Stock Code:5536

ACTER CO., LTD.
Parent Company Only Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

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The independent auditors' report and the accompanying parent company only 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 independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of Acter Co., Ltd.:

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to Note 4(q) "Revenue", Note 5(a) "Significant accounting assumptions and judgments, and major sources of estimation uncertainty: Revenue recognition", Note 6(g) "Construction contracts", and Notes 6(s) "Revenue from contracts with customers" to the financial statements.

Description of key audit matter

The Company assesses its construction revenue by measuring the proportion that the contract costs incurred for work performed to date bear to the estimated total contract costs; the estimated total contract cost involves judgment and estimation uncertainty of the Company's management. Consequently, revenue recognition is one of the key matters for our audit.

How the matter was addressed in our audit

Our principal audit procedures included: testing the Company's internal control of sales and receipt cycle to assess whether there is any defects and irregularities of internal control systems; reviewing major contracts to understand the specific terms and risks of the contracts; comparing the actual construction costs incurred with the estimated construction costs to evaluate rationality of the estimation method; assessing whether the Company's accounting policy on revenue recognition is in accordance with the related accounting standards.

2. Assessment of impairment of receivables

Please refer to Note 4(f) "Financial instruments", Note 5(b) "Significant accounting assumptions and judgments, and major sources of estimation uncertainty: Impairment of receivables", and Note 6(e) "The net of notes and accounts receivable" to the financial statements.

Description of key audit matter

The recoverability of the Company's receivables is closely related to its business cycle and its customers' operating situation. The Company's management estimates the impairment for receivables by assessing each customer's financial status and historical collection record. Impairment of receivables involves judgment and estimation uncertainty of the Company's management. Consequently, impairment of receivables is one of the key matters for our audit.

How the matter was addressed in our audit

Our principal audit procedures included: testing related internal control of accounts receivable; reviewing the collection of notes and accounts receivable during the subsequent period; evaluating Acter's assumption of impairment by performing receivables aging analysis and reviewing the historical collection record, comparing the allowance for impairment and actual unrecoverable receivables to assess the adequacy of allowance for impairment in order to assess whether the impairment is fairly presented.

3. Provisions

Please refer to Note 4(p) "Provisions", Note 5(c) "Significant accounting assumptions and judgments, and major sources of estimation uncertainty: Recognition and measurement of provisions", and Note 6(m) "Provisions".

Description of key audit matter

The Company estimates the future probability of warranty occurrence based on its historical experience. Provisions for warranty involves judgment and estimation uncertainty of the Company's management. Consequently, provisions for warranty is one of the key matters for our audit.

How the matter was addressed in our audit

Our principal audit procedures included: comparing actual warranty expenses and provisions of warranty to assess the accuracy of estimation; considering the management's methods and data sources of estimating provisions and evaluating the possibility to change accounting estimates; assessing whether the provision is fairly presented and in accordance with related accounting standards.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investments accounted for using equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Tzu-Hsin Chang and Hai-Ning Huang.

KPMG

Taipei, Taiwan (Republic of China)
February 26, 2019

Notes to Readers

The accompanying financial statements are intended only to present the statement of financial position, financial performance and its 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 audit such financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only 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 independent auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese.)

ACTER CO., LTD.

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a)and(x))	$ 1,235,082	19	883,359	16
1110	Current financial assets at fair value through profit or loss (note 6(b)and(x))	163,697	3	-	-
1125	Current available-for-sale financial assets (note 6(d)and(x))	-	-	76,837	1
1140	Current contract assets (note 6(s))	492,538	8	-	-
1150	Notes receivable, net (note 6(e)and(x))	60,964	1	32,541	1
1170	Accounts receivable, net (note 6(e)and(x))	617,721	10	741,812	14
1180	Accounts receivable to related parties, net (note 6(e),(x)and7)	31,724	-	48,724	1
1190	Construction contracts receivable (note 6(g)and7)	-	-	655,450	12
1200	Other receivables (note 6(f)and(x))	1,296	-	74,094	1
1210	Other receivables to related parties (note 6(f)and(x))	24,549	-	19,609	-
1461	Non-current assets held for sale (note 6(h))	51,400	1	-	-
1476	Other current financial assets	289,424	5	5,050	-
1479	Other current assets	27,125	-	25,286	1
		2,995,520	47	2,562,762	47
	Non-current assets:				
1521	Non-current financial assets at fair value though other comprehensive income (note 6(c))	3,177	-	-	-
1523	Non-current available-for-sale financial assets, net (note 6(d)and(x))	-	-	4,050	-
1550	Investments accounted for using equity method (note 6(i))	3,009,740	47	2,502,125	46
1600	Property, plant and equipment (note 6(k))	100,617	2	155,580	3
1760	Investment property, net (note 6(l))	243,254	4	245,741	4
1840	Deferred tax assets (note 6(o))	22,128	-	13,183	-
1990	Other non-current assets (note 6(d))	7,601	-	8,564	-
		3,386,517	53	2,929,243	53
	Total assets	$ 6,382,037	100	5,492,005	100

