

**Acter Co., Ltd. and Subsidiaries  
Consolidated Financial Statements**

**With Independent Auditors' Review Report  
for the Three Months Ended**

**March 31, 2018 and 2017**

## Table of Contents

Contents	Page
1.Cover Page	1
2.Table of Contents	2
3.Independent Auditors' Review Report	3
4.Consolidated Balance Sheets	4
5.Consolidated Statements of Comprehensive Income	5
6.Consolidated Statements of Changes in Equity	6
7.Consolidated Statements of Cash Flows	7
8.Notes to the Consolidated Financial Statements	
(1) Organization and business scope	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards and interpretations adopted	8-15
(4) Summary of significant accounting policies	16-22
(5) Major sources of accounting assumptions, judgments and estimation uncertainty	22
(6) Significant account disclosure	23-46
(7) Related party transactions	46-47
(8) Pledged assets	47
(9) Commitments and contingencies	47-48
(10) Losses due to major disasters	49
(11) Subsequent Events	49
(12) Other	49
(13) Segment information	50

## **Independent Auditors' Report**

The Board of Directors  
Acter Co., Ltd.:

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of the Acter Co., Ltd. and its subsidiaries (the "Group") as of March 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

### **Scope of Review**

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for Qualified Conclusion**

As stated in Note 4[b], the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to NT\$1,855,517 thousand and NT\$1,705,356 thousand, constituting 16% and 18% of consolidated total assets as of March 31, 2018 and 2017, respectively, total liabilities amounting to NT\$812,594 thousand and NT\$799,778 thousand, constituting 12% and 14% of consolidated total liabilities as of March 31, 2018 and 2017, respectively, and total comprehensive income(loss) amounting to NT\$72,427 thousand and NT\$56,994 thousand, both constituting 29% of consolidated total comprehensive income (loss) for the three months ended March 31, 2018 and 2017, respectively.

Furthermore, as stated in Note 6[i], the equity accounted investments of the Group in its investee companies of NT\$774 thousand and NT\$823 thousand as of March 31, 2018 and 2017, respectively, and its equity in net earnings on these investee companies NT\$0 thousand for the three months ended March 31, 2018 and 2017, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

## **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Acter Co., Ltd. and its subsidiaries as of March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

## **Other Matters**

As stated in Note 3[a], The Group plans to adopt IFRS 15 at 1 January 2018 and using the cumulative effect method. Therefore, the comparative information will not be restated. The review conclusion is unaffected.

May 10, 2018

## **Note to Readers**

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

The auditors’ audit report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors’ review report and consolidated financial statements, the Chinese version shall prevail.

**Acter Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**March 31, 2018, and 2017**  
**(In Thousands of New Taiwan Dollars)**

Assets		March 31,2018		December 31,2017		March 31,2017		Liabilities and Equity		March 31,2018		December 31,2017		March 31,2017	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>Current Assets:</b>								<b>Current Liabilities:</b>							
1100	Cash and cash equivalents (Note 6(a) and (z))	\$ 4,860,848	42	3,926,890	34	3,075,768	33	2100	Short-term loans (Note 6(m) and (z))	\$ 159,646	1	344,806	3	226,956	2
1120	Current financial assets at fair value through profit or loss (Note 6(b) and (z))	316,696	3	-	-	-	-	2150	Notes payable (Note 6(z))	278,481	3	220,246	2	294,411	3
1125	Available-for-sale financial assets – current (Note 6(d) and (z))	-	-	198,460	2	211,815	2	2170	Accounts payable (Note 6(z))	2,973,390	26	2,627,433	23	2,061,546	22
1140	Contract Assets – current (Note 6(u))	1,364,053	12	-	-	-	-	2180	Payables to related parties (Note 6(z) and 7)	259	-	381	-	333	-
1150	Notes receivable, net (Note 6(e) and (z))	176,000	1	156,038	1	286,321	3	2190	Construction contracts payable (Note 6(g))	-	-	764,337	6	1,037,684	11
1170	Accounts receivable, net (Note 6(e) and (z))	2,662,191	23	2,409,665	21	1,990,060	22	2130	Contract liabilities - current(Note 6(u))	1,958,559	17	-	-	-	-
1190	Construction contracts receivable (Note 6(g))	-	-	1,543,171	13	966,118	11	2201	Accrued salaries and bonuses	117,229	1	254,228	2	112,420	1
1200	Other receivables (Note 6(f) and (z))	30,939	-	110,562	1	54,260	1	2230	Current tax liabilities	145,795	1	108,630	1	114,598	1
1220	Current income tax assets	3,299	-	3,546	-	9,868	-	2250	Provisions – current (Note 6(n))	382,041	3	335,595	3	311,672	4
1310	Inventories, net (Note 6(h))	572,373	5	1,653,559	14	1,179,349	13	2311	Advance sales receipts(Note 6(o))	-	-	1,706,250	15	1,150,993	13
1476	Other financial assets – current (Note 8)	239,381	2	222,630	2	216,422	2	2399	Other current liabilities(Note 9)	230,267	2	240,244	2	157,465	2
1479	Other current assets	546,247	4	461,630	4	395,369	4			<u>6,245,667</u>	<u>54</u>	<u>6,602,150</u>	<u>57</u>	<u>5,468,078</u>	<u>59</u>
		<u>10,772,027</u>	<u>92</u>	<u>10,686,151</u>	<u>92</u>	<u>8,394,350</u>	<u>91</u>	<b>Non-current liabilities:</b>							
<b>Non-current assets:</b>								2570	Deferred tax liabilities	337,661	3	241,328	2	181,505	2
1517	Non-current financial assets at fair value through other comprehensive income(Note 6(c))	3,905	-	-	-	-	-	2640	Accrued pension liabilities	45,135	-	45,458	-	40,047	-
1523	Non-current available-for-sale financial assets, net (Note 6(d) and (z))	-	-	4,050	-	4,448	-	2645	Guarantee deposit received	314	-	314	-	314	-
1550	Investment accounted for using equity method (Note 6(i))	774	-	796	-	823	-			<u>383,110</u>	<u>3</u>	<u>287,100</u>	<u>2</u>	<u>221,866</u>	<u>2</u>
1600	Property, plant and equipment (Note 6(k))	406,166	4	401,971	4	367,341	4	<b>Total Liabilities</b>		<u>6,628,777</u>	<u>57</u>	<u>6,889,250</u>	<u>59</u>	<u>5,689,944</u>	<u>61</u>
1760	Investment property, net(Note 6(l))	245,119	3	245,741	2	247,606	3	<b>Equity Attributable to Shareholders of the parent company</b> (Note 6(r)):							
1840	Deferred tax assets	148,408	1	142,511	2	189,719	2	3100	Common stock	471,529	4	471,529	4	472,369	5
1985	Long-term prepaid rents	34,816	-	34,590	-	33,829	-	3200	Capital surplus	1,412,098	12	1,412,098	12	1,071,656	12
1990	Other non-current assets (Note 6(d))	38,215	-	37,961	-	28,860	-	3300	Retained earnings	2,321,462	20	2,057,315	18	1,804,539	19
		<u>877,403</u>	<u>8</u>	<u>867,620</u>	<u>8</u>	<u>872,636</u>	<u>9</u>	3400	Other equity interest	(54,981)	-	(66,649)	-	(119,192)	(1)
								<b>Total Equity attributable to the parent of company</b>		<u>4,150,108</u>	<u>36</u>	<u>3,874,293</u>	<u>34</u>	<u>3,229,372</u>	<u>35</u>
								36xx	Non-controlling interests(Note 6(j))	870,545	7	790,228	7	347,670	4
								<b>Total Equity</b>		<u>5,020,653</u>	<u>43</u>	<u>4,664,521</u>	<u>41</u>	<u>3,577,042</u>	<u>39</u>
<b>Total Assets</b>		<b>\$ <u>11,649,430</u></b>	<b><u>100</u></b>	<b><u>11,553,771</u></b>	<b><u>100</u></b>	<b><u>9,266,986</u></b>	<b><u>100</u></b>	<b>Total Liabilities And Equity</b>		<b>\$ <u>11,649,430</u></b>	<b><u>100</u></b>	<b><u>11,553,771</u></b>	<b><u>100</u></b>	<b><u>9,266,986</u></b>	<b><u>100</u></b>

Reviewed only, not audited in accordance with the generally accepted auditing standards.

