ 2,054	\$ 14,933	\$ 204,689
Additions	-	-	1,518	-	551	1,328	3,397
Disposals	-	-	(104)	-	-	-	(104)
Disposals of subsidiaries	-	-	-	-	(598)	-	(598)
Reclassification	-	-	-	-	14,631	-	14,631
Effect of foreign currency exchange differences	1,245	554	(210)	907	(160)	(170)	2,166
Balance at December 31, 2018	<u>52,786</u>	<u>17,816</u>	<u>58,167</u>	<u>62,843</u>	<u>16,478</u>	<u>16,091</u>	<u>224,181</u>
<u>Accumulated amortization and impairment</u>							
Balance at January 1, 2018	-	8,113	47,776	-	569	2,391	58,849
Amortization expense	-	7,572	2,996	-	1,090	3,369	15,027
Impairment loss	10,000	-	-	-	-	-	10,000
Disposals	-	-	(24)	-	-	-	(24)
Disposals of subsidiaries	-	-	-	-	(306)	-	(306)
Effect of foreign currency exchange differences	-	403	(63)	-	(12)	(64)	264
Balance at December 31, 2018	<u>10,000</u>	<u>16,088</u>	<u>50,685</u>	<u>-</u>	<u>1,341</u>	<u>5,696</u>	<u>83,810</u>
Carrying amounts at December 31, 2018	<u>\$ 42,786</u>	<u>\$ 1,728</u>	<u>\$ 7,482</u>	<u>\$ 62,843</u>	<u>\$ 15,137</u>	<u>\$ 10,395</u>	<u>\$ 140,371</u>

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

Customer relation	5 years
Patents	5-20 years
Software	1-10 years
Technical drawing	5 years

The Group acquired 100% interests in Giben Brasil in September 2014. After the acquisition, the actual profitability of Giben Brasil has been lower than expectation. As result, impairment loss on goodwill of \$10,000 thousand was recognized in other gains and losses for the year ended December 31, 2018.

Management believes the Group 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 Group, 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.

13. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	2017
<u>Secured borrowings (Note 26)</u>		
Bank loans	\$ 383,710	\$ 230,229
<u>Unsecured borrowings</u>		
Bank loans	<u>965,957</u>	<u>901,500</u>
	<u>\$ 1,349,667</u>	<u>\$ 1,131,729</u>

The ranges of interest rates on bank loans were 0.85%-1.90% and 1.09%-1.90% per annum as of December 31, 2018 and 2017, respectively.

b. Long-term borrowings

	December 31	
	2018	2017
<u>Secured borrowings (Note 26)</u>		
Bank loans	\$ 578,265	\$ 480,975
<u>Unsecured borrowings</u>		
Bank loans	<u>64,277</u>	<u>284,444</u>
	642,542	765,419
Less: Current portion	<u>(246,061)</u>	<u>(391,476)</u>
Long-term borrowings	<u>\$ 396,481</u>	<u>\$ 373,943</u>

As of December 31, 2018 and 2017, the interest rates of the bank borrowings secured by the Group's financial assets at amortized cost, accounts receivable, other receivables, freehold land and buildings (see Note 26) were 1.70%-3.78% and 1.60%-2.76% per annum, respectively. The bank borrowings are due in May 2019 to April 2027.

14. OTHER LIABILITIES

	December 31	
	2018	2017
<u>Other payables</u>		
Payables for commission	\$ 60,038	\$ 117,808
Payables for salaries and bonuses	133,632	105,943
Payables for business taxes	25,273	43,885
Payable for employees' compensation and remuneration of directors and supervisors	8,328	7,893
Payables for interest	1,490	1,625
Others	<u>81,602</u>	<u>46,716</u>
	<u>\$ 310,363</u>	<u>\$ 323,870</u>

(Continued)

	December 31	
	2018	2017
<u>Other liabilities</u>		
Unearned receipts	\$ -	\$ 354,292
Temporary receipts	7,422	24,543
Others	<u>5,580</u>	<u>15,933</u>
	<u>\$ 13,002</u>	<u>\$ 394,768</u> (Concluded)

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the Group’s subsidiaries in other countries are members of state-managed retirement benefit plans operated by the local government. The subsidiary is required to contribute amounts equal to a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plans adopted by the Company and Sogotec 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 and Sogotec contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the “Bureau”); the Group has no right to influence the investment policy and strategy.

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

	December 31	
	2018	2017
Present value of defined benefit obligation	\$ 123,871	\$ 141,374
Fair value of plan asset	<u>(61,645)</u>	<u>(70,025)</u>
Net defined benefit liability	<u>\$ 62,226</u>	<u>\$ 71,349</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>\$ 144,673</u>	<u>\$ (70,833)</u>	<u>\$ 73,840</u>
Service cost			
Current service cost	1,490	-	1,490
Net interest expense (income)	<u>1,833</u>	<u>(909)</u>	<u>924</u>
Recognized in profit or loss	<u>3,323</u>	<u>(909)</u>	<u>2,414</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	252	252
Actuarial loss - changes in demographic assumptions	1,334	-	1,334
Actuarial gain - experience adjustments	<u>(3,600)</u>	<u>-</u>	<u>(3,600)</u>
Recognized in other comprehensive income	<u>(2,266)</u>	<u>252</u>	<u>(2,014)</u>
Contributions from the employer	-	(2,891)	(2,891)
Benefits paid from plan assets	<u>(4,356)</u>	<u>4,356</u>	<u>-</u>
	<u>(4,356)</u>	<u>1,465</u>	<u>(2,891)</u>
Balance at December 31, 2017	<u>141,374</u>	<u>(70,025)</u>	<u>71,349</u>
Service cost			
Current service cost	1,110	-	1,110
Past service cost and gain on settlements	(1,585)	-	(1,585)
Net interest expense (income)	<u>1,796</u>	<u>(904)</u>	<u>892</u>
Recognized in profit or loss	<u>1,321</u>	<u>(904)</u>	<u>417</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,969)	(1,969)
Actuarial loss - changes in demographic assumptions	683	-	683
Actuarial loss - changes in financial assumptions	1,808	-	1,808
Actuarial gain - experience adjustments	<u>(6,761)</u>	<u>-</u>	<u>(6,761)</u>
Recognized in other comprehensive income	<u>(4,270)</u>	<u>(1,969)</u>	<u>(6,239)</u>
Contributions from the employer	-	(3,301)	(3,301)
Benefits paid from plan assets	<u>(14,554)</u>	<u>14,554</u>	<u>-</u>
	<u>(14,554)</u>	<u>11,253</u>	<u>(3,301)</u>
Balance at December 31, 2018	<u>\$ 123,871</u>	<u>\$ (61,645)</u>	<u>\$ 62,226</u>

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the 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 rates	1.125%-1.375%	1.250%-1.500%
Expected rates of salary increase	3.000%-4.250%	3.000%-4.250%

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	\$ (3,551)	\$ (4,128)
0.25% decrease	\$ 3,693	\$ 4,294
Expected rate(s) of salary increase		
0.25% increase	\$ 3,557	\$ 4,144
0.25% decrease	\$ (3,441)	\$ (4,006)

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	\$ 3,256	\$ 3,547
The average duration of the defined benefit obligation	11.40-14.80 years	11.58-15.02 years

16. 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 ordinary shares	\$ 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 18-f.

According to the Articles of Incorporation of the Company, 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 December 31		For the Year Ended 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 21 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.

17. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from the sale of goods	\$ 4,784,590	\$ 4,351,687
Revenue from the rendering of services	118,631	111,542
Others	<u>2,013</u>	<u>1,905</u>
	<u>\$ 4,905,234</u>	<u>\$ 4,465,134</u>

- 1) Refer to Notes 4-m and 30 for information about contract information and disaggregation of revenue.
- 2) Contract balances: as of December 31, 2018, the balance for contract liabilities is \$363,535 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.