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2130	Current contract liabilities (note 6(s)and7)	524,744	8	-	-
2150	Notes payable (note 6(x))	2,950	-	2,098	-
2170	Accounts payable (note 6(x))	834,955	13	794,789	14
2180	Accounts payable to related parties (note 6(x)and7)	1,209	-	16,405	-
2190	Construction contracts payable (note 6(g)and7)	-	-	227,635	4
2201	Accrued salaries and bonuses	137,215	2	120,073	2
2220	Other payable to related parties (note 7)	-	-	101,472	2
2230	Current income tax liabilities	75,841	1	36,441	1
2250	Current provisions (note 6(m)and(x))	40,828	1	30,844	1
2399	Other current liabilities and accrued expenses (note 9)	172,583	3	135,779	2
		1,790,325	28	1,465,536	26
	Non-Current liabilities:				
2570	Deferred tax liabilities (note 6(o))	222,273	4	132,474	3
2640	Non-current provisions for employee benefits (note 6(n))	20,229	-	19,388	-
2645	Guarantee deposits received	84	-	314	-
		242,586	4	152,176	3
	Total liabilities	2,032,911	32	1,617,712	29
	Equity attributable to owners of parent (note 6 (p)):				
3100	Ordinary shares	542,028	5	471,529	8
3200	Capital surplus	1,393,239	22	1,412,098	26
3300	Retained earnings	2,483,445	39	2,057,315	38
3400	Other equity interest	(69,586)	(1)	(66,649)	(1)
	Total equity	4,349,126	68	3,874,293	71
	Total liabilities and equity	$ 6,382,037	100	5,492,005	100

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese.)

ACTER CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

		2018		2017	
		Amount	**%**	**Amount**	**%**
	Operating Revenues:				
4521	Construction revenue (note 6(g), (s), (t) and 7)	$ 4,228,140	100	3,855,685	100
4529	Less: allowances	(3,200)	-	(1,465)	-
		4,224,940	100	3,854,220	100
4800	Other operating revenue (note 6(s), (t) and 7)	9,925	-	12,016	-
		4,234,865	100	3,866,236	100
	Operating costs:				
5520	Construction cost (note 6(g), (n) and 7(b))	3,555,078	84	3,317,559	86
5800	Other operating costs	9,716	-	11,075	-
		3,564,794	84	3,328,634	86
	Gross profit from operations	670,071	16	537,602	14
	Operating expenses(note 6(n))**:**				
6100	Selling expenses	22,474	1	23,556	1
6200	Administrative expenses	184,376	4	159,351	4
6450	Expected credit loss	7,143	-	-	-
		213,993	5	182,907	5
	Net operating income	456,078	11	354,695	9
	Non-operating income and expenses:				
7050	Finance costs	(1)	-	(2)	-
7010	Other income (note 6(v))	28,453	1	23,971	1
7070	Shares of loss of associates accounted for using equity method, net	752,482	18	558,500	14
7020	Other gains and losses, net (note 6(v))	2,974	-	(5,595)	-
		783,908	19	576,874	15
	Profit before income tax	1,239,986	30	931,569	24
7950	**Less: Income tax expense (note 6(o))**	190,966	5	89,415	2
	Profit	1,049,020	25	842,154	22
8300	**Other comprehensive income (loss):**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurements effects on defined benefit plans (note 6(n))	(1,736)	-	(1,237)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(w))	(873)	-	-	-
8330	Share of loss (profit) of associates and joint ventures accounted for using equity method though other comprehensive income, net, that may not be reclassified to profit or loss	(2,973)	-	(3,658)	-
8349	Income tax related to components of other comprehensive income that may not be reclassified to profit or loss	-	-	-	-
		(5,582)	-	(4,895)	-
8360	**Items that will be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign operations	(13,536)	-	(17,402)	-
8362	Net change in fair value of available-for-sale financial assets (note 6(w))	-	-	1,936	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(o))	2,898	-	2,958	-
		(10,638)	-	(12,508)	-
8300	**Other comprehensive income, net of tax**	(16,220)	-	(17,403)	-
8500	**Total comprehensive income**	$ 1,032,800	25	824,751	22
	Profit, attributable to:				
	Comprehensive income attributable to:				
9750	**Basic earnings per share(In new Taiwan dollars) (note 6(r))**	$	19.52		15.76
9850	**Diluted earnings per share(In new Taiwan dollars) (note 6(r))**	$	18.98		15.39