Acter Co., Ltd. and Subsidiaries

Consolidated Statements Of Comprehensive Income

For The Three Months Ended March 31, 2018 And 2017

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

		For the Three Months ended March 31			
		2018		2017	
		Amount	%	Amount	%
<b>Operating revenues:</b>					
4521	Construction revenue (Note 6(g) and (u)and(v) )	\$ 3,001,552	99	2,027,722	74
4529	Less: allowances	<u>(588)</u>	-	<u>(490)</u>	-
		3,000,964	99	2,027,232	74
4110	Sales	8,219	-	677,698	25
4800	Other operating revenue	<u>19,754</u>	<u>1</u>	<u>37,718</u>	<u>1</u>
		3,028,937	100	2,742,648	100
<b>Operating cost:</b>					
5520	Construction cost(Note 6(g) and (p) and 7(b))	2,446,230	81	1,715,895	63
5110	Cost of goods sold	4,828	-	506,057	18
5800	Other operating cost	<u>4,564</u>	-	<u>-</u>	-
		<u>2,455,622</u>	<u>81</u>	<u>2,221,952</u>	<u>81</u>
<b>Gross profit</b>		<u>573,315</u>	<u>19</u>	<u>520,696</u>	<u>19</u>
Operating expenses (Note 6(p)):					
6100	Selling	23,435	1	21,011	1
6200	General and administrative	116,488	4	126,459	5
6300	Research and development	<u>29,608</u>	<u>1</u>	<u>15,265</u>	-
		<u>169,531</u>	<u>6</u>	<u>162,735</u>	<u>6</u>
<b>Operating income</b>		<u>403,784</u>	<u>13</u>	<u>357,961</u>	<u>13</u>
<b>Non-operating income and expenses:</b>					
7050	Finance costs	(2,381)	-	(996)	-
7010	Other income (Note 6(x))	12,302	-	3,286	-
7020	Other gains and losses, net (Note 6(x))	<u>(50,937)</u>	<u>(1)</u>	<u>(46,302)</u>	<u>(2)</u>
		<u>(41,016)</u>	<u>(1)</u>	<u>(44,012)</u>	<u>(2)</u>
7900	<b>Profit before tax</b>	362,768	12	313,949	11
7950	<b>Income tax expense</b> (Note 6(q))	<u>127,243</u>	<u>4</u>	<u>69,236</u>	<u>2</u>
<b>Profit for the year</b>		<u>235,525</u>	<u>8</u>	<u>244,713</u>	<u>9</u>
8300	<b>Other comprehensive income, net of tax:</b>				
8360	Items that may be reclassified subsequently to profit or loss				
8361	Foreign currency translation differences – foreign operations	16,958	1	(68,122)	(2)
8362	Net change in fair value of available-for-sale financial assets(Note 6(y))	-	-	2,573	-
8367	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 6(y))	(145)	-	-	-
8399	Less: income tax relating to components of other comprehensive (Note 6(q))	<u>(3,572)</u>	-	<u>10,227</u>	-
8300	<b>Other comprehensive income, net</b>	<u>13,241</u>	<u>1</u>	<u>(55,322)</u>	<u>(2)</u>
8500	<b>Comprehensive income</b>	<u>\$ 248,766</u>	<u>9</u>	<u>189,391</u>	<u>7</u>
<b>Profit attributable to :</b>					
8610	Shareholders of the parent	\$ 198,613	7	206,588	8
8620	Non-controlling interests	<u>36,912</u>	<u>1</u>	<u>38,125</u>	<u>1</u>
		<u>\$ 235,525</u>	<u>8</u>	<u>244,713</u>	<u>9</u>
<b>Comprehensive income attributable to :</b>					
8710	Shareholders of the parent	\$ 207,853	7	159,232	6
8720	Non-controlling interests	<u>40,913</u>	<u>2</u>	<u>30,159</u>	<u>1</u>
		<u>\$ 248,766</u>	<u>9</u>	<u>189,391</u>	<u>7</u>
<b>Earnings per share ((attributable to shareholders of the parent))</b> (Note 6(t))					
9750	<b>Basic earnings per share</b>	<u>\$ 4.28</u>		<u>4.47</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 4.17</u>		<u>4.37</u>	

Reviewed only, not audited in accordance with the generally accepted auditing standards.

Acter Co., Ltd. and Subsidiaries

Consolidated Statements Of Changes In equity

For The Three Months Ended March 31, 2018 And 2017

(Expressed in Thousands of New Taiwan Dollars

Attributable to Shareholders of the Parent

	Retained earnings						Other equity interest						Total Equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriate retained earnings	Total	Foreign currency translation adjustments	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized on gains (losses) available-for-sale financial assets	Others	Total	Non-controlling interests	
<b>Balance, January 1, 2017</b>	\$ 472,369	1,071,656	385,094	36,888	1,175,969	1,597,951	(38,155)	-	(5,898)	(34,798)	(78,851)	317,511	3,380,636
Profit for the period	-	-	-	-	206,588	206,588	-	-	-	-	-	38,125	244,713
Other comprehensive income for the period	-	-	-	-	-	-	(49,929)	-	2,573	-	(47,356)	(7,966)	(55,322)
Total comprehensive income	-	-	-	-	206,588	206,588	(49,929)	-	2,573	-	(47,356)	30,159	189,391
Issuance of restricted shares of stock to employees	-	-	-	-	-	-	-	-	-	7,015	7,015	-	7,015
<b>Balance, March 31, 2017</b>	<b>\$ 472,369</b>	<b>1,071,656</b>	<b>385,094</b>	<b>36,888</b>	<b>1,382,557</b>	<b>1,804,539</b>	<b>(88,084)</b>	<b>-</b>	<b>(3,325)</b>	<b>(27,783)</b>	<b>(119,912)</b>	<b>347,670</b>	<b>3,577,042</b>
<b>Balance, January 1, 2018</b>	\$ 471,529	1,412,098	428,722	44,052	1,584,541	2,057,315	(52,599)	-	(3,962)	(10,088)	(66,649)	790,288	4,664,521
Effects of retrospective application	-	-	-	-	65,534	65,534	-	(4,700)	3,962	-	(738)	39,404	104,200
Balance, January 1, 2018	471,529	1,412,098	428,722	44,052	1,650,075	2,122,849	(52,599)	(4,700)	-	(10,088)	(67,387)	829,632	4,768,721
Profit for the period	-	-	-	-	198,613	198,613	-	-	-	-	-	36,912	235,525
Other comprehensive income for the period	-	-	-	-	-	-	9,385	(145)	-	-	9,240	4,001	13,241
Total comprehensive income	-	-	-	-	198,613	198,613	9,385	(145)	-	-	9,240	40,913	248,766
Issuance of restricted shares of stock to employees	-	-	-	-	-	-	-	-	-	3,166	3,166	-	3,166
<b>Balance, March 31, 2018</b>	<b>\$ 471,529</b>	<b>1,412,098</b>	<b>428,722</b>	<b>44,052</b>	<b>1,848,688</b>	<b>2,321,462</b>	<b>(43,214)</b>	<b>(4,845)</b>	<b>-</b>	<b>(6,922)</b>	<b>(54,981)</b>	<b>870,545</b>	<b>5,020,653</b>

Reviewed only, not audited in accordance with the generally accepted auditing standards.

Acter Co., Ltd. and Subsidiaries

Consolidated Statements Of Cash Flows

For The Three Months Ended March 31, 2018 And 2017

(All Amount Expressed in Thousands of New Taiwan Dollars)

	For the Three months Ended March 31	
	2018	2017
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 362,768	313,949
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation(Including investment property)	6,645	5,360
Amortization	1,794	1,220
Provision for bad debt expense	(14,808)	4,668
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	1,920	-
Compensation cost arising from employee stock options	3,166	7,015
Gain on disposal of investments	-	(340)
Other	(6,957)	1,721
	<u>(8,240)</u>	<u>19,964</u>
Changes in operating assets and liabilities		
Changes in operating assets		
Net loss (gain) on financial assets at fair value through profit or loss	(120,156)	-
Decrease in contract assets	284,246	-
Increase in notes receivable	(19,962)	(190,365)
Decrease (increase) in accounts receivable	(239,721)	352,296
Decrease (increase) in construction contracts receivable	-	(62,102)
Decrease (increase) in inventories	(314,746)	14,648
Decrease (increase) in other financial assets	(20,090)	44,399
	<u>(430,429)</u>	<u>158,876</u>
Changes in operating liabilities		
Increase in contract liabilities	907,310	-
Increase in notes payable	58,235	58,605
Increase in accounts payable	389,942	61,085
Increase in construction contracts payable	-	9,606
Increase (decrease) in advance sales receipts	(10,543)	95,647
Decrease in other current liabilities	(146,634)	(121,324)
	<u>1,198,310</u>	<u>103,619</u>
Total adjustments	<u>759,641</u>	<u>282,139</u>
Cash inflow generated from operations	1,122,409	596,088
Interest received	7,399	2,395
Interest paid	(3,168)	(743)
Income taxes paid	(17,609)	(9,432)
<b>Net cash generated by (used in) operating activities</b>	<u>1,109,031</u>	<u>588,308</u>
<b>Cash flows from investing activities:</b>		
Acquisition of available-for-sale financial assets	-	(26,000)
Proceeds from disposal of available-for-sale financial assets	-	15,388
Acquisition of property, plant and equipment	(8,290)	(3,277)
Proceeds from disposal of property, plant and equipment	276	-
Decrease (increase) in other non-current assets	(2,058)	(1,694)
<b>Net cash used in investing activities</b>	<u>(10,702)</u>	<u>(15,533)</u>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term loans	1,960	46,086
Repay in short-term loans	(184,354)	(12,810)
<b>Net cash used in financing activities</b>	<u>(182,394)</u>	<u>33,276</u>
Effect of exchange rate changes on cash and cash equivalents	18,023	(83,761)
Net increase in cash and cash equivalents	933,958	522,290
Cash and cash equivalents at beginning of period	3,926,890	2,553,478
Cash and cash equivalents at end of period	<u>\$ 4,860,848</u>	<u>3,075,768</u>



**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**Acter Co., Ltd. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**March 31, 2018 and 2017**  
**(Expressed in thousands of New Taiwan dollars, unless otherwise specified)**

**(1) Organization and business scope**

ACTER CO., LTD. (the "Company" ) was incorporated on February 19, 1979, under the approval of the Ministry of Economic Affairs, R.O.C. The Company's registered office address is located at 19F-1, No.201, Sec.2, Wenxin Road, Xitun District., Taichung City 40758, Taiwan (R.O.C.).The consolidated financial statements of the Company as of and for the year ended March 31, 2018 comprised the Company and its subsidiaries (together referred to as the "Group" ). The Company is engaged in providing construction, design, and maintenance services related to air conditioners, environmental control services, clean room set-up, ice water machine trading, energy storing equipment trading, ventilation engineering, and energy technology services. The principal operating activities of the rest of the Group entities are described in Notes 4 (b). Acter's common shares were publicly listed on the Taipei Exchange ( "TPEX" ) on November 10, 2010.