18. NET PROFIT AND OTHER COMPREHENSIVE INCOME (LOSS)

a. Other income

	For the Year Ended December 31	
	2018	2017
Rental income	\$ 3,046	\$ 2,620
Interest income	2,470	6,931
Others	<u>36,594</u>	<u>51,138</u>
	<u>\$ 42,110</u>	<u>\$ 60,689</u>

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Net foreign exchange losses	\$ (4,219)	\$ (21,137)
Gain on disposal of subsidiaries	1,233	-
Net gain on financial assets at FVTPL	443	-
(Loss) gain on disposal of property, plant and equipment	(1,452)	511
Loss on disposal of available-for-sale financial assets, net	-	(984)
Impairment losses of goodwill	(10,000)	-
Others	<u>(8,743)</u>	<u>2,818</u>
	<u>\$ (22,738)</u>	<u>\$ (18,792)</u>

c. Finance costs

		For the Year Ended December 31	
		2018	2017
	Interest on bank loans	\$ 38,082	\$ 30,912
d.	Depreciation and amortization		
		For the Year Ended December 31	
		2018	2017
	Property, plant and equipment	\$ 97,430	\$ 96,443
	Intangible assets	<u>15,027</u>	<u>9,379</u>
		<u>\$ 112,457</u>	<u>\$ 105,822</u>
	An analysis of depreciation by function		
	Operating costs	\$ 31,748	\$ 35,258
	Operating expenses	<u>65,682</u>	<u>61,185</u>
		<u>\$ 97,430</u>	<u>\$ 96,443</u>
	An analysis of amortization by function		
	Operating expenses	<u>\$ 15,027</u>	<u>\$ 9,379</u>
e.	Employee benefits expense		
		For the Year Ended December 31	
		2018	2017
	Short-term benefits	\$ 982,953	\$ 886,356
	Post-employment benefits		
	Defined contribution plans	20,373	18,938
	Defined benefit plans (Note 15)	<u>417</u>	<u>2,414</u>
		<u>20,790</u>	<u>21,352</u>
	Other employee benefits	<u>21,583</u>	<u>33,836</u>
	Total employee benefits expense	<u>\$ 1,025,326</u>	<u>\$ 941,544</u>
	An analysis of employee benefits expense by function		
	Operating costs	\$ 194,233	\$ 199,406
	Operating expenses	<u>831,093</u>	<u>742,138</u>
		<u>\$ 1,025,326</u>	<u>\$ 941,544</u>

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	\$ 569	\$ 1,054
Remuneration of directors and supervisors	\$ 569	\$ 1,054

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

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

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

19. INCOME TAXES

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

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	\$ 46,258	\$ 34,844
Income tax on unappropriated earnings	6,813	1,663
Adjustments for prior years	3,708	6,191
Deferred tax		
In respect of the current year	(23,185)	(14,026)
Change in tax rates	<u>(8,837)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 24,757</u>	<u>\$ 28,672</u>

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

	For the Year Ended December 31	
	2018	2017
Profit before income tax	\$ 64,945	\$ 123,607
Income tax expense calculated at the statutory rate	\$ 12,989	\$ 21,013
Nondeductible expenses in determining taxable income	58	394
Adjustment items in determining taxable profit	(16,180)	(18,894)
Temporary differences	1,197	(4,430)
Loss carryforwards	(1,835)	(5,850)
Income tax on unappropriated earnings	6,813	1,663
Effect of different tax rate of Group entities operating in other jurisdictions	26,844	28,585
Adjustments for prior years' tax	3,708	6,191
Change in tax rates	<u>(8,837)</u>	<u>-</u>
Income tax expense recognized in profit or loss	\$ 24,757	\$ 28,672

In 2017, the applicable corporate income tax rate used by the group entities in the ROC 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%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

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	\$ 17	\$ -
In respect of the current period		
Remeasurement on defined benefit plan	<u>1,267</u>	<u>329</u>
	\$ 1,284	\$ 329

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 Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Defined benefit obligation	\$ 12,500	\$ 1,528	\$ (1,284)	\$ 12,744
Inventory write-downs	16,849	3,499	-	20,348
Unrealized gain on transactions with associates	2,966	1,989	-	4,955
Share of loss of subsidiaries accounted for using the equity method	3,453	9,550	-	13,003
Others	<u>19,696</u>	<u>10,976</u>	<u>-</u>	<u>30,672</u>
	<u>\$ 55,464</u>	<u>\$ 27,542</u>	<u>\$ (1,284)</u>	<u>\$ 81,722</u>
<u>Deferred tax liabilities</u>				
Share of income of subsidiaries accounted for using the equity method	\$ -	\$ 1,872	\$ -	\$ 1,872
Unrealized foreign exchange gains	1,657	(1,657)	-	-
Others	<u>4,695</u>	<u>(4,695)</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,352</u>	<u>\$ (4,480)</u>	<u>\$ -</u>	<u>\$ 1,872</u>

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Reclassification	Closing Balance
<u>Deferred tax assets</u>					
Defined benefit obligation	\$ 12,916	\$ (87)	\$ (329)	\$ -	\$ 12,500
Inventory write-downs	12,366	4,483	-	-	16,849
Unrealized gain on transactions with associates	1,474	1,492	-	-	2,966
Share of loss of subsidiaries accounted for using the equity method	421	(260)	-	3,292	3,453
Others	<u>22,150</u>	<u>(2,454)</u>	<u>-</u>	<u>-</u>	<u>19,696</u>
	<u>\$ 49,327</u>	<u>\$ 3,174</u>	<u>\$ (329)</u>	<u>\$ 3,292</u>	<u>\$ 55,464</u>
<u>Deferred tax liabilities</u>					
Share of income of subsidiaries accounted for using the equity method	\$ 13,912	\$ (17,204)	\$ -	\$ 3,292	\$ -
Unrealized foreign exchange gains	-	1,657	-	-	1,657
Others	<u>-</u>	<u>4,695</u>	<u>-</u>	<u>-</u>	<u>4,695</u>
	<u>\$ 13,912</u>	<u>\$ (10,852)</u>	<u>\$ -</u>	<u>\$ 3,292</u>	<u>\$ 6,352</u>

d. Unused loss carryforward as of December 31, 2017 comprised of:

Unused Amount	Expiry Year
<u>\$ 49,919</u>	2026

e. Income tax assessments

The latest annual income tax returns that have been assessed by the tax authorities were as follows:

<u>Company</u>	<u>Year</u>
The Company	2015
Anderson Merchandise	2016
Anderson Logistics	2016
Sogotec	2016

20. EARNINGS PER SHARE

Unit: NT\$ Per Share

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

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

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

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

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
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 bonuses issue to employees	75	100
Weighted average number of ordinary shares used in the computation of diluted earnings per share	186,175	176,431

If the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

21. 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 years ended December 31, 2018.

22. OPERATING LEASE ARRANGEMENTS

The Group 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	\$ 47,501	\$ 45,893
Later than 1 year and not later than 5 years	25,118	65,121
Later than 5 years	<u>8,404</u>	<u>12,006</u>
	<u>\$ 81,023</u>	<u>\$ 123,020</u>

23. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group 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 Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings, other equity and non-controlling interests).

Key management personnel of the Group 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 Group 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 Group is not subject to any externally imposed capital requirements.