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

ACTER CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Other equity interest					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Others	Total Other equity interest	Total equity
Balance at January 1, 2017	$ 472,369	1,071,656	385,094	36,888	1,175,969	1,597,951	(38,155)	-	(5,898)	(34,798)	(78,851)	3,0363,125
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	43,628	-	(43,628)	-	-	-	-	-	-	-
Special reserve	-	-	-	7,164	(7,164)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(377,895)	(377,895)	-	-	-	-	-	(377,895)
	472,369	1,071,656	428,722	44,052	747,282	1,220,056	(38,155)	-	(5,898)	(34,798)	(78,851)	2,685,230
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	41,716	-	-	-	-	-	-	-	-	-	41,716
Changes in ownership interest in subsidiaries	-	304,711	-	-	-	-	-	-	-	-	-	304,711
Share-based payment	(840)	(5,985)	-	-	-	-	-	-	-	24,710	24,710	17,885
	471,529	1,412,098	428,722	44,052	747,282	1,220,056	(38,155)	-	(5,898)	(10,088)	(54,141)	3,049,542
Profit for the year ended December, 31 2017	-	-	-	-	842,154	842,154	-	-	-	-	-	842,154
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	(4,895)	(4,895)	(14,444)	-	1,936	-	(12,508)	(17,403)
Total comprehensive income	-	-	-	-	837,259	837,259	(14,444)	-	1,936	-	(12,508)	824,751
Balance at December 31, 2017	**$ 471,529**	**1,412,098**	**428,722**	**44,052**	**1,584,541**	**2,057,315**	**(52,599)**	**-**	**(3,962)**	**(10,088)**	**(66,649)**	**3,874,293**
Balance at January 1, 2018	$ 471,529	1,412,098	428,722	44,052	1,584,541	2,057,315	(52,599)	-	(3,962)	(10,088)	(66,649)	3,874,293
Effects of retrospective application	-	-	-	-	65,534	65,534	-	(4,700)	3,962	-	(738)	64,796
Balance at January 1, 2018 after adjustments	471,529	1,412,098	428,722	44,052	1,650,075	2,122,849	(52,599)	(4,700)	-	(10,088)	(67,387)	3,939,089
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	84,216	-	(84,216)	-	-	-	-	-	-	-
Special reserve	-	-	-	12,508	(12,508)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(612,986)	(612,986)	-	-	-	-	-	(612,986)
Stock dividends	70,729	-	-	-	(70,729)	(70,729)	-	-	-	-	-	-
	542,258	1,412,098	512,938	56,560	869,636	1,439,134	(52,599)	(4,700)	-	(10,088)	(67,387)	3,326,103
Changes in ownership interest in subsidiaries	-	(17,244)	-	-	-	-	-	-	-	-	-	(17,244)
Share-based payment	(230)	(1,615)	-	-	-	-	-	-	-	9,312	9,312	7,467
	542,028	1,393,239	512,938	56,560	869,636	1,439,134	(52,599)	(4,700)	-	(776)	(58,075)	3,316,326
Profit for the year ended December, 31 2018	-	-	-	-	1,049,020	1,049,020	-	-	-	-	-	1,049,020
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(4,709)	(4,709)	(10,638)	(873)	-	-	(11,511)	(16,220)
Total comprehensive income	-	-	-	-	1,044,311	1,044,311	(10,638)	(873)	-	-	(11,511)	1,032,800
Balance at December 31, 2018	**$ 542,028**	**1,393,239**	**512,938**	**56,560**	**1,913,947**	**2,483,445**	**(63,237)**	**(5,573)**	**-**	**(776)**	**(69,586)**	**4,349,126**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese.)

ACTER CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	$ 1,239,986	931,569
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses (including investment property)	7,716	7,187
Amortization expenses	2,735	1,952
Expected credit losses / Provisions for bad debt expense	7,143	(2,930)
Share-based payments	7,467	17,885
Shares of loss (profit) of associates and joint ventures accounted for using equity method	(752,482)	(558,500)
Losses on disposal of property, plant and equipment	130	-
Gains on disposal of investment	-	(1,531)
Others	(1,879)	(792)
Total adjustments to reconcile profit (loss)	(729,170)	(536,729)
Changes in operating assets and liabilities:		
Increase in current financial assets at fair value through profit or loss	(90,196)	-
Decrease in current contract assets	162,912	-
Increase in notes receivable	(28,423)	(387)
Decrease in accounts receivable	116,948	180,109
Increase in construction contracts receivable	-	(206,265)
Decrease (increase) in other financial assets	(274,059)	28,230
Total changes in operating assets	(112,818)	1,687
Changes in operating liabilities:		
Increase in current contract liabilities	297,109	-
Increase (decrease) in notes payable	852	(249)
Increase (decrease) in accounts payable	24,970	(93,679)
Increase in construction contracts payable	-	23,287
Increase (decrease) in provisions	9,984	(1,236)
Increase (decrease) in other current liabilities	(48,421)	71,397
	284,494	(480)
Total adjustments	(557,494)	(535,522)
Cash inflow generated from operations	682,492	396,047
Interest received	4,161	3,281
Income taxes paid	(67,814)	(48,401)
Net cash flows from operating activities	618,839	350,927
Cash flows from (used in) investing activities:		
Acquisition of available-for-sale financial assets	-	(34,000)
Proceeds from disposal of available-for-sale financial assets	-	52,579
Acquisition of investments accounted for using equity method	(26,052)	-
Acquisition of property, plant and equipment	(1,796)	(4,627)
Acquisition of intangible assets	(1,740)	(4,719)
Increase in other non-current assets	(32)	(783)
Dividends received	256,418	157,930
Net cash flows used in investing activities	226,798	166,380
Cash flows from (used in) financing activities:		
Decrease in guarantee deposits received	(230)	-
Cash dividends paid	(612,986)	(377,895)
Disposal of ownership interests in subsidiaries (without losing control)	119,302	-
Net cash flows from (used in) financing activities	(493,914)	(377,895)
Net increase in cash and cash equivalents	351,723	139,412
Cash and cash equivalents at beginning of period	883,359	743,947
Cash and cash equivalents at end of period	$ 1,235,082	883,359

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(English Translation of Financial Statements Originally Issued in Chinese)

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

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 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. Acter's common shares were publicly listed on the Taipei Exchange ("TPEx") on November 10, 2010.