**(2) Approval date and procedures of the consolidated financial Statements**

The consolidated financial statement for the years ended March 31, 2018 and 2017 was assented to the audit committee over half of all members and authorized for issuance by the Board of Directors on May 10, 2018.

**(3) Adoption of new Standards and interpretations**

- (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The Group has prepared its consolidated financial statements in conformity with the new standards, interpretations and amendments of IFRSs which have been endorsed by the FSC and are effective for annual period beginning on or after January 1, 2018 as follows:

<u>New standards and amendments</u>	<u>Effective date per IASB</u>
• Amendments to IFRS 2, "Clarifications and Measurement of Share-based Payment Transactions"	January 1, 2018
• Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
• Amendments to IFRS 9 "Financial Instruments"	January 1, 2018
• Amendments to IFRS15 "Revenue from Contracts with Customers"	January 1, 2018
• Amendments to IAS 7 "Disclosure Initiative"	January 1, 2017
• Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
• Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018

**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- Annual Improvements to IFRSs 2014-2016 Cycle

New standards and amendments	Effective date per IASB
• Amendments to IFRS 12	January 1, 2017
• Amendments to IFRS 1 and Amendments to IFRS 28	January 1, 2018
• IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Group plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2018.

The Group plans to use the practical expedient in paragraph C5(a) of IFRS 15, under which, for contracts that are completed at the date of the initial application ( i.e. 1 January 2018) will not be restated.

(1) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognized, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date.

Under IFRS 15, claims and variations will be included in the contract accounting when they are approved.

(2) Sales of goods-equipment

For the sale of equipment, based on the acceptance terms in the contracts, the Group recognize revenue when the equipment are delivered to customers' site, installation is completed and accepted by customer and related risks and rewards of ownership have been transfer to customers. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. For some made-to-order product contracts, the customer controls the products gradually as the products are being manufactured and installation. When this is the case, revenue will be

## ACTER CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

recognized as the equipment are being manufactured. This will result in revenue, and some associated costs, for these contracts being recognized earlier than at present – i.e. before the equipment are delivered, installed and accepted completely by the customers.

#### (3) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS15 on the Group's consolidated financial statements:

Impacted line items on the consolidated balance sheet	March 31.2018			January 1.2018		
	Balances prior to the adoption of IFRS 15	Impact of changes in accounting polices	Balances upon the adoption of IFRS 15	Balances prior to the adoption of IFRS 15	Impact of changes in accounting polices	Balances upon the adoption of IFRS 15
Contract assets	\$ -	1,364,053	1,364,053	-	1,648,299	1,648,299
Construction contracts receivable	1,070,076	(1,070,076)	-	1,543,171	(1,543,171)	-
Inventories	2,525,402	(1,953,029)	572,373	1,653,559	(1,395,932)	257,627
Deferred tax assets	186,613	(38,025)	148,408	142,511	(13,791)	128,720
<b>Impact on assets</b>		<b>(1,697,257)</b>			<b>1,304,595</b>	
Contract liabilities	\$ -	1,958,559	1,958,559	-	1,061,792	1,061,792
Construction contracts payable	1,661,397	(1,661,397)	-	764,337	(764,337)	-
Advance sales receipts	2,214,440	(2,214,440)	-	1,706,250	(1,706,250)	-
<b>Impact on liabilities</b>		<b>(1,917,278)</b>			<b>(1,408,795)</b>	
Retained earnings	\$ 2,183,904	136,820	2,320,724	2,057,315	64,796	2,122,111
Non-controlling interests	787,344	83,201	870,545	790,228	39,404	829,632
<b>Impact on equity</b>		<b>220,021</b>			<b>104,200</b>	

#### For The Three Months Ended March 31, 2018

Impacted line items on the consolidated income statements	Balances without adoption of IFRS 15	Impact of changes in accounting police	Balances with adoption of IFRS 15
Operating revenue	\$ 2,345,121	683,816	3,028,937
Operating costs	(1,912,041)	(543,581)	(2,455,622)
<b>Profit before tax</b>		140,235	
Tax expense	(102,829)	(24,414)	(127,243)
Profit		115,821	
<b>Basic earnings per share</b>	\$ 2.73	1.55	4.28
<b>Diluted earnings per share</b>	\$ 2.66	1.51	4.17

## ACTER CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	For The Three Months Ended March 31, 2018		
Impacted line items on the consolidated balance sheet	Before adjustments	Impact of changes in accounting police	After adjustments
Cash flows from operating activities:			
<b>Profit before tax</b>	\$ 222,533	140,235	362,768
Adjustments:			
Decrease (increase) in contract assets	-	284,246	284,246
Decrease (increase) in construction contracts receivable	473,095	(473,095)	-
Decrease (increase) in inventories	(871,843)	557,097	(314,746)
Decrease (increase) in contract liabilities	-	896,767	896,767
Decrease (increase) in construction contracts payable	897,060	(897,060)	-
Decrease (increase) in advance sales receipts	508,190	(508,190)	-
<b>Impact on cash flows from operating activities</b>		(140,235)	
<b>Impact on net cash flows from operating activities</b>		-	

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

(1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(c).

## **ACTER CO., LTD. AND ITS SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

#### **(2) Impairment of financial assets**

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(c).

#### **(3) Transition**

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk on its asset will not increase significantly since its initial recognition.

#### **(4) Classification of financial assets on the date of initial application of IFRS 9**

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

**ACTER CO., LTD. AND ITS SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

	IAS39		IFRS9	
	Measurement categories	Carrying amount	Measurement categories	Carrying amount
<b>Financial assets</b>				
Cash and cash equivalents	Loans and receivables	3,926,890	Amortized cost	3,926,890
Debt instruments	Available-for-sale(note a)	198,460	Financial assets at fair value through profit or loss	198,460
Equity instruments	Available-for-sale(note b)	4,050	Financial assets at fair value through other comprehensive income or loss	4,050
Accounts receivable, net	Loans and receivables (note c)	2,676,265	Amortized cost	2,676,265
Other financial assets (Guarantee deposits paid)	Loans and receivables	222,630	Amortized cost	222,630

- a. The corporate debt securities are categorized as available-for-sale under IAS 39. The Group assesses that these securities are held within a business model whose objective is achieved by selling securities. Consequently, the Group has designated these investments at the date of initial application as measured at FVOCI. An allowance for impairment of NT\$738 thousand was recognized in opening retained earnings upon transition to IFRS 9 on January 1, 2018.
- b. These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI.
- c. Trade, lease and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	2017.12.31		Remea	2018.1.1		2018.1.1	2018.1.1
	IAS 39		sur	IFRS 9			
	<u>Carrying</u>	<u>Reclassific</u>	<u>—</u>	<u>Carrying</u>	<u>Retained</u>	<u>Other equity</u>	
	<u>amount</u>	<u>ations</u>	<u>ements</u>	<u>Amount</u>	<u>Earnings</u>	<u>Other equity</u>	
<b>Fair value through profit or loss</b>							
Beginning balance of FVTPL (IAS 39)	\$ -	-	-		-		-
Additions – debt instruments:							
From available for sale	-	198,460	-		738		(738)
<b>Total</b>	<u>\$ -</u>	<u>198,460</u>	<u>-</u>	<u>198,460</u>	<u>738</u>		<u>(738)</u>
<b>Fair value through other comprehensive income</b>							
Beginning balance of available for sale (including measured at cost) (IAS 39)	\$ 202,510	-	-		-		-
Available for sale to FVOCI							
Deductions – debt instruments:							
From FVTPL – required reclassification based on classification criteria	-	(198,460)	-		-		-
<b>Total</b>	<u>\$ 202,510</u>	<u>(198,460)</u>	<u>-</u>	<u>4,050</u>	<u>-</u>		<u>-</u>

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(cc).

(iv) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Loss"

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (b) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

Those which may be relevant to The Group are set out below:

<b>Issuance / Release Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> <li>• For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset during the lease term.</li> <li>• A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</li> </ul>

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.



**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(4) Summary of significant accounting policies:**

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “ Interim Financial Reporting” which are endorsed and issued into effect by FSC and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for full annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2017. For the related information, please refer to Note (4) of the consolidated financial statements for the year ended December 31, 2017.

(b) Basis of consolidation

Principles of preparation of the consolidated interim financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2017. For the related information, please refer to Note 4 (c) of the consolidated financial statements for the year ended December 31, 2017. Enrich Tech Co., Ltd. , HerSuo Engineering Co., Ltd. , Suzhou Winmax Technology Corp. , Novatech Engineering & Construction Pte., Ltd , Acter International Ltd. , New Point Group Ltd. , Sheng Huei Engineering Technology Co., Ltd. , Nova Technology Singapore Pte., Ltd. , Nova Technology Malaysia Sdn. Bhd. , PT. Novamex Indonesia. , Acter Engineering Co., Ltd. , Shenzhen Ding –Mao Trade Co., Ltd. , Sheng Huei (Shenzhen) Engineering Co., Ltd. and Shangjiagang Free Trade Zone Fuyu Internation Trade Co., Ltd. are non-significant subsidiaries, their financial statements have not been reviewed.