24. FINANCIAL INSTRUMENTS

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

The Group'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

- 1) Fair value hierarchy

<u>December 31, 2018</u>	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Beneficiary certificates	<u>\$ 214,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,242</u>
Financial assets at FVTOCI-				
non-current				
Equity instruments				
Unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,549</u>	<u>\$ 27,549</u>
<u>December 31, 2017</u>	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Beneficiary certificates	<u>\$ 187,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,165</u>
Available-for-sale financial				
assets				
Beneficiary certificates	<u>\$ 19,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,124</u>
Securities listed in ROC				
Equity securities	<u>13,246</u>	<u>-</u>	<u>-</u>	<u>13,246</u>
	<u>\$ 32,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,370</u>

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

- 2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2018

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2018	\$ 26,747
Recognized in other comprehensive income (included in unrealized gain on financial assets at FVTOCI)	<u>802</u>
Balance at December 31, 2018	<u>\$ 27,549</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities - ROC were determined using the market approach. In this approach, the estimates or assumptions used to determine fair values are established by reference to relevant information of other listed companies or peers in similar nature of business.

c. Categories of financial instruments

	December 31	
	2018	2017
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 214,242	\$ -
Loans and receivables (1)	-	2,132,502
Available-for-sale financial assets (2)	-	59,117
Financial assets at amortized cost (3)	2,253,329	-
Financial assets at FVTOCI		
Equity Instruments	27,549	-

Financial liabilities

Financial liabilities at amortized cost (4)	2,658,065	2,803,773
---	-----------	-----------

- 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 and financial assets measured at cost.
- 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 receivables 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 Group's major financial instruments include equity and beneficiary certificates investments, accounts receivable, accounts payable and short-term and long-term borrowings. The Group's corporate treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Group 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 Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

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

a) Foreign currency risk

The Group 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 Group managed the risk by balancing positions of assets and liabilities denominated in foreign currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 28.

Sensitivity analysis

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

The following table details the Group'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	\$ 6,510	\$ 5,816	\$ 7,766	\$ 6,095	\$ 422	\$ 1,273

b) Interest rate risk

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

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

	December 31	
	2018	2017
Fair value interest rate risk		
Financial assets	\$ 23,767	\$ 43,078
Financial liabilities	415,597	131,446
Cash flow interest rate risk		
Financial assets	563,810	689,496
Financial liabilities	1,576,612	1,765,702

Sensitivity analysis

The sensitivity analyses below were determined based on the Group'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 Group'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 Group's pre-tax profit for the year ended December 31, 2018 and 2017 would decrease/increase by \$1,013 thousand and \$1,076 thousand, respectively, which was mainly attributable to the Group's exposure to cash flow on its variable-rate bank borrowings.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities and beneficiary certificates.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 10% higher/lower, pre-tax profit for year ended December 31, 2018 would have increased/decreased by \$2,142 thousand, as a result of the changes in fair value of financial assets at FVTPL, and the other comprehensive income for the year ended December 31, 2018 would increase/decrease by \$21,424 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 10% higher/lower, pre-tax profit for year ended December 31, 2017 would have increased/decreased by \$18,717 thousand, as a result of the changes in fair value of held-for trading investments, and the other comprehensive income for the year ended December 31, 2017 would increase/decrease by \$3,237 thousand, as a result of the changes in fair value of available-for-sale shares.

2) Credit risk

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

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group 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 Group uses other publicly available financial information to rate its major customers. The Group'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 Group 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 Group's short, medium and long-term funding and liquidity management requirements. The Group 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 Group 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 Group'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 Group 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	\$ -	\$ 665,856	\$ -	\$ -	\$ -
Variable interest rate liabilities	264,063	673,339	343,270	324,234	-
Fixed interest rate liabilities	<u>44,650</u>	<u>116,853</u>	<u>169,137</u>	<u>59,210</u>	<u>46,285</u>
	<u>\$ 308,713</u>	<u>\$ 1,456,048</u>	<u>\$ 512,407</u>	<u>\$ 383,444</u>	<u>\$ 46,285</u>

December 31, 2017

	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	\$ -	\$ 897,253	\$ -	\$ -	\$ -
Variable interest rate liabilities	165,989	944,827	390,146	290,096	-
Fixed interest rate liabilities	<u>6,757</u>	<u>11,357</u>	<u>28,337</u>	<u>57,279</u>	<u>61,493</u>
	<u>\$ 172,746</u>	<u>\$ 1,853,437</u>	<u>\$ 418,483</u>	<u>\$ 347,375</u>	<u>\$ 61,493</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	\$ 1,030,234	\$ 1,373,097
Amount unused	<u>1,291,096</u>	<u>982,738</u>
	<u>\$ 2,321,330</u>	<u>\$ 2,355,835</u>
Secured bank overdraft facility:		
Amount used	\$ 961,975	\$ 857,923
Amount unused	<u>513,547</u>	<u>-</u>
	<u>\$ 1,475,522</u>	<u>\$ 857,923</u>

e. Transfers of financial assets

During 2018 and 2017, the Group discounted notes and accounts receivables with an aggregate carrying amount of \$111,175 thousand and \$111,079 thousand to a bank for cash proceeds of \$84,617 thousand and \$81,225 thousand, respectively. According to the contract, if the notes and accounts receivables are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these notes and accounts receivables, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as a secured borrowing (see Note 26).

As of December 31, 2018 and 2017, the carrying amount of the notes receivable (classified as other receivables) and accounts receivable that have been transferred but have not been derecognized amounted to \$72,046 thousand and \$27,011 thousand, respectively, and the carrying amount of the related liability was \$69,212 thousand and \$23,072 thousand, respectively.

25. TRANSACTIONS WITH RELATED PARTIES

The Company's parent is Parpro Corporation, which held 20.02% of the ordinary shares of the Company as of December 31, 2018. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The price and the transaction terms with related parties were not significantly different from those with third parties. Details of transactions between the Group and other related parties are disclosed below:

a. Related parties and their relationships with the Company:

<u>Related Party</u>	<u>Relationship with the Company</u>
Parpro Corporation (Parpro)	Parent entity
EFA Technologies Corporation (EFA)	Fellow subsidiary
Verite	Associates

b. Purchases of goods

<u>Related Party Categories</u>	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Parent entity	\$ -	\$ 2,311
Fellow subsidiary	<u>10,994</u>	<u>1,411</u>
	<u>\$ 10,994</u>	<u>\$ 3,722</u>

c. Payables to related parties

<u>Line Item</u>	<u>Related Party Category</u>	<u>December 31</u>	
		<u>2018</u>	<u>2017</u>
Accounts payable	Fellow subsidiary	\$ 1,701	\$ 1,481
	Associates	<u>28</u>	<u>-</u>
		<u>\$ 1,729</u>	<u>\$ 1,481</u>

d. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 93,158	\$ 90,306
Post-employment benefits	<u>2,091</u>	<u>1,352</u>
	<u>\$ 95,249</u>	<u>\$ 91,658</u>

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

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31	
	2018	2017
Bank deposits (classified as financial assets at amortized cost)	\$ 66,139	\$ -
Accounts receivable	28,336	27,011
Note receivables (classified as other receivables)	43,710	-
Building	407,630	419,349
Freehold land	129,617	129,617
Other non-current assets	<u>6,482</u>	<u>6,482</u>
	<u>\$ 681,914</u>	<u>\$ 582,459</u>

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group were as follows:

As of December 31, 2018, unused letters of credit for purchases of raw materials amounted to \$6,499 thousand.

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 24,720	30.715 (USD:NTD)	\$ 759,275
RMB	173,654	4.472 (RMB:NTD)	776,581
EUR	1,198	35.200 (EUR:NTD)	42,170
<u>Financial liabilities</u>			
Monetary items			
USD	3,526	30.715 (USD:NTD)	108,301

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 25,383	29.760 (USD:NTD)	\$ 755,398
RMB	133,507	4.565 (RMB:NTD)	609,459
EUR	5,043	35.570 (EUR:NTD)	179,380
<u>Financial liabilities</u>			
Monetary items			
USD	5,841	29.760 (USD:NTD)	173,828
EUR	1,465	35.570 (EUR:NTD)	52,110

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange losses amounted to \$4,219 thousand and \$21,137 thousand, respectively. It is impractical to disclose net foreign exchange gain (loss) by each significant foreign currency due to the variety of the foreign currency transactions.