(2) Approval date and procedures of the financial statements:

The parent-company-only financial statements were authorized for issuance by the Board of Directors on February 26, 2019.

(3) New standards, amendments and interpretations adopted:

(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 following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Classification 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
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -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
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its 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 the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Company applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon its initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Company uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Construction contracts

Before adopting IFRS 15, 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 incurred, which leads to the change of completion progress or contract value, the Company reassess its contract position based on cumulative basis at each reporting date.

Under IFRS 15, when claims and variations incurs, a reassessment will be made when contracts are approved.

2) Impacts on financial statements

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

	December 31, 2018			January 1, 2018		
Impacted line items on the balance sheet	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting polices**	**Balances upon adoption of IFRS 15**	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting polices**	**Balances upon adoption of IFRS 15**
Current contract costs	$ -	492,538	492,538	-	655,450	655,450
Construction contracts receivable	492,538	(492,538)	-	665,450	(655,450)	-
Investment accounted for using equity method	2,780,423	229,317	3,009,740	2,502,125	64,796	2,566,921
Impact on assets		229,317			64,796	
Current contract liabilities	$ -	524,744	524,744	-	227,635	227,635

(Continued)

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

Construction contracts payable		524,744	(524,744)	-	227,635	(227,635)	-
Impact on liabilities			-			-	
Retained earnings	$	2,253,390	229,317	2,482,707	2,057,315	64,796	2,122,111
Impact on equity			**229,317**			**64,796**	

Impacted line items on the income statement		For the year ended December 31, 2018 Balances without adoption of IFRS 15	Impact of changes in accounting polices	Balances with adoption of IFRS 15
Shares of loss of associates accounted for using equity method, net	$	587,963	164,521	752,482
Impact on profit before income tax			164,521	
Income tax expenses		-	-	-
Impact on Profit			164,521	
Basic earnings per share (Dollar)	**$**	**16.46**	**3.06**	**19.52**
Diluted earnings per share (Dollar)	**$**	**16.00**	**2.98**	**18.98**

Impacted line items on the statement of cash flows		For the year ended December 31, 2018 Balances without adoption of IFRS 15	Impact of changes in accounting polices	Balances with adoption of IFRS 15
Cash flows from (used in) operating activities:				
Profit before tax	$	1,075,465	164,521	1,239,86
Adjustments:				
Shares of loss of associates accounted for using equity method, net		(587,961)	(164,521)	(752,482)
Impact on cash flows from operating activities			(164,521)	
Impact on net cash flows from operating activities			-	

(Continued)

(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 Company 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 Company's approach was to include the impairment of trade receivables in operating expenses. Additionally, the Company 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 Company classifies and measures its financial assets and accounts for related gains and losses under IFRS 9, please see note 4 (f).

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 (f).

3) Transition

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

- Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity 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 Company assumes 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 Company's financial assets as of January 1, 2018. (There is no change in both categories and carrying value of financial liabilities.)

	IAS39		**IFRS9**	
	Measurement categories	**Carrying amount**	**Measurement categories**	**Carrying amount**
Financial Assets				
Cash and cash equivalents	Loans and receivables	883,359	Amortized cost	883,359
Debt securities	Available-for-sale (note 1)	76,837	Mandatorily at FVTPL	76,837
Equity instruments	Available-for-sale (note 2)	4,050	FVOCI	4,050
Trade and other receivables	Loans and receivables (note 3)	916,780	Amortized cost	916,780
Other financial assets (Guarantee deposits paid)	Loans and receivables	4,645	Amortized cost	4,645

Note1: The debt securities are categorized as available-for-sale under IAS 39 and may be sold to meet liquidity requirements arising in the normal course of business. The Company considers that debt securities are held within a business model whose objective is achieved by selling securities. Therefore, these assets have been classified as financial assets at FVTPL under IFRS 9. The application of IFRS 9's classification requirements on January 1, 2018 resulted in an increase of $738 in retained earnings.

Note2: These equity securities (including financial assets measured at cost) represent those investments that the Company intends to hold for the long term strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI.

Note3: Notes receivable, accounts receivable and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

(Continued)

ACTER CO., LTD. AND SUBSIDIARIES

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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.

	December 31, 2017 IAS 39 Carrying amount	Reclassifications	Remeasurements	January 1, 2018 IFRS 9 Carrying amount	January 1, 2018 Retained earnings	January 1, 2018 Other equity
Fair value through profit or loss						
Beginning balance of FVTPL (IAS 39)	$ -	-	-		-	-
Additions – debt instruments:						
From available for sale	-	76,837	-		738	(738)
Total	$ -	76,837	-	76,837	738	(738)
Fair value through other comprehensive income						
Beginning balance of available for sale (IAS 39)	$ 80,887	-	-		-	-
Subtractions – debt instruments:						
To FVTPL – required reclassification based on classification criteria	-	(76,837)	-		-	-
Total	$ 80,887	(76,837)	-	4,050	-	-

(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 Company present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6 (aa).