(c) Financial Instruments

(i) Financial assets

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

(1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(2) Fair value through other comprehensive income (FVOCI )

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

## ACTER CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

#### (4) Impairment loss on financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI, accounts receivable and contract assets.

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL :

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

## **ACTER CO., LTD. AND ITS SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 360 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 540 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data :

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 360 days past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

#### **(5) Derecognition of financial assets**

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

On derecognition of a debt instrument in its entirety, the Group recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on fair value through other comprehensive income”, in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

On derecognition of a part of debt instrument in which the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

(d) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group’s main types of revenue are explained below.

(i) Equipment contracts and Construction contracts

The Group enters into such as Semiconductor, Livelihood, Ics Assembly, Medical Biotech for equipment contracts and construction contracts. Because its customer controls the asset as it is constructed, the Group recognizes revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract. The consideration promised in the contract is a fixed amount. The customer pays the fixed amount based on a payment schedule. The Group recognizes revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If the Group has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

If the Group cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Group shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Group expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The Group offers a standard warranty to provide assurance that they comply with agreed-upon specifications and has recognized warranty provisions for this obligation; please refer to Note 6(n).

(ii) Financing components

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

(e) Contract costs (applicable from January 1, 2018)

(i) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

(ii) Costs to fulfill a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

- (1) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- (2) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (3) the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfill the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

## **ACTER CO., LTD. AND ITS SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

(f) Income taxes

The preparation of the consolidated interim financial statements in conformity with IAS 34 “Interim financial reporting” paragraph B12 measurement and disclosure of income tax expense for the interim period.

Income tax expense for the period is best estimated by multiplying pretax income for the interim reporting period with the effective annual tax rate as forecasted by the management. This is recognized and allocated to current and deferred taxes proportionately.

For a change in tax rate that is substantively enacted in an interim period, the effect of the change immediately should be recognized in the interim period in which the change occurs.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the effective tax rate at the time of realization or liquidation, and recognized directly in equity or other comprehensive income as tax expense.

(g) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty**

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Except for the following, the preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2017. For the related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2017.

The Group has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to Note 6(e).

**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(6) Explanation of significant accounts**

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2017. Please refer to Note 6 of the 2017 annual consolidated financial statements.

(a) Cash and cash equivalents

	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Petty cash and cash on hand	\$ 1,325	1,118	2,539
Checking and demand deposits	2,964,418	2,249,161	1,681,232
Time deposits	1,467,676	1,139,760	601,023
Cash equivalent - repurchased commercial paper	427,429	536,851	790,974
	<b><u>\$ 4,860,848</u></b>	<b><u>3,926,890</u></b>	<b><u>3,075,768</u></b>

The above-mentioned repurchased commercial paper rate as of March 31, 2018, December 31, 2017 and March 31, 2017 were 0.40%~0.42%, 0.38%~0.43% and 0.41%~1.3%, respectively, and they mature from April 11 to May 28, 2018, from January 4 to January 29, 2018 and from April 25 to May 11, 2017, respectively.

(b) Financial assets at fair value through profit or loss

	<b><u>March 31, 2018</u></b>
Mandatorily measured at fair value through profit or loss:	
Non-derivative financial assets	
Beneficiary securities - open-end funds	<b><u>\$ 316,696</u></b>

(c) Financial assets at fair value through other comprehensive income

	<b><u>March 31, 2018</u></b>
Equity investments at fair value through other comprehensive income	
TPEX-Listed-	
Holy Stone Healthcare Co., Ltd.	<b><u>\$ 3,905</u></b>

(i) Equity investments at fair value through other comprehensive income

The Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes. These investments were classified as available-for-sale financial assets on December 31, 2017 and March 31, 2017.



## ACTER CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

No strategic investments were disposed as of March 31, 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

- (ii) For credit risk (including the impairment of debt investments) and market risk; please refer to Note 6(y).
  - (iii) The aforesaid financial assets were not pledged.
- (d) Investment in financial assets

Current:	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Available-for-sale financial assets		
Beneficiary securities - Open-end funds	\$ 198,460	211,815
Non-current		
Available-for-sale financial assets		
Holy Stone Healthcare Co., Ltd.	4,050	4,458
Financial assets carried at cost		
Taichung International Entertainment Co., Ltd. (under other noncurrent assets)	45	45
	<b>\$ 202,555</b>	<b>216,318</b>

- (i) As of March 31, 2018, the available-for-sale financial assets of the Group were classified as fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL); please refer to Note 6(b) and (c).
  - (ii) The aforementioned investments held by the Group are measured at cost less impairment losses as of December 31 and March 31, 2017. The fair values of these investments cannot be measured reliably because the range of reasonable fair value estimates is wide and the probabilities for each estimate cannot be reasonably determined and classified as other non-current assets on March 31, 2018.
  - (iii) For credit risk and market risk; please refer to Note 6(z).
  - (iv) The aforesaid financial assets were not pledged.
- (e) Note and trade receivables

	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Note receivables from operating activities	\$ 176,000	156,038	286,321
Trade receivables –measured as amortized cost	2,864,835	2,625,114	2,253,231
Less: Allowance for impairment	(202,644)	(215,449)	(254,171)
Total	<b>\$ 2,838,191</b>	<b>2,565,703</b>	<b>2,285,381</b>

## ACTER CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on March 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision as of March 31, 2018 was determined as follows:

<b>Aging of Receivables</b>	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
1 to 120 days	\$ 2,704,762	-	-
121 to 180 days	46,423	0.50%	232
181 to 360 days	82,786	1.00%	828
361 to 540 days	9,843	40%~50%	4,563
More than 541 days	197,021	100%	197,021
<b>Total</b>	<b>\$ 3,040,835</b>		<b>202,644</b>

As of December 31 and March 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and trade receivable, and the aging analysis of notes and trade receivable, which were past due but not impaired, was as follows:

	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Past due 1-120 days	\$ 98,505	255,760
Past due 121-180 days	2,838	29,931
Past due 181-360 days	11,516	84,006
Past due 361-540 days	3,634	28,241
	<b>\$ 116,493</b>	<b>397,938</b>

The movement in the allowance for notes and trade receivable was as follows:

	<b>March 31, 2018</b>	<b>March 31, 2017</b> Individually and Collectively assessed impairment
Balance, January 1 per IAS 39	\$ 215,449	254,547
Adjustment on initial application of IFRS 9	-	-
Balance, January 1 per IFRS 9	215,449	-
Impairment losses recognized	1,183	20,878
Impairment losses reversed	(15,991)	(8,151)
Foreign exchange gains/(losses)	2,003	(13,103)
<b>Balance, March 31</b>	<b>\$ 202,644</b>	<b>254,171</b>

**ACTER CO., LTD. AND ITS SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

- (i) Accounts receivable includes retained construction receivable, which amounted to \$37,458, \$33,296 and \$40,519 as of March 31, 2018, December 31, 2017 and March 31, 2017, respectively.
- (ii) The notes and accounts receivable are not discounted or pledged.
- (f) Other receivables

	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Other accounts receivable	\$ 44,873	124,321	67,474
Less: Loss allowance	(13,934)	(13,759)	(13,214)
	<b>\$ 30,939</b>	<b>110,562</b>	<b>54,260</b>

As of December 31 and March 31, 2017, the aging analysis of other receivables, there were no past due but not impaired.

The movement in the allowance for other receivables was as follows:

	<b>March 31, 2018</b>	<b>March 31, 2017</b>
		Individually and Collectively assessed impairment
Balance, January 1	\$ 13,759	21,273
Impairment losses recognized	-	(8,059)
Foreign exchange gains/(losses)	175	-
Balance, March 31	<b>\$ 13,934</b>	<b>13,214</b>

For further credit risk information, please refers to Note 6(z).

- (g) Construction contracts

Construction revenue recognized in profit or loss during the three months ended March 31, 2017 was as follows:

	<b>For the three months ended March 31, 2017</b>
Construction revenue recognized in current profit or loss	<b>\$ 2,027,232</b>

**ACTER CO., LTD. AND ITS SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Accumulated construction costs incurred (including contract costs that relate to future activity )	\$ 10,323,332	8,637,051
Add: Accumulated construction profit and losses	857,760	482,233
	11,181,092	9,119,284
Less: Progress billings	(10,402,258)	(9,190,850)
Net receivables (payables) of construction contracts	<b>\$ 778,834</b>	<b>(71,566)</b>
Construction contracts receivable presented as an asset	\$ 1,543,171	966,118
Construction contracts payable presented as a liability	(764,337)	(1,037,684)
	<b>\$ 778,834</b>	<b>(71,566)</b>
Advance received before construction begins	<b>\$ 9,215</b>	<b>5,051</b>

For the amount of contract balance on March 31, 2018 and revenue recognized during the three months ended March 31, 2018, please refer to Note 6(u).

(h) Inventories

	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>March 31, 2017</b>
Finished goods and merchandise	\$ 30,352	22,327	381,198
Work in process and semi-finished goods	17,919	1,475,964	691,045
Raw materials	530,814	169,354	119,196
	579,085	1,667,645	1,191,439
Less: provision for inventory devaluation	(6,712)	(14,086)	(12,090)
	<b>\$ 572,373</b>	<b>1,653,559</b>	<b>1,179,349</b>

During the three months ended March 31, 2018 and 2017, the write-down of inventories amounted to \$230 thousand and \$320 thousand. The write-downs are included in cost of goods sold.

The inventories of the Group were not pledged.