29. 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) Intercompany relationships and significant intercompany transactions formation on investees. (Table 6)
- 11) Information on investees. (Table 7)

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 8)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (Table 6)

30. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments were as follows:

a. Segments revenues and results

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

	For the Year Ended December 31	
	2018	2017
<u>Segment revenues</u>		
Machinery segment	\$ 5,429,951	\$ 5,017,687
Wood panels segment	707,109	727,291
Eliminations	<u>(1,231,826)</u>	<u>(1,279,844)</u>
	<u>\$ 4,905,234</u>	<u>\$ 4,465,134</u>
<u>Segment income</u>		
Machinery segment	\$ 69,385	\$ 63,263
Wood panels segment	<u>16,243</u>	<u>49,359</u>
	85,628	112,622
Non-operating income and expenses	<u>(20,683)</u>	<u>10,985</u>
Profit before tax	<u>\$ 64,945</u>	<u>\$ 123,607</u>

b. Segment total assets and liabilities

The Group's segment total assets and liabilities and other segment information were not provided to the chief operating decision maker; therefore, disclosure was not necessary.

c. Geographic information

		Revenue from External Customers	
		For the Year Ended December 31	
		2018	2017
Taiwan		\$ 1,100,245	\$ 1,100,695
China		1,273,611	1,110,494
Germany		885,647	610,111
USA		622,354	681,922
Brazil		133,845	64,265
Australia		129,859	211,676
Thailand		15,736	149,262
Others		<u>743,937</u>	<u>536,709</u>
		<u>\$ 4,905,234</u>	<u>\$ 4,465,134</u>
		Non-current Assets	
		December 31	
		2018	2017
Taiwan		\$ 836,952	\$ 797,903
China		65,743	74,883
USA		84,441	89,514
Germany		175,075	196,818
Brazil		<u>186,632</u>	<u>211,439</u>
		<u>\$ 1,348,843</u>	<u>\$ 1,370,557</u>

Non-current assets exclude financial instruments, investments accounted for using the equity method and deferred tax assets.

d. Revenue from major products and services

For the years ended December 31, 2018 and 2017, the Group does not have revenue from a single customer that exceeds 10% of the consolidated revenue.

TABLE 1

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

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 AND SUBSIDIARIES

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 AND SUBSIDIARIES****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 7 and Table 8 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 AND SUBSIDIARIES

**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 AND SUBSIDIARIES

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

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 AND SUBSIDIARIES

**BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTION
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Number	Company Name	Counterparty	Relationship (Note)	Transaction Details			
				Financial Account	Amount	Transaction Terms	% to Total Revenue or Assets
0	The Company	Anderson America	1	Sales revenue	\$ 342,245	The same as common term of trade	7
		CNT	1	Sales revenue	63,996	The prices are the Company's cost plus 3%	1
		Giben America	1	Sales revenue	34,761	The same as common term of trade	-
		Sogotec	1	Sales revenue	34,198	The same as common term of trade	-
		Giben Brasil	1	Sales revenue	12,497	The same as common term of trade	-
		Anderson America	1	Accounts receivable - related parties	285,080	The same as common term of trade, and collection depends on capital status	5
		CNT	1	Accounts receivable - related parties	64,237	The same as common term of trade, and collection depends on capital status	1
		Giben America	1	Accounts receivable - related parties	100,319	The same as common term of trade, and collection depends on capital status	2
		Giben Brasil	1	Accounts receivable - related parties	60,754	The same as common term of trade, and collection depends on capital status	1
		Sogotec	1	Accounts receivable - related parties	142,722	The same as common term of trade, and collection depends on capital status	2
		CNT	1	Other receivable - related parties	52,529	The same as common term of trade, and collection depends on capital status	1
		Sogotec	1	Other receivable - related parties	52,136	The same as common term of trade, and collection depends on capital status	1
		Giben America	1	Other receivable - related parties	22,909	The same as common term of trade, and collection depends on capital status	-
		Monforts GmbH	1	Prepayments for equipments	17,714	The same as common term of trade	-
1	Giben Brasil	Giben America	3	Accounts receivable - related parties	12,753	The same as common term of trade, and collection depends on capital status	-
		Giben America	3	Sales revenue	17,154	The same as common term of trade	-
2	Sogotec	Sogotec Shanghai	1	Accounts receivable - related parties	641,191	The same as common term of trade, and collection depends on capital status	11
		Sogotec Shanghai	1	Sales revenue	622,082	The same as common term of trade	13
3	CNT	Sogotec Shanghai	3	Accounts receivable - related parties	19,906	The same as common term of trade, and collection depends on capital status	-

(Continued)

Number	Company Name	Counterparty	Relationship (Note)	Transaction Details			
				Financial Account	Amount	Transaction Terms	% to Total Revenue or Assets
4	Giben SAMOA	Anderson America	3	Accounts receivable - related parties	\$ 15,069	The same as common term of trade, and collection depends on capital status	-
		Giben Brasil	3	Accounts receivable - related parties	16,397	The same as common term of trade, and collection depends on capital status	-
		Monforts GmbH	3	Accounts receivable - related parties	11,842	The same as common term of trade, and collection depends on capital status	-
		Anderson America	3	Sales revenue	12,972	The same as common term of trade	-
5	Anderson Industrial	CNT	3	Other receivables - related parties	21,548	The same as common term of trade, and collection depends on capital status	-
6	Jentec	CNT	3	Sales revenue	28,119	The same as common term of trade	-
7	MATEC	The Company	2	Sales revenue	11,808	The same as common term of trade	-

Note: 1. Parent to subsidiary.
2. Subsidiary to parent.
3. Between subsidiaries.

(Concluded)

TABLE 7

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

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	(Note)	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-subsiidiary
	Giben Brasil	Brazil	Manufacture and sale of machinery	1,183	1,142	(Note)	0.28	629	(39,259)	Not applicable	Sub-subsiidiary
Giben BVI	Giben Brasil	Brazil	Manufacture and sale of machinery	421,626	407,049	(Note)	99.72	224,245	(39,259)	Not applicable	Sub-subsiidiary
Anderson Europe GmbH	Monforts GmbH	Germany	Manufacture and sale of machinery	197,426	125,006	-	100.00	165,126	(30,545)	Not applicable	Sub-subsiidiary
	MATEC	Germany	Manufacture and sale of machinery	155,496	101,181	(Note)	100.00	199,509	27,630	Not applicable	Sub-subsiidiary

Note: Limited company structure.

TABLE 8

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

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:

- a. Direct investment in mainland China.
- b. Indirect investment in mainland China through CNT. CNT has obtained 67% contribution for \$26,977 thousand (RMB5,360 thousand).
- c. Sogotec has obtained 100% contribution for \$26,487 thousand (US\$800 thousand).
- d. 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.

6. Financial turnover difficulties and their impact on the financial position of the Company occurred in the most recent year and up to the date of publication of the annual report by the Company and its affiliated enterprises: None.

Seven, the financial situation and financial performance review analysis and risk issues

I. financial situation:

The main causes and impacts of major changes in assets, liabilities and equity in the last two years, and if the impacts are significant, the future response plan shall be explained.