(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.

The Company estimated the application of the amendments would not have a significant impact on its financial statements.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
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 19 “Plan Amendment, Curtailment or Settlement”	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

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ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

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

(i) IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", "SIC-15 Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- A practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Company can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company chooses to elect the following practical expedients:

(Continued)

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its offices, employee' dormitories, and official cars. The Company estimated both of its right-of-use assets and the lease liabilities to increase by $61,682, on January 1, 2019. No significant impact is expected for the Company’s finance leases. Besides, the Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

The Company estimated the application of the amendments will not have any significant impact on its financial statements.

(c) 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 International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
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 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

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

(4) Summary of significant accounting policies:

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 financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on the historical cost basis:

1) Financial instruments measured at fair value through profit or loss are measured at fair value;

2) Fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value;

3) The defined benefit asset is recognized as the fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, the amortized cost in foreign currency translated at the exchange rate at the end of the period, adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following relating to the following, accounts which are recognized in other comprehensive income:

- Fair value through other comprehensive income (available-for-sale) equity investment;
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated at the average exchange rate. Translation differences are recognized in other comprehensive income, and are presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of its investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such on monetary items that are considered to form part of the net investment in the foreign operation and are recognized in other comprehensive income.

(Continued)

(d) Classification of current and non-current assets and liabilities

An operating cycle (usually one year to two year) is a criterion to make judgment on whether assets or liabilities related to construction contracts are classified as current or non-current. The rest assets and liabilities are classified according to the following criteria:

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expects to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent (as defined in IAS 7), unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprise cash balances, call deposits, and checking deposits. Cash equivalents are assets that are readily convertible into cash, and are subject to an insignificant risk of changes in their fair value. Time deposits are accounted under cash and cash equivalents if they are accord with the definition aforementioned, and are held for the purpose of meeting short-term cash commitment rather than for investment or other purpose, readily convertible to a known amount of cash and have an insignificant risk of change in value.

(f) Financial instruments

(i) Financial assets (policy applicable commencing January 1, 2018)

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 Company shall reclassify all affected financial assets only when it changes its business

(Continued)

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
- 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. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

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 Company 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. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

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

(Continued)

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, including derivative financial assets and accounts receivable, which is presented as accounts receivable. On initial recognition, the Company 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. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

4) Impairment of financial assets

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

The Company measures its 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 the 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 resulting 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 Company 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 Company 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 Company’s historical experience and informed credit assessment, as well as forward-looking information.

(Continued)

The Company 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’.

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

The Company 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 Company 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 Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized is 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 Company 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 Company 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 Company’s procedures for recovery of amounts due.

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5) Derecognition of financial assets

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

On derecognition of a financial aset in its entirety, the Company 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 financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes 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 that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial assets (policy applicable before January 1, 2018)

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

1) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, under other income. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in comprehensive income items.

2) Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way to purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income is recognized in profit or loss, and it is included in non-operating income and expense.

3) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by Companying together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than the one suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Such impairment loss is not reversible in subsequent periods.

(Continued)

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

The carrying amount of a financial asset is reduced for an impairment loss, except for trade receivables, in which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off against the allowance account. Any subsequent recovery from written off receivable is charged to the allowance account. Changes in the allowance accounts are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

Impairment losses recognized on available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and gain on recovery are recognized in profit or loss under “other gains and losses, net”.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the 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 account unrealized gains or losses on available for sale financial assets are recognized in profit or loss under “other gains and losses, net”.

The Company separates the part that continues to be recognized and the part that is derecognized based on 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 in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an

(Continued)

entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less, the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expense.

On conversion, financial liability is reclassified to equity, and no gain or loss is recognized.

2) Other financial liabilities

Financial liabilities not classified as held for trading, or designated as at fair value through profit or loss are measured at fair value, plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in operating cost.

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income and expenses.

4) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(g) Construction Contracts (policy applicable before January 1, 2018)

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost, plus, profit recognized to date (see note 6(g)), less, progress billings and recognized losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction contracts in progress is presented as the amount due from customers for contract work in the statements of financial position for all contracts in which costs incurred, plus, recognized profits exceed progress billings. If progress billings exceed costs incurred, plus, recognized profits, then the difference is presented as amount due to customers for contract work in the statement of financial position.

Contract costs that are not probable of being recovered are recognized as an expense immediately. Examples of circumstances in which the recoverability of contract costs incurred may not be probable and in which contract costs may need to be recognized as an expense immediately include:

(i) that are not fully enforceable, meaning their validity is seriously in question;

(ii) the completion of which is subject to the outcome of pending litigation or legislation;

(iii) relating to properties that are likely to be condemned or expropriated;

(iv) when the customer is unable to meet its obligations; or

(v) when the contractor is unable to complete the contract or otherwise meet its obligations under the contract.