**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Investments accounted for using equity method

The investments were accounted for by the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed. There were no significant additions and disposal of investments accounted for using equity method for the three months ended March 31, 2018 and 2017. Please refer to Note 6(f) of the 2017 annual consolidated financial statements for other related information.

(j) The relevant information of the Group's equity-accounted investees is as follows:

Subsidiaries	Main Business Location/Registered Country	Percentage of ownership and voting share		
		March 31, 2018	December 31, 2017	March 31, 2017
Nova Tech	R.O.C.	37.81%	37.81%	26.94%
Enrich Tech	R.O.C.	40%	40%	40%
SCEC Shanghai	China	(Note 1)	(Note 1)	42.19%
SCEC Suzhou	China	(Note 1)	(Note 1)	42.19%

Note 1: SCEC Suzhou and SCEC Shanghai had been liquidated in 2017.

The following information of the aforementioned subsidiaries has been prepared in accordance with IFRS endorsed by the FSC. Included in these information are adjustment made about the fair value and relevant difference in accounting principles between the Company and its subsidiary as at acquisition date. Intra-Group transactions were not eliminated in this information.

(i) Information regarding of Nova Tech:

	March 31, 2018	December 31, 2017	March 31, 2017
Current assets	\$ 2,232,180	2,149,828	1,672,241
Non-current assets	1,210,155	1,021,468	834,232
Current liabilities	(1,074,347)	(1,043,772)	(1,240,384)
Non-current Liabilities	(169,938)	(129,888)	(96,032)
Net assets	<u>\$ 2,198,050</u>	<u>1,997,636</u>	<u>1,170,057</u>
Non-controlling interest	<u>\$ 831,188</u>	<u>755,402</u>	<u>315,214</u>

**ACTER CO., LTD. AND ITS SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

	For the three months ended March 31	
	2018	2017
Operating revenue	\$ <b>662,965</b>	<b>364,015</b>
Net income for the period	85,629	131,065
Other comprehensive income	10,585	(26,626)
Comprehensive income	\$ <b>96,214</b>	<b>104,439</b>
Net income attributable to non-controlling interest	\$ <b>32,381</b>	<b>35,309</b>
Comprehensive income attributable to non-controlling interest	\$ <b>36,382</b>	<b>28,136</b>
Cash flows from operating activities	\$ (35,616)	300,101
Cash flows from investing activities	(162)	(158)
Cash flows from financing activities	-	(6,934)
Net increase (decrease) in cash and cash equivalents	\$ <b>(35,778)</b>	<b>293,009</b>

(ii) Information regarding of Enrich Tech:

	March 31, 2018	December 31, 2017	March 31, 2017
Current assets	\$ 328,554	193,670	155,207
Non-current assets	3,653	2,630	688
Current liabilities	(233,815)	(109,236)	(110,653)
Net assets	\$ <b>98,392</b>	<b>87,064</b>	<b>45,242</b>
Non-controlling interest	\$ <b>39,357</b>	<b>34,826</b>	<b>18,097</b>

	For the three months ended March 31	
	2018	2017
Operating revenue	\$ <b>218,950</b>	<b>81,543</b>
Net income for the period	11,328	7,110
Other comprehensive income	-	-
Comprehensive income	\$ <b>11,328</b>	<b>7,110</b>
Net income attributable to non-controlling interest	\$ <b>4,531</b>	<b>2,844</b>
Comprehensive income attributable to non-controlling interest	\$ <b>4,531</b>	<b>2,844</b>
Cash flows from operating activities	\$ 146,986	31,708
Cash flows from investing activities	(18)	(31)
Cash flows from financing activities	-	-
Net increase (decrease) in cash and cash equivalents	\$ <b>146,968</b>	<b>31,677</b>

**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Information regarding of SCEC Shanghai:

	<u>March 31, 2017</u>
Current assets	\$ 23,247
Non-current assets	-
Current liabilities	<u>(685)</u>
Net assets	<u>\$ 22,562</u>
Non-controlling interest	<u>\$ 9,519</u>
<b>For the three months ended March 31</b>	
	<u>2017</u>
Operating revenue	<u>\$ -</u>
Net income for the period	(10)
Other comprehensive income	-
Comprehensive income	<u>\$ (10)</u>
Net income attributable to non-controlling interest	<u>\$ (4)</u>
Comprehensive income attributable to non-controlling interest	<u>\$ (4)</u>
Cash flows from operating activities	\$ (330)
Cash flows from investing activities	-
Cash flows from financing activities	-
Effect of exchange rate changes	<u>(249)</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (579)</u>

(iv) Information regarding of SCEC Suzhou:

	<u>March 31, 2017</u>
Current assets	\$ 11,949
Current liabilities	<u>(477)</u>
Net assets	<u>\$ 11,472</u>
Non-controlling interest	<u>\$ 4,840</u>
<b>For the three months ended March 31</b>	
	<u>2017</u>
Operating revenue	<u>\$ -</u>
Net income for the period	(57)
Other comprehensive income	-
Comprehensive income	<u>\$ (57)</u>
Net income attributable to non-controlling interest	<u>\$ (57)</u>
Comprehensive income attributable to non-controlling interest	<u>\$ (24)</u>

**ACTER CO., LTD. AND ITS SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

	<b>\$ (24)</b>
Cash flows from operating activities	
Cash flows from investing activities	\$ (57)
Cash flows from financing activities	-
Effect of exchange rate changes	-
Net increase (decrease) in cash and cash equivalents	(661)
	<b>\$ (718)</b>

Note 1: SCEC Suzhou and SCEC Shanghai had been liquidated in 2017.

(k) Property, plant and equipment

	<b>Land</b>	<b>Building and construction</b>	<b>Other facilities</b>	<b>Unfinished construction and equipment under acceptance</b>	<b>Total</b>
<b>Book values:</b>					
Balance on January 1, 2018	\$ <u>183,187</u>	<u>167,255</u>	<u>51,529</u>	-	<u>401,971</u>
Balance on March 31, 2018	\$ <u>183,187</u>	<u>166,398</u>	<u>56,581</u>	-	<u>406,166</u>
Balance on January 1, 2017	\$ <u>183,187</u>	<u>142,780</u>	<u>44,170</u>	4,393	<u>374,530</u>
Balance on March 31, 2017	\$ <u>183,187</u>	<u>138,057</u>	<u>40,066</u>	6,031	<u>367,341</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31 2018 and 2017. Information on amortization for the period is discussed in Note 12(a). Please refer to Note 6(i) of the 2017 annual consolidated financial statements for other related information.

(l) Investment Property

	<b>Land</b>	<b>Building and construction</b>	<b>Facilities</b>	<b>Total</b>
<b>Book values:</b>				
Balance on January 1, 2018	\$ <u>139,922</u>	<u>105,804</u>	15	<u>245,741</u>
Balance on March 31, 2018	\$ <u>139,922</u>	<u>105,183</u>	14	<u>245,119</u>
Balance on January 1, 2017	\$ <u>139,922</u>	<u>108,291</u>	15	<u>248,228</u>
Balance on March 31, 2017	\$ <u>139,922</u>	<u>107,669</u>	15	<u>247,606</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2018 and 2017. Information on amortization for the period is discussed in Note 12(a). Please refer to Note 6(j) of the 2017 annual consolidated financial statements for other related information.

The fair value of investment property was no significant different from 2017 annual consolidated financial statements.



**ACTER CO., LTD. AND ITS SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(m) Short-term loans

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Secured bank loans	\$ 159,646	344,806	-
Unsecured bank loans	-	-	226,956
	<u>\$ 159,646</u>	<u>344,806</u>	<u>226,956</u>
Unused facilities	<u>\$ 5,163,005</u>	<u>5,037,194</u>	<u>2,857,202</u>
Interest rate	<u>2.5%~4.785%</u>	<u>2.5%~4.785%</u>	<u>1.8%~4.35%</u>

(i) Issues and Repayments of Short-term loans

For the three months ended March 31, 2018 and 2017, the issues amounted to \$1,960 and \$46,086 and due in July, 2018 and November, 2017, respectively; the repayment amounted to \$184,354 and \$12,810.

(ii) Assets pledged for bank loans

For details of the related assets pledged for bank loans, please refer to Note 8.

(n) Provisions

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Provisions	<u>\$ 382,041</u>	<u>335,595</u>	<u>311,672</u>

Provisions of the Group were estimated base on the contracts of the construction's historic data and expected most of the provisions occur during the warranty period.

There were no significant fluctuation of provisions for the three months ended March 31, 2018 and 2017. Please refer to Note 6(k) of the 2017 annual consolidated financial statements for other related information.

(o) Advance sales receipts

<u>Projects</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
W3-XXC071X	\$ 349,982	-
W3-XXC053X	-	205,056
N3XXXXC19X	-	193,176
W3-XXCX6XX	339,719	-
N3XXXXC20X	-	96,735
N3XX16C20X	240,560	-
WS-XXC001X	93,977	-
W3-XXCXX0X	94,889	-
WS-XXC001X	-	74,945
W3-XXC08X	-	73,397
W3-XXC06XX	86,387	-
Other (Net less than 5%)	500,736	507,684
	<u>\$ 1,706,250</u>	<u>1,150,993</u>

**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(p) Employee benefits

(i) Defined benefit plans

Due to there are no significant market volatility, significant reduction, settlement or other significant one-time items after the end of previous financial year, the Group adopts the actuarial decision cost on December 31, 2017 and 2016 to measure and disclose pension cost during the period.