Unit: NT\$ 1000

Years Item	107 years	106 years	Difference	
			Amount of gold	%
current assets	4,367,727	4,230,071	137,656	3.25%
Property, plant and equipment	1,142,940	1,161,333	(18,393)	-1.58%
Intangible assets	140,371	145,840	(5,469)	-3.75%
Other assets	200,370	145,595	54,775	37.62%
Total assets	5,851,408	5,682,839	168,569	2.97%
Current liabilities	2,734,153	2,890,362	(156,209)	-5.4%
Non-current liabilities	492,366	470,948	21,418	4.55%
total indebtedness	3,226,519	3,361,310	(134,791)	-4.01%
Rights and Interests Belonging to Owners of Parent Company	2,577,248	2,300,372	276,876	12.04%
Stock capital	1,998,810	1,800,000	198,810	11.05%-
Capital reserve	369,134	266,674	102,460	38.42%
retained earnings	289,396	326,737	(37,341)	-11.43%

Other rights and interests	(75,178)	(58,067)	(17,111)	-29.47%
Treasury stock	(4,914)	(34,972)	30,058	85.95%
Non-controlling interest	47,641	21,157	26,484	125.18%
Total equity	2,624,889	2,321,529	303,360	13.07%

Analysis of the change in the increase/decrease ratio shows that: (the increase/decrease is more than 20% and the change amount is 10,000,000 yuan)

1. Other assets: mainly due to the increase of deferred income tax assets in the current period.

2. Capital reserve: mainly due to the premium on the issuance of shares for cash capital increase in the current period.

3. Other rights and interests: mainly due to the reduction in the conversion difference in the financial statements of foreign operating institutions in the current period.

4. Treasury stock: mainly due to the transfer of employees and cancellation of treasury stock in the current period.

5. Non-controlling rights and interests: mainly due to the subsidiary company that did not increase its capital in proportion to its shareholding in the current period.

II. Financial Performance

(1) The main reasons for major changes in operating income, net operating profit and net pre-tax profit in the last two years, the expected sales volume and its basis, the possible impact on the company's future financial business and the corresponding plans

Unit: NT\$ 1000

Projects	107 years	106 years	Increase or decrease amount	Rate of change (%)
Operating income	4,905,234	4,465,134	440,100	9.86%
Gross operating profit	1,292,566	1,335,998	(43,432)	-3.25%
Operating profit and loss	85,628	112,622	(26,994)	-23.97%
Non-operating income and expenditure	(20,683)	10,985	(31,668)	-288.28%

Net profit before tax	64,945	123,607	(58,662)	-47.46%
Net Profit of Continuing Business Unit in Current Period	40,188	94,935	(54,747)	-57.67%
Loss of closed unit	-	-	-	-
Net profit for the current period	40,188	94,935	(54,747)	-57.67%
Other comprehensive profit and loss (net after tax) for the current period	(14,055)	(6,074)	(7,981)	-131.4%
Total consolidated profit and loss for the current period	26,133	88,861	(62,728)	-70.59%
The net profit belongs to the owner of the parent company.	40,977	96,521	(55,544)	-57.55%
Net profit attributable to non-controlling interests	(789)	(1,586)	797	50.25%
The total consolidated profit and loss belongs to the owner of the parent company.	26,247	90,697	(64,450)	-71.06%
The total consolidated profit and loss belongs to non-controlling interests	(114)	(1,836)	1,722	93.79%
earnings per share,eps	0.22	0.55	-0.33	-60%

Analysis of the change in the increase/decrease ratio shows that: (the increase/decrease is more than 20% and the change amount is 10,000,000 yuan) 1. Operating profit and loss and net profit before tax: mainly due to the decrease of gross profit in the current period. 2. Non-operating income and expenditure: mainly due to increased financial cost and impairment of goodwill. 3. Net profit for the current period and total comprehensive profit and loss for the current period: mainly due to the decrease in gross profit and non-operating income and expenditure. 4. The total net profit and comprehensive profit and loss belong to the owner of the parent company: 107 degrees of net profit and the decrease in the total comprehensive profit and loss.				

(2) The expected sales volume and its basis, the possible impact on the company's future financial business and the corresponding plans:

The company has not announced its financial forecast for the year 108, so it does not intend to disclose the expected sales volume.

3. Cash flow: analysis of recent current changes, improvement plans for sufficient mobility, and no current analysis.

1. Liquidity Analysis in the Last Two Years

year Projects	107 years	106 years	Increase (decrease) ratio
Net Revelations of Operating Activities	(379,162)	(244,584)	(55.02)
Net Revelations of Investment Activities	(108,628)	(117,226)	(7.33)
Net Cash in (Out) of Financing Activities	388,924	536,921	(27.56)

Analysis of change of increase/decrease ratio:

The increase in net cash outflow from operating activities was mainly due to the decrease in net changes in operating assets and liabilities in the current period compared with the previous period. The decrease in net cash outflow from investment activities was mainly due to the decrease in the amount of real estate, plant and equipment purchased in the current period compared with the previous period.

Decrease in net cash flow from fund-raising activities: mainly due to decrease in short-term borrowing in the current period compared with the previous period.

2. Liquidity Improvement Plan: The Company has no doubt about the lack of liquidity.

(2) Cash Liquidity Analysis for the Next Year (108 Years)

				Unit: NT\$ 1000	
the beginning of the period Cash balance	Estimated Net Cash Flow from Operating Activities for the Year	Estimated Annual Cash Outflow	Estimated cash Remaining (insufficient) amount	Remedies for Estimated Cash Shortage	
				Investment plan	Financial planning
607,901	199,412	131,225	476,676	-	-
1. Analysis of cash flow changes in the coming year:					
(1) Operating activities: The main reason is that the net profit for this period is expected to increase in 108 years, so the net cash inflow from operating activities is expected for the whole year.					
(2) Investment activities: mainly machinery and equipment investment and maintenance in 108 years, resulting in net cash outflow from investment activities throughout the year.					
(3) fund-raising activities: mainly refers to the expected repayment of loans and cash dividends in 108 years, resulting in net cash outflow from fund-raising activities throughout the year.					
2. Remedial Measures and Liquidity Analysis for Estimated Cash Shortage: None.					

4. Impact of Major Capital Expenditure in Recent Years on Financial Business: The Company has no Major Capital Expenditure in Recent Years.

5. The main reasons for the profit or loss of the recent annual reinvestment policy and its improvement plan and investment plan for the coming year:

107.12.31 Units: NT\$ 1000

Transfer to investment	(Loss) Profit in 107 Years	Policy	Main reasons for profit or loss	Improvement plan	Investment Plan for the Next Year
Zhongde industry	(3,772)	Production and sales in mainland China	Sales Decline	Strengthen the Development of New Customers	No
Ended America	(2,086)	U.S. sales	Sales Decline	Strengthen the Development of New Customers	No

Ended Germany	15,245	European Production, Sales and Holding Company	Normal	No	No
Ended Hong Kong	0	Financial operation	Normal	No	No
Shengde company	15,635	Holding company	Normal	No	No
Yude industry	11,151	Plate trade	Normal	No	No
Overall precision	71,216	Production and marketing of drilling machines	Normal	No	No
Shanghai office	10,310	Production and marketing of drilling machines	Normal	No	No
Youde machinery	401	Production and sales in mainland China	Sales Decline	Strengthen the Development of New Customers	No
Giben Holdings Co. Ltd(SAMOA)	(7,257)	Holding company	Recognition of Investment Company Losses	No	No
Giben Holdings Co. Ltd(BVI)	(53,807)	Holding company	Recognition of Investment Company Losses	No	No
Giben America, Inc.	(35,513)	U.S. sales	Sales Decline	Strengthen the Development of New Customers	No
Giben do Brasil Maquinas e Equipamentos Ltda	(39,259)	Production and sales in Brazil	Because Brazil's economic development	Strengthen the Development of New Customers	No

			is stagnant due to political factors, etc.		
Monforts Werkzeugmaschinen GmbH	(30,545)	European production and sales	Sales Decline	Strengthen the Development of New Customers	No
MATEC GmbH	27,630	European production and sales	Normal	No	No
Metik Trade (Shanghai)	(4,117)	Mainland sales	The newly established company is still in its infancy.	Strengthen the Development of New Customers	No

VI. Risk Analysis and Assessment

Analyze and evaluate the following matters in the latest year and up to the date of publication of the annual report

(1) The impact of interest rate, exchange rate changes and inflation on the company's profits and losses and future countermeasures:

(1) the impact of interest rate on the company's profit and loss and future countermeasures

Interest income of the Company and its subsidiaries in 106 and 107 was 6,931,000 yuan and 2,470,000 yuan respectively, mainly due to bank time deposits and demand deposits; The interest expense is derived from bank financing loans, of which the interest on bank loans in 106 and 107 were 30,912,000 yuan and 38,082,000 yuan respectively. The slight increase in interest on bank loans in 107 compared with 106 was mainly due to the increase in the average balance of bank loans compared with the previous year.