(h) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered, primarily through sale or distribution rather than through continuing use, are reclassified as held-for-sale or held-for-distribution to owners. Immediately before being classified as held-for- sale or held-for-distribution to owners, the assets, or components of a disposal Company, are remeasured in accordance with the Company's accounting policies. Thereafter, the assets or disposal groups are generally measured at the lower of their carrying amount and fair value, less, costs to sell.

Any impairment loss on a disposal Company will first be allocated to goodwill, and then to remaining assets and liabilities will be apportioned on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Company's accounting policies.

Impairment losses on assets initially classified as held-for-sale or held-for-distribution to owners and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

When the assets classified as held-for-sale or held-for-distribution to owners are intangible assets or property, plant and equipment, they are no longer amortized or depreciated.

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

(i) Investment in associates

Associates are those entities in which the Company has significant influence, but not control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less, any accumulated impairment losses.

The financial statements include the Company's shares of profit or loss and other comprehensive income of associates, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. When changes in an associate's equity is caused by non-profit or loss or other comprehensive income transactions, with no impact on the Company's shareholding ratio, the Company recognizes the changes in ownership interests of the associate attributable to the Company as capital surplus in proportion to its ownership associate.

Unrealized profits resulting from the transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of its associate.

(j) Investment in subsidiaries

When preparing the parent-company-only financial statements, the investments in subsidiaries, which are controlled by the Company, are accounted for using the equity method. Under the equity method, the profit or loss for the period and other comprehensive income presented in the parent-company-only financial statements should be the same as the allocations of profit or loss for the period and of other comprehensive income attributable to the owners of the parent presented in the financial statements prepared on a consolidated basis; and the owner's equity presented in the parent-company-only financial statements should be the same as the equity attributable to the owners of the parent presented in the financial statements prepared on a consolidated basis. The Company also recognized its shares in the changes in its equity of subsidiaries.

Changed in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(k) Investment property

Investment property is a property held either to earn rental income, or for capital appreciation, or for both, but not for sale in the ordinary course of business, use in the production, or supply of goods, or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, and any other costs directly attributable to bringing the investment property to a working condition for its

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intended use and capitalized borrowing costs.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and depreciation method of that significant part are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as on the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated on the cost of an asset, less its residual value and is recognized in profit or loss on a straight-line basis over its useful life. The depreciable amount of an asset is determined based on the cost less its residual value. Items of property, plant and equipment with the same useful life may be Companyed in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period is recognized in profit or loss.

Leased assets are depreciated by using the straight-line method during the period of expected use, consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life, and therefore, is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings: 22~50 years

2) Other facilities: 3~9 years

3) The significant portion of plant and building consists of its main building and miscellaneous parts, which are estimated over their useful life within 50 years.

4) The estimated useful life for significant components items of other equipment are as follows:

Component Items	Useful Life(years)
Transportation vehicles	5
Instrument equipment	5
Computer equipment	3
Office decoration construction	9
Other equipment	5

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectation differs from the previous estimate, the changes are accounted for as changes in accounting estimates.

(m) Lease

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Other leases are operating leases and are not recognized in the Company's balance sheets.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

Contingent rent is recognized as expense in the period in which it is incurred.

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(n) Intangible assets

(i) Other Intangible Assets

Other intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Depreciable amount of intangible asset is calculated based on the cost of an asset less its residual values.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful live of intangible assets from the date of available-for-use. The estimated useful lives of computer software is three years.

The residual value, amortization period, and the amortization method for an intangible asset shall be reviewed at least annually at each fiscal year end. Any changes shall be accounted for as a changes in accounting estimates.

(o) Impairment of non-financial assets

The Company assesses non-derivative financial assets for impairment (except for assets arising from construction contracts, deferred income tax assets and employee benefits) at every reporting date, and estimates its recoverable amount. If it is not possible to determine the recoverable amount (fair value less, cost to sell and value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for individual asset or a CGU is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such is deemed as an impairment loss, which is recognized immediately in profit or loss.

The Company assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated. An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. In this case, the carrying amount of the asset is increased to its recoverable amount by reversing an impairment loss. For other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortization), if no impairment loss had been recognized.

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(q) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(q) Revenue

(i) Revenue from contracts with customers (policy applicable commencing January 1, 2018)

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company 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 Company’s main types of revenue are explained below.

1) Construction contracts

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. Because its customer controls the asset as it is constructed, the Company 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 includes those fixed amounts. The Company 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 Company 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 Company cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Company shall recognize revenue only to the extent of the costs expected to be recovered.

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

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 the management.

For constructions, the Company offers a standard warranty to provide assurance that they comply with the agreed-upon specifications and has recognized the warranty provisions for this obligation; please refer to note 6 (m).

2) Financing components

The Company 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 Company does not adjust any of the transaction prices for the time value of money.

(ii) Revenue (policy applicable before January 1, 2018)

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. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred, unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, survey of work performed or completion of a physical proportion of the contract work. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

(iii) Contract costs (policy applicable from January 1, 2018)

1) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company 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.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2) 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 Company recognizes an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

a) the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;

b) the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

c) the costs are expected to be recovered.