The Group's pension expenses recognized in profit or loss were as follows:

	For the three months ended March 31	
	2018	2017
Operating cost	\$ 44	35
Operating expense	120	86
	<b>\$ 164</b>	<b>121</b>

(ii) Defined contribution plans

The Group's pension expenses recognized in profit or loss were as follows:

	For the three months ended March 31	
	2018	2017
Operating cost	\$ 4,117	3,952
Operating expense	1,535	1,650
	<b>\$ 5,652</b>	<b>5,602</b>

The company, HerSuo Engineering, Nova Tech, Enrich and Winmega have deposited the retirement amount to Bureau of Labor and the overseas subsidiaries have deposited the retirement amount to local social insurance institutes base on the local regulation.

(q) Taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. The Group has recognized the effect of the change in the tax rate affecting deferred tax \$32,949 in the interim period in which the change has occurred.

**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group income tax expense (benefit):

	<b>For the three months ended March 31</b>	
	<b>2018</b>	<b>2017</b>
Current income tax expense (benefit):		
Current period	\$ 53,273	58,581
Deferred tax expense:		
Origination and reversal of temporary difference	39,883	10,655
Fluctuation of tax rate	34,087	-
Income tax expense (benefit)	<b>\$ 127,243</b>	<b>69,236</b>

The amounts of tax income expense recognized in other comprehensive income were as follows:

	<b>For the three months ended March 31</b>	
	<b>2018</b>	<b>2017</b>
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences — foreign operations	\$ 4,710	(10,227)
Fluctuation of tax rate	(1,138)	-
	<b>\$ 3,572</b>	<b>(10,227)</b>

The income tax return of the Company has been examined by the tax authorities through year 2016.

(r) Capital and other equity

Except as described below, no significant changes in the Group capital and other equity for the three months ended March 31, 2018 and 2017. The related information, please refer to Note 6(o) of the Group financial statements for the year ended December 31, 2017.

(i) Retained earnings

According to Acter's articles of incorporation, 10% of the annual earnings, after offsetting any accumulated deficit and payment of income taxes due, if any, shall be set aside as a legal reserve. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside and the remaining balance is partially reserved depending on the business environment, growth status, and long-term finance planning. After deducting the aforementioned partially reserve, the remaining balance, plus, any unappropriated earnings in previous years shall be used for distribution of stockholders' bonuses by the board of directors, depending on the capital status and economic development in the current year. Cash bonuses should not be less than 10% of the total stockholders' bonuses, and they will be recommended by the board of directors and resolved in the stockholders' meeting.

## ACTER CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(1) Legal reserve

In accordance with the Company Act, 10 percent of net income should be set aside after offsetting accumulated deficits, if any, as legal reserve, until it is equal to issued common stock. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the legal reserve either by new shares or by cash of up to 25 percent of the paid-in capital.

(2) Special reserve

In Accordance with Ruling No.1010012865 issued by the FSC on April 6, 2012, the difference between the total net reduction of other shareholders' equity and the carrying amount of special earnings reserve as stated above shall be reclassified as a special earnings reserve during earnings distribution. Other prior accumulated debit balance of stockholders equity was recognized as additional special reserve from prior undistributed earnings, and distributions were prohibited. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(3) Earnings distribution

On February 23, 2018, and May 26, 2017, the board of directors and the meeting of stockholders of Acter approved the distribution plan of retained earnings. Information about dividends per share, employees' bonuses and directors' remuneration for 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Dividends per share (In New Taiwan Dollars):		
Cash	<u>\$ 13.00</u>	<u>8.00</u>

**ACTER CO., LTD. AND ITS SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(4) Other equity interest (net of tax)

	<b>Foreign currency translation differences for foreign operations</b>	<b>Financial assets measured at fair value through other comprehensive income</b>	<b>Investment in available-for- sale financial assets</b>	<b>Other equity- unrealized bonus</b>	<b>Total</b>
Balance, January1, 2018	\$ (52,599)	(4,700)	-	(10,088)	(67,387)
Foreign currency translation differences (net of tax)	9,385	-	-	-	9,385
Unrealized gains(losses) on financial assets measured at fair value through other comprehensive income	-	(145)	-	-	(145)
Employee's unrealized bonus	-	-	-	3,166	3,166
Balance, March 31, 2018	<u>\$ (43,214)</u>	<u>(4,845)</u>	<u>-</u>	<u>(6,922)</u>	<u>(54,981)</u>
Balance, January1, 2017	\$ (38,155)	-	(5,898)	(34,798)	(78,851)
Foreign currency translation differences (net of tax)	(49,929)	-	-	-	(49,929)
Unrealized gains(losses) on available-for-sale financial assets	-	-	2,573	-	2,573
Employee's unrealized bonus	-	-	-	7,015	7,015
Balance, March 31, 2017	<u>\$ (88,084)</u>	<u>-</u>	<u>(3,325)</u>	<u>(27,783)</u>	<u>(119,192)</u>

(s) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment during the periods from January 1 to March 31, 2018 and 2017. For the related information, please refer to Note 6(p) of the consolidated financial statements for the year ended December 31, 2017.

As at March 31 2018 the Group had 2 share-based payment arrangements as follows:

	<b>Equity-settled Restricted stock to employee</b>	<b>Equity-settled Restricted stock to employee</b>
Grant date	2016.1.11	2015.1.26
Grant (Unit : In thousand shares)	720	480
Contractual life	105.1.11~108.1.11	104.1.26~107.1.26
Object of grant	The Company's employees who have formal employment relationship with the Company and serve as supervisors above manager level related to business operation	The Company's employees who have formal employment relationship with the Company and serve as supervisors above manager level related to business operation
Vesting conditions	Note 1	Note 1

**ACTER CO., LTD. AND ITS SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

Note 1: A restricted stock is vested when the Company's financial performance given and employees' service years are met.

- (1) The Company's financial performance is measured by sum of operating revenue and profit before tax, less share of gain of subsidiaries accounted for using equity method (gain on long-term investment) when it reaches the goal set by the Company in the next three years since issuance.
- (2) Employees who are granted with restricted stock and serve in the Company before the vested period matures, and who do not violate against the labor contract or working rules, will be granted with restricted stock based on the following schedule and granted portion:

Year/Goal	Granted Service Years		Granted Percentage when Goals Reached	
First year	1 year		20%	
Second year	2 years		30%	
Third year	3 years		50%	

  

(Expressed in thousand unit)	2018		2017	
	Weighted-Average Exercise Price	Number of Exercisable Shares	Weighted-Average Exercise Price	Number of Exercisable Shares
	Balance, beginning of the period	-	703	-
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Balance, end of the period		<b>703</b>		<b>703</b>

**ACTER CO., LTD. AND ITS SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(t) Earnings per share ("EPS")

	<b>For the three months ended March 31</b>	
	<b>2018</b>	<b>2017</b>
Profit attributable to common shareholders	<u>\$ 198,613</u>	<u>206,588</u>
Weighted average number of common shares (In thousand shares)	<u>46,450</u>	<u>46,226</u>
<b>Basic Earnings per share (In New Taiwan Dollars)</b>	<u>\$ 4.28</u>	<u>4.47</u>
Profit attributable to common shareholders	<u>\$ 198,613</u>	<u>206,588</u>
Weighted average number of common shares (In thousand shares)	46,450	46,226
Add: effect on potential common stock— employee bonuses (In thousand shares)	240	216
restricted stocks for employees	<u>976</u>	<u>866</u>
Diluted weighted average number of common shares (In thousand shares)	<u>47,666</u>	<u>47,308</u>
<b>Diluted Earnings per share (In New Taiwan Dollars)</b>	<u>\$ 4.17</u>	<u>4.37</u>

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b>For the three months ended March 31</b>	
	<b>2018</b>	
<u>Primary geographical markets</u>		
Taiwan	\$ 1,221,018	
China	1,696,806	
Other	111,113	
	<u>\$ 3,028,937</u>	
<u>Major products/services lines</u>		
Water gasification supply	\$ 1,273,245	
Cleanroom electromechanical	1,147,328	
Consumer industry electromechanical	424,894	
Biomedical	167,497	
High-tech equipment and materials sales and services	15,973	
	<u>\$ 3,028,937</u>	

## ACTER CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ii) Contract balances

	<b>March 31, 2018</b>	<b>January 1, 2018</b>
Accounts receivable	\$ 2,864,835	2,625,114
Less: allowance for impairment	(202,644)	(215,449)
	<b>\$ 2,662,191</b>	<b>2,409,665</b>
Contract assets-construction and equipment	\$ 1,407,393	1,691,348
Less: allowance for impairment	(43,340)	(43,049)
	<b>\$ 1,364,053</b>	<b>1,648,299</b>
Contract liabilities-construction and equipment	\$ 1,955,104	1,047,794
Contract liabilities- Advance received	3,455	13,998
	<b>\$ 1,958,559</b>	<b>1,061,792</b>

For details on accounts receivable and allowance for impairment, please refer to Note 6(e).

For details on construction contracts as of March 31, 2017, please refer to Note 6(g).

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(v) Revenue

	<b>For the three months ended March 31</b>
	<b>2017</b>
Construction contract revenue	\$ 2,027,232
Sale of goods	677,698
Other	37,718
	<b>\$ 2,742,648</b>

For details on revenue for the three months ended March 31, 2018, please refer to Note 6(u).

(w) Remuneration to employees and directors

According to the Company's articles of incorporation, remuneration to employees and directors should be appropriated amounting not lower to 3% and not higher to 5% of profit before tax without remuneration to employees and directors for the current year, respectively, after any accumulated deficit is offset against the current period profit, if any.