The Company and its subsidiaries regularly assess bank borrowing rates and maintain close contact with banks to obtain more favorable borrowing rates and reduce interest costs.

(2) the impact of exchange rate changes on the company's profits and losses and future countermeasures

Unit: NT\$ 1000

Projects	106 years		107 years	
	money	Ratio	money	Ratio

Exchange (loss) benefits	(21,137)	(0.47)%	(4,219)	(0.09)%
Operating income	4,465,134	100.00%	4,905,234	100.00%

The exchange rate changes of the Company and its subsidiaries in the year 107 have slowed down. The Company and its subsidiaries have appropriately increased the selling price to maintain gross profit margin and paid the foreign currency from export to import to reduce the impact of exchange rate changes. Therefore, the changes will not have significant impact on the Company and its subsidiaries.

The Company and its subsidiaries have a clear foreign exchange operation strategy for the exchange rate. The Company and its subsidiaries take the balance position as the principle for exchange rate changes, and pay attention to relevant information on exchange rate changes and closely control the process at any time to fully grasp the situation of foreign exchange changes and reduce exchange risk positions, so as to reduce the impact of exchange rate changes on the company's profits.

(3) the impact of inflation on the company's profits and losses and future countermeasures

The selling price of the Company's commodities and the purchase price of raw materials are mainly determined by the Company's pricing strategy and the market supply and demand mechanism. Therefore, the Company has not been affected by inflation in the past two years, and it is expected that there will be no inflation in its affiliated industries. Therefore, the inflation situation has not yet had a significant impact on the Company's profit and loss.

(2) Policies for engaging in high-risk, highly leveraged investments, loan of funds to others, endorsement and guarantee, and derivatives trading, main reasons for profits or losses, and future countermeasures:

Projects	Policy	Main reasons for profit or loss	Future countermeasures
High risk investment	Ban	No	No
High leverage investment	Ban	No	No
Loan of funds to others	According to the method	No	No
Endorsement guarantee	According to the method	No	No
Derivatives trading	On the principle of hedging transactions	Assess market risks based on the principle of avoiding exchange rate risks.	No

(3) Future R&D plans and estimated R&D expenditures:

Research and development	explain
Research and development plan	Development of NC Series Automatic Loading and Unloading and Finishing Machine Development of High Precision Spindle Head Set (Torque Motor Version) Development of High Speed and High Precision Thin Aluminum Plate Processing Machine Development of Fully Automatic Drilling Machine for Hexagonal Plate Development of Stereo Digital Jet Printing Technology for Two-fluid Environmental Protection Leather Development of Aerospace Composite Cloth Cutting Machine Development of Concise Ink-jet Printer Series HSK63F DC central jet spindle development HSK63A spindle development Development of 1M36 Grinding Spindle Refined Development of Molding Machines Refined Development of Laser Product Line Automation integration design and development Improvement and Development of Axis B and Axis C of Unicen Aerospace Processing Machine Development of a New Unicen Aerospace Processing Machine
Research and development expenses that should be reinvested	About 92,453 thousand yuan
Estimated Time to Complete Mass Production	A year
The Main Factors Affecting the Success of Future Research and Development	Research and development personnel's spirit of perseverance. The company's policy support. There has been no significant change in market demand.

(4) The impact of major policy and legal changes at home and abroad on the company's financial business and corresponding measures:

The Company and its subsidiaries operate in accordance with the relevant current laws and regulations of domestic and foreign reinvestment countries. Relevant personnel also pay attention to changes in laws and regulations at any time for the reference of management. Therefore, the Company can grasp and effectively respond to important policy and legal changes at home and abroad.

(5) The impact of technological and industrial changes on the company's financial business and the corresponding measures:

The company's business strategy team, led by the general manager, regularly observes the latest technological progress and industrial changes every week, evaluates the impact of financial business, and makes timely responses and strategies.

(6) Impact of Corporate Image Change on Corporate Crisis Management and Countermeasures:

The company adheres to the principles of professionalism and integrity, attaches great importance to corporate image and risk control, and there is no case of corporate crisis management caused by major negative corporate image.

(7) Expected benefits, possible risks and countermeasures of M&A:

It is expected to expand the diversified development of the company's products and market, and further expand the industry of high-precision metal processing machinery such as automobiles and aerospace. The possible risk is that the expected benefits have not been achieved, and the management of subsidiaries will be strengthened to ensure the expected benefits.

(8) Expected benefits, possible risks and countermeasures of plant expansion:

As of the date of publication of the annual report, the company and its subsidiaries had not expanded their factories.

(9) Risks and Countermeasures Faced by Concentrated Purchase or Sale of Goods:

At present, there is no over-concentration of the main purchase and sales targets of the Company and its subsidiaries.

(10) The impact, risks and countermeasures of the large-scale transfer or replacement of shares of directors, supervisors or major shareholders holding more than 10% of shares on the company:

As of the date of publication of the annual report in the years 106, 107 and 108, the directors and major shareholders of the Company did not transfer a large number of shares.

(11) the impact, risks and countermeasures of the change of management rights on the company: there is no such situation.

(twelve) litigation and non litigation events

1. In the case of litigation, non-litigation or administrative disputes that have been decided or are still pending in the company in the last two years and up to the date of publication of the annual report, and the results of which may have a significant impact on shareholders' rights or securities prices, the company shall disclose the facts of the dispute, the amount of the subject matter, the date of commencement of the litigation, the main parties involved in the litigation and the current handling situation: no such situation exists.

2. Any lawsuit, non-lawsuit or administrative dispute that has been decided in the last two years and up to the date of publication of the annual report or is still in progress by the directors, supervisors, managers, major shareholders holding more than 10% of the shares and affiliated companies, and the results of which may have a significant impact on the shareholders' rights and interests or securities prices: no such situation exists.

(3) The directors, supervisors, general managers and major shareholders holding more than 10% of the shares of the company have encountered any of the events specified in Article 157 of the Securities and Exchange Law and the current handling situation of the company in the last two years and up to the date of publication of the annual report: None.

(13) Other important risks and countermeasures: None.

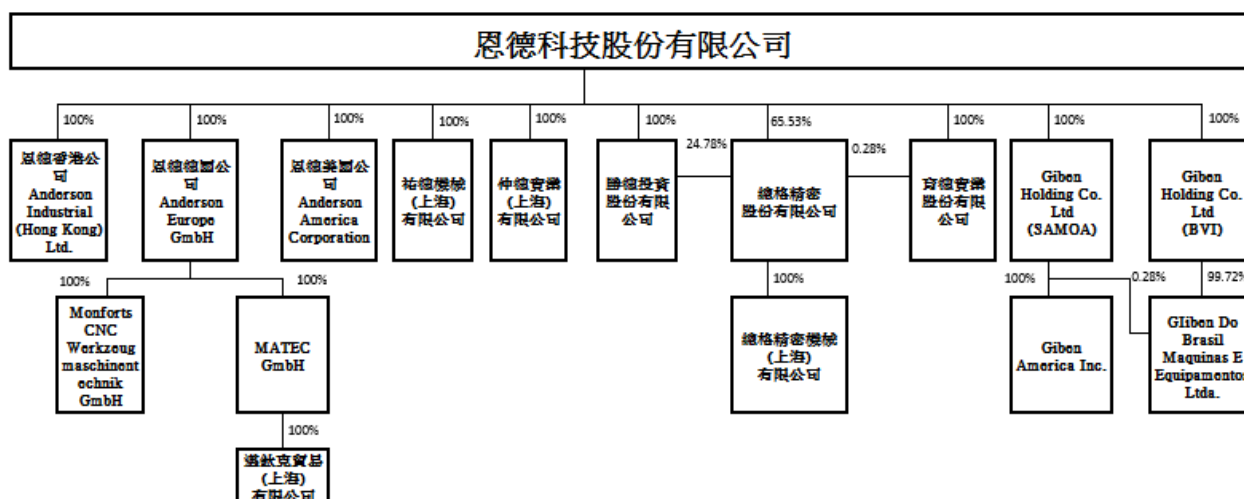
VII. Other Important Matters: None.