For 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 Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations(or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company’s net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods based on the discounted present value of the said defined benefit obligation. Any unrecognized past service costs and the fair value of any plan assets are deducted for purposes of determining the Company’ s net defined benefit obligation. The discount rate used in calculating the present value is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Company’s obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the expense of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gains or losses on curtailment arise from any changes in the fair value of plan assets, any changes in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(s) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of award that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and settlement date. Any changes in the fair value of the liability are recognized as personnel expenses in profit or loss.

(t) Income Taxes

Income tax expenses includes both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) arising from the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures, where there is a high probability that such temporary differences, will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) the entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfills one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also revaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(u) Earnings per share

The Company discloses the Company’s basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding.

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding, after adjustment, for the effects of all dilutive potential ordinary shares, such as employee bonuses and employee stock bonuses or rewards that have yet to be approved during the stockholders’ meeting.

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(v) Operating segments

The Company discloses its segment reporting in the consolidated financial statements. Therefore, the Company does not disclose segment information in the parent-company-only financial statements.

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

The preparation of the parent-company-only financial statements in conformity with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" 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.

The Management continues to monitor the accounting assumptions and estimates. It recognized any changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

(a) Revenue recognition

Contract revenue are recognized by reference to the stage of completion of each contract. The stage of completion of a contract is measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Estimated total contract costs of contracted items are assessed and determined by the management based on the nature of activities, expected sub-contracting charges, construction periods, processes, methods, etc., for each construction contract. Changes in these estimates might affect the calculation of the percentage of completion and related profits from construction contracts. Please refer to note 6 (g) and (s) for further description of the for revenue recognition.

(b) The loss allowance of trade receivable

The Company 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 Company 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. For relevant assumptions and input values, please refer to note 6 (e).

(c) Recognition and measurement of provisions

Provision for warranty is estimated when construction revenue is recognized. The estimate has been made based on the provision conditions of the contracts and the historical records of warranty. There could be a significant adjustment on provisions for warranty for any changes in the basis of the estimates. Please refer to note 6 (m) for further description of the recognition and measurement of provisions.

When measuring the assets and liabilities, the Company uses observable inputs in the market at its best. The hierarchy of fair value is classified based on the input used by the valuation techniques as follows:

- Level 1: Public quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Please refer to Note 6(x) for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2018	December 31, 2017
Petty cash and cash on hand	$	161	188
Checking and demand deposits		324,434	303,576
Time deposits		910,487	99,644
Cash equivalent - repurchased commercial paper		-	479,951
	$	1,235,082	883,359

The above-mentioned repurchased rates for commercial paper as of December 31, 2017 ranged between 0.42%~0.43%, with maturity dates from January 1, 2018.

Please refer to note 6 (x) for the disclosure of sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

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

	December 31, 2018
Mandatorily measured at fair value through profit or loss:	
Non-derivative financial assets	
Beneficiary securities - open-end funds	$ 163,697

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

	December 31, 2018
Equity investments at fair value through other comprehensive income	
Holy Stone Healthcare Co, Ltd.	$ 3,177

(i) The Company 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 Company intends to hold for long-term for strategic purposes. These investments were classified as available-for-sale financial assets on December 31, 2017.

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

(ii) For credit risk and market risk; please refer to note 6 (x).

(iii) The financial assets were not pledged.

(d) Investment in financial assets

		December 31, 2017
Current:		
Available-for-sale financial assets		
Beneficiary securities - open-end funds	$	76,837
Non-current:		
Available-for-sale financial assets		
Holy Stone Healthcare Co., Ltd.		4,050
Financial assets carried at cost		
Taichung International Entertainment Co., Ltd. (under other noncurrent assets)		45
	$	80,932

(i) These investments were classified as financial assets at Fair value through profit or loss and financial assets at fair value through other comprehensive income on December 31, 2018, respectively; please refer to note 6 (b) and (c).

(ii) The aforementioned investments held by the Company are measured at cost, less, impairment losses on the reporting date. 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. These investments were classified as other non-current assets on December 31, 2018.

(iii) For credit risk and market risk, please refer to note 6 (x).

(iv) The financial assets were not pledged.

(e) The net of notes and accounts receivable (including related parties)

		December 31, 2018	December 31, 2017
Notes receivable	$	60,964	32,541
Accounts receivable		628,092	745,040
Accounts receivable to related parties		31,724	48,724
Less: Allowance for impairment		(10,371)	(3,228)
	$	710,409	823,077

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

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	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
1 to 120 days	$ 672,122	-	-
121 to 180 days	6,526	0.50%	33
181 to 360 days	26,437	1%	264
361 to 540 days	9,368	40%	3,747
More than 541 days	6,327	100%	6,327
	$ 720,780		10,371

As of December 31, 2017, the Company applied the incurred loss model to consider the loss allowance on provision for notes and accounts receivable, and the aging analysis of notes and trade receivable, which were past due but not impaired, as follows:

	December 31, 2017
Past due 1-120 days	$ 36,545
Past due 121-180 days	1,651
Past due 181-360 days	-
Past due 361-540 days	1,008
	$ 39,204

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

	2018	2017
Balance on January 1, 2018 and 2017 per IAS 39	$ 3,228	6,384
Adjustment on initial application of IFRS 9	-	-
Balance on January 1, 2018 per IFRS 9	3,228	-
Impairment losses	7,143	
Amounts written off	-	(2,929)
Impairment losses reversed	-	(227)
Balance on December 31, 2018 and 2017	$ 10,371	3,228

(i) Accounts receivable includes retained construction receivable, which amounted to $20,142 and $23,190 as of December 31, 2018 and 2017, respectively.