For the three months ended March 31, 2018 and 2017, the Company estimated its employee remuneration amounted to \$13,860 and \$12,433, and directors' and supervisors' remuneration amounting to \$8,316 and \$7,460, respectively. These amounts were calculated using the company's net income before tax, multiplied by the proposed percentage which is stated under the company's article. These remunerations were expensed under operating costs or expenses for each period. If there is an adjustment between actual distribution and estimation of the aforementioned employee bonuses and remuneration to directors, the adjustment will reflect to the profit and loss on next year.

For the year ended December 31, 2017 and 2016, the Company estimated its employee remuneration



## ACTER CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

amounted to \$61,369 and \$20,608, and directors' and supervisors' remuneration amounting to \$30,685 and \$10,304, respectively. There is no different between estimation and paid. The information is available on the Market Observation Post System website.

(x) Non-operating income and expenses

(i) Other revenue

	<b>For the three months ended March 31</b>	
	<b>2018</b>	<b>2017</b>
Interest income	\$ 9,229	2,478
Rental income	670	626
Others	2,403	182
	<b>\$ 12,302</b>	<b>3,286</b>

(ii) Other income and losses

	<b>For the three months ended March 31</b>	
	<b>2018</b>	<b>2017</b>
Exchange gain(loss) on foreign currency	\$ (49,126)	(46,581)
Gain on disposal of investment	-	340
Net loss on financial assets or liabilities at fair value through profit or loss	(1,920)	-
Others	109	(61)
	<b>\$ (50,937)</b>	<b>(46,302)</b>

(y) Reclassification adjustments of components of other comprehensive income

	<b>For the three months ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Available-for-sale financial assets		
Net change in fair value	\$ -	2,573
Equity instruments at fair value through other comprehensive income		
Net change in fair value reclassified to profit or loss	145	-
Net change in fair value recognized in other comprehensive income	<b>\$ 145</b>	<b>2,573</b>

(z) Financial Instruments

Except as described below, there are no significant changes on the fair value of financial instruments and the financial instruments exposed to credit risk, liquidity risk and market risk, please refer to Note 6(u) of the Group's financial statements for the year ended December 31, 2017.

## ACTER CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(i) Credit risk

(1) Exposure to credit risk

The carrying amount of financial assets represents the Group's maximum credit exposure.

(2) Concentration of credit risk

As of March 31, 2018, December 31 and March 31, 2017, concentration of credit risk came from the Group's major client are not more than 7%, 12% and 14% of the Group's receivables, respectively, while that came from the Group's other four major clients are not more than 22%, 27% and 25% of the Group's receivables, respectively.

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payment and excluding the impact of netting agreements:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5years</u>	<u>More than 5 years</u>
<b>March 31, 2018</b>						
Non-derivative financial liabilities						
Secured bank loans	\$ 159,646	160,332	160,332	-	-	-
Notes payable	278,481	278,481	278,481	-	-	-
Accounts payable (including related parties) and other accrued expenses	<u>3,018,177</u>	<u>3,018,177</u>	<u>2,607,558</u>	<u>211,094</u>	<u>197,915</u>	<u>1,610</u>
	<b><u>\$ 3,456,304</u></b>	<b><u>3,456,990</u></b>	<b><u>3,046,371</u></b>	<b><u>211,094</u></b>	<b><u>197,915</u></b>	<b><u>1,610</u></b>
<b>December 31, 2017</b>						
Non-derivative financial liabilities						
Secured bank loans	\$ 344,806	346,115	346,115	-	-	-
Notes payable	220,246	220,246	220,246	-	-	-
Accounts payable (including related parties) and other accrued expenses	<u>2,711,187</u>	<u>2,711,187</u>	<u>2,375,042</u>	<u>206,039</u>	<u>130,101</u>	<u>5</u>
	<b><u>\$ 3,276,239</u></b>	<b><u>3,277,548</u></b>	<b><u>2,941,403</u></b>	<b><u>206,039</u></b>	<b><u>130,101</u></b>	<b><u>5</u></b>
<b>March 31, 2017</b>						
Non-derivative financial liabilities						
Unsecured bank loans	\$ 226,956	228,013	228,013	-	-	-
Notes payable	294,411	294,411	294,411	-	-	-
Accounts payable (including related parties) and other accrued expenses	<u>2,106,582</u>	<u>2,106,582</u>	<u>1,813,205</u>	<u>154,796</u>	<u>138,576</u>	<u>5</u>
	<b><u>\$ 2,627,949</u></b>	<b><u>2,629,006</u></b>	<b><u>2,335,629</u></b>	<b><u>154,796</u></b>	<b><u>138,576</u></b>	<b><u>5</u></b>

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

## ACTER CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(iii) Market risk

(1) Currency risk

The Group's significant exposures to foreign currency risk were as follows:

	March 31, 2018			December 31, 2017			March 31, 2017		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 90,460	29.1200	2,634,189	65,405	29.848	1,952,208	51,730	30.3360	1,569,288
CNY	380,855	4.6419	1,767,893	333,972	4.5835	1,530,760	288,110	4.4019	1,268,229
SGD	2,943	22.2231	65,400	2,054	22.3238	45,843	1,837	21.7167	39,902
JPY	53,818	0.2742	14,757	1,894	0.2649	502	1,290	0.2714	350
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	21,846	29.1200	636,150	13,547	29.848	404,342	9,093	30.3360	275,833
CNY	270,436	4.6419	1,255,337	295,117	4.5835	1,352,669	185,756	4.4019	817,681
SGD	435	22.2231	9,657	252	22.3238	5,636	43	21.7167	933
JPY	117,960	0.2742	32,345	48,275	0.2649	12,788	29,340	0.2714	7,963

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, available-for-sale financial assets, loans, accounts payable and other payables that are denominated in foreign currency. A 1% of appreciation or depreciation of the TWD against the USD, CNY, SGD and JPY as of March 31, 2018 and 2017 would have increased or decreased the before-tax net income by \$25,487 and \$17,754, respectively. The analysis is performed on the same basis for both periods.

Due to the Group have various functional currencies, thus adopting disclose monetary items to display exchange gain or loss. Exchange gain or loss for the three months ended March 31, 2018 and 2017, respectively, including unrealized and realized, were \$(49,126) and \$(46,581).

## ACTER CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(2) Interest rate analysis

The interest risk exposure from financial assets and liabilities has been disclosed in this note of liquidity risk management.

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The Group's internal management reported the increases/decreases in the interest rates and the exposure to changes in interest rates of 1% is considered by management to be a reasonable change of interest rate.

If the interest rate increases/decreases by 1%, the Group's net income will decrease/increase by \$1,596 and \$2,270 for the three months ended March 31, 2018 and 2017, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's borrowing in variable rate.

(3) Other price risk

If the price of equity securities on reporting date changed (The analysis is performed on the same basis for both periods and assumed that the other factors are fixed), the effects of other comprehensive income items are as following:

Reporting Date Security Price	2018Q1		2017Q1	
	Other comprehensive income After-tax amount	Post-tax Profit or loss	Other comprehensive income After-tax amount	Post-tax Profit or loss
Go up 3%	<u>\$ 117</u>	<u>-</u>	<u>6,488</u>	<u>-</u>
Go down 3%	<u>\$ 117</u>	<u>-</u>	<u>6,488</u>	<u>-</u>

(iv) Fair value of financial instruments

(1) The kinds of financial instruments and fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

**ACTER CO., LTD. AND ITS SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

		March 31, 2018				
		Book value	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>						
Mandatorily measured at fair value through profit or loss						
	\$	316,696	316,696	-	-	316,696
<b>Financial assets at fair value through other comprehensive income</b>						
		3,905	3,905			3,905
<b>Financial assets at amortized cost</b>						
		4,860,848	-	-	-	-
		176,000	-	-	-	-
		2,662,191	-	-	-	-
		30,939	-	-	-	-
		239,381	-	-	-	-
Total		<u>\$ 8,289,960</u>	<u>320,601</u>	<u>-</u>	<u>-</u>	<u>320,601</u>
<b>Financial liabilities at amortized cost</b>						
		159,646	-	-	-	-
		278,481	-	-	-	-
		2,973,390	-	-	-	-
		259	-	-	-	-
		44,528	-	-	-	-
Total		<u>\$ 3,456,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2017				
		Fair Value				
		Book value	Level 1	Level 2	Level 3	Total
		198,460	198,460	-	-	198,460
		4,050	4,050	-	-	4,050
		45	-	-	-	-
<b>Loans and receivables</b>						
		3,926,890	-	-	-	-
		156,038	-	-	-	-
		2,409,665	-	-	-	-
		110,562	-	-	-	-
		222,630	-	-	-	-
Total		<u>\$ 7,028,340</u>	<u>202,510</u>	<u>-</u>	<u>-</u>	<u>202,510</u>
<b>Financial liabilities at amortized cost</b>						
		344,806	-	-	-	-
		220,246	-	-	-	-
		2,627,433	-	-	-	-
		381	-	-	-	-
		83,373	-	-	-	-
Total		<u>\$ 3,276,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## ACTER CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	March 31, 2017				
	Book value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets-current	\$ 211,815	211,815	-	-	211,815
Available-for-sale financial assets-noncurrent	4,458	4,458	-	-	4,458
Financial asset at cost (recognized as other non-current assets)	45	-	-	-	-
<b>Loans and receivables</b>					
Cash and cash equivalents	3,075,768	-	-	-	-
Notes receivable	286,321	-	-	-	-
Accounts receivable	1,999,060	-	-	-	-
Other receivable	54,260	-	-	-	-
Total	<b>\$ 5,631,727</b>	<b>216,273</b>	-	-	<b>216,273</b>
<b>Financial liabilities at amortized cost</b>					
Short-term borrowings	226,956	-	-	-	-
Notes payable	294,411	-	-	-	-
Accounts payable	2,061,546	-	-	-	-
Accounts payable-related party	333	-	-	-	-
Provisions-current	44,703	-	-	-	-
Total	<b>\$ 2,627,949</b>	-	-	-	-

(2) Fair value valuation technique of financial instruments measured at fair value

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market. If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or regulators and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high bid-ask spreads is an indication of non-active market.