Eight, special records

I. Relevant Information of Related Enterprises

(1) Business Report of Related Enterprises

1. Organization Chart of Related Enterprises (March 31, 108, Republic of China)



2. Basic information of each related enterprise

Name of related enterprise	Date of establishment	Address	Paid-in capital	Major business or production projects
Anderson industrial (hong kong) ltd.	82.5.5	2nd Floor, Caltex House 258, Henessy Road Hong Kong	Hong kong dollar 300,000 yuan	Trading of confidential machinery and peripheral products
Anderson Europe GmbH	82.10.5	Am Oberen Feld 5 32758 Detmold Germany	Euro 2,525,000 yuan	Manufacturing and trading of confidential machinery and peripheral products

Anderson America Corporation	83.10.1	10710 Southern Loop Blvd. Charlotte, NC 28134 U.S.A	Dollar 500,000 yuan	Trading of confidential machinery and peripheral products
Zhongde Industrial Shanghai Co., Ltd.	86.3.20	648 Fangta North Road, Songjiang District, Shanghai	Dollar 8,000,000 yuan	Manufacturing and trading of confidential machinery and peripheral products
You De Machinery (Shanghai) Co., Ltd.	86.9.21	328 Dongjing Road, Industrial Zone, Songjiang District, Shanghai	Dollar 2,425,000 yuan	Manufacturing and trading of confidential machinery and peripheral products
Shengde co., ltd	95.11.16	6/F, No.88, Section 6, Zhongshan North Road, Shilin District, Taipei City	NT\$ 220,000,000	Import and export trade
Yude Industrial Co., Ltd.	102.5.31	5/F, No.88, Section 6, Zhongshan North Road, Shilin District, Taipei City	NT\$ 50,000,000	Wholesale and retail of plates
Zongge Precision Machinery (Shanghai) Co., Ltd.	105.1.1	648 Fangta North Road, Songjiang District, Shanghai	RMB 5,192,000 Yuan	Manufacturing and trading of electronic machinery and peripheral products
Zongge precision co., ltd	79.10.2	33 Jinger Road 2, China-Hong Kong Processing Export Zone, Caoqili, Wuzhi District, Taichung City	NT\$ 180,000,000	Manufacturing and trading of electronic machinery and peripheral products

Giben Holdings Co. Ltd (SAMOA)	103.4.16	Chambers, P.O. Box 3269, Apia, Samoa	US\$ 10,000	General investment
Giben Holdings Co. Ltd (BVI)	103.4.15	Palm Grove House,P.O. BOX 438,Road Town, Tortola, BVI	US\$ 10,000	General investment
Giben America, Inc	81.4.1	3715 Northside Parkway, suit 350 100 Northcreek ATLANTA GA 30327	US\$ 487,862	Trading of confidential machinery and peripheral products
Giben do Brasil Maquinas e Equipamentos Ltda	62.10.11	RUA PAUL GARFUNKEL, 135 CIDADE INDUSTRIAL CEP 81460-040 CURITIBA PR	Brazilian Dollar 9,525, 516	Manufacturing and trading of confidential machinery and peripheral products
Monforts Werkzeugmaschinen GmbH	104.8.1	Schwalmstrase 301 41238 Monchengladbach	Euro25,000	Metal Processing Machine and Metal Parts Processing
MATEC GmbH	106.3.1	Wilhelm-Maier-Straße 3, 73257 Köngen	Euro25,000	Metal Processing Machine and Metal Parts Processing
Metik Trading (Shanghai) Co., Ltd.	106.7.25	Room 210, Building 8, No.800 Puxing Road, Minhang District, Shanghai	Euro 130,000 yuan	Metal Processing Machines and Sale of Metal Parts

Exchange rates of foreign currencies to New Taiwan Dollars on the reporting date: RMB 4.472, Euro 35.20, US\$ 30.715, Brazilian Dollar 7.8784

3. those who are presumed to have control and subordination according to the company law: none.

4. The industries covered by the business of the overall related enterprises and the interrelationships between the businesses operated by the related enterprises.

Industry category	Name of related enterprise	Links with other related businesses

Machinery manufacturing	Ender Technology Co., Ltd. (Ender Technology)	Manufacturing and trading of precision machinery, electronic machinery and peripheral products, trading of plates and others.
	Zhongde Industrial Shanghai Co., Ltd. (Zhongde Industrial)	Manufacturing and trading of precision machinery and electronic mechanical equipment.
	You De Machinery (Shanghai) Co., Ltd.	Manufacturing and trading of precision machinery.
	Zongge precision co., ltd	Manufacturing and sales of electronic machinery
	Ender Germany	Manufactures and sells precision machinery and metal processing machines for Ender Technology, and purchases machinery and components for Ender Technology.
	Monforts Werkzeugmaschinen GmbH	Metal Processing Machine and Metal Parts Processing
	MATEC GmbH	Metal Processing Machine and Metal Parts Processing
	Giben do Brasil Maquinas e Equipamentos Ltda	Manufacturing and trading of precision machinery.
International trade	Ender Hong Kong Company	Sales of precision machinery and electronic machinery for Ender Technology.
	Yude Industrial Co., Ltd.	Wholesale and retail of plates
	Ender America Inc	Sales of precision machinery for Ender Technology.
	Giben America, Inc	Sales of precision machinery for gibento brasil maquinas e equamentos ltd.

	Zongge Precision Machinery (Shanghai) Co., Ltd.	Sales of electronic machinery
	Metik Trading (Shanghai) Co., Ltd.	Metal Processing Machines and Sale of Metal Parts
General investment	Shengde company	Invest in Ender Science and Technology.
	Giben Holdings Co. Ltd (SAMOA)	Invest in Ender Science and Technology.
	Giben Holdings Co. Ltd (BVI)	Invest in Ender Science and Technology.

5. Information on directors, supervisors and general managers of related enterprises

Base date: March 31, 108

Enterprise name	Title	Name or representative	Hold shares	
			Number of shares (thousands)	Shareholding ratio
Ender technology	Chairman of the board	Shi Xin Technology (Stock) Co., Ltd. (Legal Representative: Liao Wenjia)	39,904	20.02%
	Director	Shi Xin Technology (Stock) Co., Ltd. (Legal Representative: Zeng Xueqing)	39,904	20.02%
	Director	Shi Xin Technology (Stock) Co., Ltd. (Legal Representative: Xu Yonghao)	39,904	20.02%
	Director	Shi Xin Technology (Stock) Co., Ltd.	39,904	20.02%

		(Legal Representative: Lin Qiquan)		
	Director	Sheng Haitian	451	0.23%
	Independent director	Wu Qingsong	-	-
	Independent director	Lai Junliang	-	-
	Supervisor	Zhu Yongda	396	0.2%
	Supervisor	Li Huiqin	285	0.14%
	Supervisor	Jess investment co., ltd (Legal Representative: Wu Xiubi)	1,150	0.58%
	General manager	Raymond Ward	-	-
Ender Hong Kong Company	Director	Lin Qiquan (Note 1)	300	100.00%
	Director	Sheng Haitian (Note 1)	300	100.00%
Ender Germany	Director	Huang Yijun (Note 1)	Limited company organization, not applicable	100.00%
	The director concurrently holds the post of general manager.	Alfred. Koenemann (note 1)	Limited company organization, not applicable	100.00%
Ender America Inc	Director	Lin Qiquan (Note 1)	1	100.00%
	General manager	David Steranko	0	0.00%

Zhongde Industry (Shanghai) limited company	Chairman of the board	Lin Qiquan (Note 1)	Limited company organization, not applicable	100.00%
	Director	Lin Chengwei (Note 1)	Limited company organization, not applicable	100.00%
	Director	Huang Yijun (Note 1)	Limited company organization, not applicable	100.00%
	General manager	Lin Chengwei (Note 1)	Limited company organization, not applicable	100.00%
	Supervisor	Zhu Yongda (Note 1)	Limited company organization, not applicable	100.00%
Youde Machinery (Shanghai) limited company	Chairman of the board	Lin Qiquan (Note 1)	Limited company organization, not applicable	100.00%
	Director	Lin Chengwei (Note 1)	Limited company organization, not applicable	100.00%
	Director	Huang Yijun (Note 1)	Limited company organization, not applicable	100.00%
	General manager	Lin Chengwei (Note 1)	Limited company organization, not applicable	100.00%
	Supervisor	Zhu Yongda (Note 1)	Limited company organization, not applicable	100.00%
Shengde co., ltd	Chairman of the board	Liao Wenjia (Note 1)	22,000	100.00%
	Director	Wu Xiubi (Note 1)	22,000	100.00%
	Director	Huang Yijun (Note 1)	22,000	100.00%

	Supervisor	Zhu Yongda (Note 1)	22,000	100.00%
Yude industry (stock) Company	Chairman of the board	Liao Wenjia (Note 1)	5,000	100.00%
	Director	Wu Xiubi (Note 1)	5,000	100.00%
	Director	Lin Qiquan (Note 1)	5,000	100.00%
	Supervisor	Huang Yijun (Note 1)	5,000	100.00%
Chief precision stock Limited (Note 3)	Chairman of the board	Liao Wenjia (Note 2)	11,796	65.53%
	Director	Huang Yijun (Note 2)	11,796	65.53%
	The director concurrently holds the post of general manager.	Hou Jianfu (Note 2)	11,796	65.53%
	Director	Li Mingzhe (Note 2)	11,796	65.53%
	Independent director	Shen Xiaoling	0	0.00%
	Independent director	Wu Qingsong	0	0.00%
	Independent director	Lin Shaoyuan	0	0.00%
Giben Holdings Co. Ltd (SAMOA)	Director	Liao Wenjia	Limited company organization, not applicable	100%
Giben Holdings Co. Ltd (BVI)	Director	Liao Wenjia	Limited company organization, not applicable	100%

Giben America, Inc	Director	Lin Qiquan (Note 4)	Limited company organization, not applicable	100%
	Director	Li Mingzhe (Note 4)	Limited company organization, not applicable	100%
	Director	Huang Yijun (Note 4)	Limited company organization, not applicable	100%
Giben do Brasil Maquinas e Equipamentos Ltda	General manager	Antonio Valentin Verzenhassi	Limited company organization, not applicable	100%
Monforts GmbH	Director	Huang Yijun (Note 5)	Limited company organization, not applicable	100%
MATEC GmbH	Director	Thomas Kuhn (Note 5)	Limited company organization, not applicable	100%
	Director	Huang Yijun (Note 5)	Limited company organization, not applicable	100%
Metik trade (Shanghai) Co., Ltd.	Director	Lin Qiquan (Note 6)	Limited company organization, not applicable	100%

(Note 1) He is the representative of Ender Technology.

(Note 2) He is the representative of Shengde Company.

(Note 3) Zongge Industrial Co., Ltd. changed its name to Zongge Precision Co., Ltd. upon completion of registration on January 9, 104 of the Republic of China.

(note 4) is a representative of Giben Holdings Co. Ltd (SAMOA).

(Note 5) Representative of Ender Germany Company.

(Note 6) is the representative of MATEC GmbH.

6. Overview of the operations of various related enterprises

Unit: NT\$ thousand/December 31, 107

Enterprise name	capital on stock	Total assets	total indebtedness	net worth	Operating income	Operating benefits	Current profit and loss	Earnings per Share (Yuan)
Ender Hong Kong Company	1,014	32,669	92	32,577	0	0	0	Not applicable
Ender Germany	98,543	629,330	188,871	440,459	107,002	(1,407)	15,245	Not applicable
Ender America Inc	14,937	446,700	380,096	66,604	432,259	(2,592)	(2,086)	Not applicable
Zhongde Industrial Shanghai Co., Ltd.	264,167	495,040	188,568	306,472	281,198	(8,786)	(3,772)	Not applicable
Shanghai Zongge Company	26,487	759,048	726,487	32,561	737,984	18,771	10,308	Not applicable
Shengde co., ltd	220,000	257,610	839	256,771	4,807	(3,720)	15,635	0.71
You De Machinery (Shanghai) Co., Ltd.	70,640	81,850	24,708	57,142	84,415	(9,590)	401	Not applicable
Yude Industrial Co., Ltd.	50,000	440,786	294,904	145,882	707,109	16,243	11,151	2.23
Zongge precision co., ltd	180,000	1,221,463	729,500	491,963	989,571	98,101	71,216	4.23
Giben Holdings Co. Ltd (SAMOA)	299	179,635	69	179,566	27,216	26,273	(7,257)	Not applicable
Giben Holdings Co. Ltd (BVI)	299	224,549	0	224,549	0	(4,685)	(53,807)	Not applicable
Giben America, Inc	15,425	266,745	190,927	75,818	194,075	(36,029)	(35,513)	Not applicable
Giben do Brasil Maquinas e Equipamentos Ltda	118,485	169,679	114,594	55,085	161,451	(28,322)	(39,259)	Not applicable
Monforts Werkzeugmaschinen GmbH	880	253,308	88,182	165,126	340,357	(34,338)	(30,545)	Not applicable

MATEC GmbH	816	494,448	294,939	199,509	960,936	40,194	27,630	Not applicable
Metik Trading (Shanghai) Co., Ltd.	4,630	5,214	6,591	(1,377)	5,201	(4,050)	(4,117)	Not applicable

(2) Consolidated Statement of Related Enterprises

Voice statement

In the year 107 of the Republic of China (from January 1 to December 31, 107), the companies that should be included in the preparation of the consolidated financial report of related enterprises according to the "Guidelines for the Preparation of Consolidated Financial Reports of Related Enterprises and Consolidated Financial Reports of Related Enterprises" and the companies that should be included in the preparation of consolidated financial reports of parent and subsidiary companies according to IFRS 10 are the same, and the relevant information that should be disclosed in the consolidated financial report of related enterprises has been disclosed in the above-mentioned consolidated financial reports of parent and subsidiary companies, so it is no longer necessary to prepare separate consolidated financial reports of related enterprises.

Hereby declare

Company Name: Ender Technology Co., Ltd.

Responsible person: Liao Wenjia

The Republic of China on March 11, 108

(3) Relationship Report: None.

2. The handling of privately placed securities in the latest year and up to the date of publication of the annual report: None.

Iii. status of subsidiaries holding or disposing of shares of the company in the latest year and up to the date of publication of the annual report: none

Four, other necessary supplementary matters: none.

Nine, matters that have a significant impact on the interests of shareholders or the price of securities

In the most recent year and up to the date of publication of the annual report, there have been matters that have a significant impact on shareholders' rights and interests or the price of securities as stipulated in paragraph 3, paragraph 2, article 36 of the securities and exchange law: none.