The Group's financial instruments are broken down by the category and attributes of their fair value as follows if such financial instruments are traded in active markets: beneficiary securities — open-end fund and emerging stock, whose fair value was determined based on market quoted prices.

There were no transfers from one level to another for the three months ended March 31, 2018 and 2017.

**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(aa) Financial risk management

There are no significant changes on the Group financial risk management objectives and policies disclosure, please refer to Note 6(v) of the Group financial statements for the year ended December 31, 2017.

(bb) Capital management

Disclosure of the Company's capital management objectives, policies and procedures consists with the consolidated financial statements of 2017; there are no significant changes to summary quantitative data for capital management disclosed of the consolidated financial statements of 2017. Please refer to Note 6(w) of the Group financial statements for the year ended December 31, 2017.

(cc) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the three months ended March 31, 2018 and 2017, were as follows:

	<b>January 1, 2018</b>	<b>Cash flows</b>	<b>Non-cash changes</b>		<b>March 31, 2018</b>
			<b>Foreign exchange movement</b>	<b>Fair value Changes</b>	
Short-term borrowings	\$ 344,806	(182,394)	(2,766)	-	159,646
Guarantee deposit received	314	-	-	-	314
Total liabilities from financing activities	<b>\$ 345,120</b>	<b>(182,394)</b>	<b>(2,766)</b>	<b>-</b>	<b>159,960</b>

**(7) Related party transactions:**

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<b>Name of related party</b>	<b>Relationship with the Group</b>
Johnwell Ent Co.,Ltd	The key management personnel of the parent company's directors

**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Other related party transactions

Construction cost, and related assets and liabilities:

The amounts of significant purchase transactions and outstanding payables for goods and equipments between the Group and related parties were as follows:

	<u>Purchases</u>		<u>Payables to Related Parties</u>		
	For the three months ended		March 31, 2018	December 31,	March 31, 2017
	March 31			2017	
	<u>2018</u>	<u>2017</u>			
Entity under the key management's control	<u>\$ 232</u>	<u>304</u>	<u>259</u>	<u>381</u>	<u>333</u>

The purchase price and terms of the payments present no significant difference from those with third-party vendors.

(b) Key management personnel compensation

	<u>For the three months ended March 31</u>	
	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 25,853	16,696
Post-employment benefits	81	66
Share based payments	<u>1,174</u>	<u>2,365</u>
	<u>\$ 27,108</u>	<u>21,127</u>

For details of the related share based payments, please refer to Note 6(s).

**(8) Pledged assets:**

The Group's pledged assets were as follows:

<u>Asset</u>	<u>Purpose of pledge</u>	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Other financial assets – current:				
Savings deposit / time deposit	Construction contract fulfillment and warranty guarantee	<u>\$ 65,535</u>	<u>62,530</u>	<u>144,404</u>

**(9) Significant commitments and contingencies:**

Significant commitments and contingencies for the Group as of March 31, 2018, and December 31, March 31, 2017 are as follows:



**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (a) Fulfillment and warranty guarantee (excluding related parties) for engaging in construction contracts amounted to \$1,323,314, \$1,229,305 and \$565,293, respectively.
- (b) Bank pledges for engaging in construction contracts amounted to \$979,970, \$681,859 and \$614,752, respectively.
- (c) Contract fulfillment guarantee and warranty guarantee (excluding related parties) for other companies in the same industry amounted to \$435,341, \$445,866 and \$553,489, respectively.
- (d) For already-signed but not-yet-finished significant construction contracts, please refer to Note 6(g) and (u).
- (e) The Company has signed a construction contract with Walsin Technology Corporation (Walsin) in December, 2010. Walsin claimed that the Company did not perform the construction according to the contract, and therefore claimed a compensation amounting to \$42,189 at the Taipei District Court. The civil judgment of the first instance during December, 2015 has been pronounced by the Taipei District Court, requiring the Company pay \$14,666 to Walsin, which has been fully recognized as loss by the Company. The Company has appealed to Taiwan High Court. As of March 31, 2018, the compensation remained \$8,376 payable, and has been recognized as other current liabilities and accrued expenses.
- (f) The Company's subsidiary, Nova Tech, contracted to constructions of gas factory expansion and new factory with Jing He Science Co., Ltd. (Jing He). For installation of process equipment and pipeline, Nova Tech was responsible for installing the process pipelines and purchasing process equipment according with the design layout or purchase order provided by Jing He. Hereafter, Jing He had changed the design layout which resulted in extra work. Nova Tech requested Jing He for additional contract payment. Jing He argued that the contract is a lump-sum contract. Therefore, Jing He refused any additional payment and terminated the contract unilaterally right before the construction completed. Nova Tech has sued Jing He for related contract payment. Nova Tech has appointed an attorney as an agent. The case has been in trial and the district court has appointed Taiwan Association of Construction and Development and Taiwan Professional Electrical Engineers Association to valuing the completed part of new factory building. Nova Tech and Jing He has provided supplement opinions for the preliminary valuation and wait for the valuation report. Besides, the district court has appointed Taiwan Construction Research Institute to valuing the gas factory expansion construction. Taiwan Construction Research Institute requested Nova Tech and Jing He for supplement documents. Up to the issuance date of the financial statements, Nova Tech was not able to predict the judgment of the court and amount of compensation. However, Nova Tech has appropriately recognized allowance for impairment of incurred construction cost in accordance with related accounting standards. Nova Tech estimated the maximum loss for this lawsuit. The maximum impact to financial statements is a loss of 70 million. Jing He paid 10,500 for partial of construction payment and interest to Nova Tech on February 5, 2018.

**ACTER CO., LTD. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(10) Losses Due to Major Disasters: None**

**(11) Subsequent Events: None**

**(12) Other:**

(a) The employee benefits, depreciation and amortization expenses categorized by function were as follows:

<u>By item</u>	<u>For the three months ended March 31</u>					
	<u>2018</u>			<u>2017</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit						
Salary	\$ 162,753	91,733	254,486	\$ 136,272	91,895	228,167
Labor, health and social insurance	16,369	8,333	24,702	14,334	7,501	21,835
Pension	4,161	1,655	5,816	3,987	1,736	5,723
Other	5,398	5,054	10,452	3,889	3,546	7,435
Depreciation	969	5,054	6,023	604	4,134	4,738
Amortization	55	1,739	1,794	-	1,220	1,220

Note: Depreciation for investment property for the three months ended March 31, 2018 and 2017 both were \$622, and were recorded in non-operating expenses.

(b) Operation of seasonal:

The Group did not be influenced by seasonal or periodicity.

(13) Segment information:

The Group's operating segment information and reconciliation are as follows:

<b>For the three months ended March 31 2018</b>	<b>Taiwan</b>	<b>Mainland China</b>	<b>Other Asian</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Revenue:					
Revenue from external customers	\$ 1,221,018	1,696,806	111,113	-	3,028,937
Intersegment revenues	416,018	39,210	-	(455,228)	-
Total revenue	<u>\$ 1,637,036</u>	<u>1,736,016</u>	<u>111,013</u>	<u>(455,228)</u>	<u>3,028,937</u>
Reportable segment profit or loss					<u>\$ 235,525</u>
<b>For the three months ended March 31 2017</b>	<b>Taiwan</b>	<b>Mainland China</b>	<b>Other Asian</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Revenue:					
Revenue from external customers	\$ 1,589,587	1,109,019	44,042	-	2,742,648
Intersegment revenues	33,069	196	-	(33,265)	-
Total revenue	<u>\$ 1,622,656</u>	<u>1,109,215</u>	<u>44,042</u>	<u>(33,265)</u>	<u>2,742,648</u>
Reportable segment profit or loss					<u>244,713</u>
	<b>Taiwan</b>	<b>Mainland China</b>	<b>Other Asian</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Reportable segment asset					
March 31, 2018	<u>\$ 10,480,236</u>	<u>5,285,508</u>	<u>1,736,044</u>	<u>(5,852,358)</u>	<u>11,649,430</u>
December 31, 2017	<u>\$ 9,438,989</u>	<u>5,350,917</u>	<u>1,715,752</u>	<u>(4,951,887)</u>	<u>11,553,771</u>
March 31, 2017	<u>\$ 8,209,169</u>	<u>3,950,616</u>	<u>1,398,179</u>	<u>(4,290,978)</u>	<u>9,266,986</u>
Reportable segment liability					
March 31, 2018	<u>\$ 3,714,212</u>	<u>3,449,759</u>	<u>219,448</u>	<u>(754,642)</u>	<u>6,628,777</u>
December 31, 2017	<u>\$ 3,182,608</u>	<u>3,786,798</u>	<u>246,242</u>	<u>(326,398)</u>	<u>6,889,250</u>
March 31, 2017	<u>\$ 3,468,388</u>	<u>2,625,544</u>	<u>150,366</u>	<u>(554,354)</u>	<u>5,689,944</u>