(ii) The notes and accounts receivable were not pledged.

(f) Other receivables

	December 31, 2018	December 31, 2017
Other accounts receivable	$ 1,296	74,094
Other accounts receivable to related parties	24,549	19,609
Less: Loss allowance	-	-
	$ 25,845	93,703

(Continued)

ACTER CO., LTD. AND SUBSIDIARIES
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(i) As of December 31, 2017, other receivables were not past due nor impaired.

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

		2017
Balance on January 1, 2017	$	7,330
Amounts written off		(4,627)
Impairment losses reversed		(2,703)
Balance on December 31, 2017	$	-

(g) Construction contracts

Construction revenue recognized in profit or loss during the year ended December 31, 2017 was as follows:

		2017
Construction revenue recognized in current profit or loss	$	3,854,220

		December 31, 2017
Accumulated construction costs incurred (including contract costs that relate to future activity)	$	4,907,232
Add: Accumulated construction profit and losses		561,404
		5,468,636
Less: Progress billings		(5,040,821)
Net receivables (payables) of construction contracts	$	427,815
Construction contracts receivable presented as an asset	$	655,450
Construction contracts payable presented as a liability		(227,635)
	$	427,815
Advance received before construction begins	$	2,891

For the amount of contract balance on December 31, 2018 and revenue recognized during the year ended December 31, 2018, please see Note 6 (s).

(h) Non-current assets held for sale

On December 24, 2018, the Board of Directors of the Company resolved to sell the property, plant and equipment, which were located at Zhongming S. Rd., with an estimated selling price of $74,250; therefore, entered into an agreement with a buyer at the end of December 2018. The Company expects to complete the related legal procedures in the first quarter of 2019. Such Property, plant and equipment were reclassified to non-current assets held-for-sale. As of December 31, 2018, the carrying value of non-current assets held-for-sale amounted to $51,400.

(i) Investment in equity-accounted investees

The components of investments accounted for using the equity method at the reporting data were as follows:

(Continued)

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		December 31, 2018	December 31, 2017
Subsidiaries	$	3,008,929	2,501,329
Associates		811	796
	$	3,009,740	2,502,125

(i) Subsidiaries

For the related information, please refer to consolidated financial statements for the year ended December 31, 2018.

(ii) Associates

The relevant information of the Company's equity-accounted investees is as follows:

Associates	Relationship with the Company	Main Business Location /Registered country	Percentage of ownership and voting share December 31, 2018	Percentage of ownership and voting share December 31, 2017
Global OneSource Life Sciences Company Ltd.	Service for project management and consulting of techniques and design for pharmacy and medical facilities, which is the Company's investment	Hong Kong	40%	40%

The Company's equity-accounted investment in all individually immaterial associates and the Company's share of the operating results are summarized below:

		December 31, 2018	December 31, 2017
The carrying amount of the Company's interests in all individually immaterial associates	$	2,027	1,991

		2018	2017
Profit attributable to the Company:			
Loss from continuing operation	$	(9)	(8)
Comprehensive income	$	(9)	(8)

(ii) The associates invested by the Company do not have any quoted price. Therefore, the investment accounted for using equity method was not pledged.

(j) Changes in a parent's ownership interest in a subsidiary

(i) Disposal of part of equity ownership of subsidiaries without losing control

The Company sold its 1.85% shares in Nova Tech in December, 2017.

The effects of the changes in shareholdings were as follows:

(Continued)

ACTER CO., LTD. AND SUBSIDIARIES

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		2017
Book value of the shares disposed	$	(32,264)
Consideration transferred from the non-controlling interest		73,980
Capital surplus differences between the consideration and the carrying amounts subsidiaries acquired	**$**	**41,716**

1) In August 2018, The Company's subsidiary, Sheng Huei International, disposed 13.34% of its shares in Sheng Huei (Suzhou) due to the restructuring of the Company during 2018. Please refer to consolidated financial statements for the year ended December 31, 2018.

2) The ownership of Sheng Huei (Suzhou) decrease by 13.34%, resulting in the carrying amount of its investment to decrease by $17,439, which had been adjusted to capital surplus - changes in the ownership interest in its subsidiaries.

3) The Company's subsidiary, Enrich Tech, had a capital increase in July 2018, wherein 15% of the shares had been reserved for employee purchase. Therefore, the Company was not able to invest by proportion in the above capital increase, resulting in its shareholding in Enrich Tech to decrease by 3.06%; Hence, the carrying amount of its investment increased by $195, which had been adjusted to capital surplus-changes in the ownership interest in its subsidiaries.

4) The Company's subsidiary, Nova Tech, had issued common stock for cash in December, 2017, wherein the Company did not participate in; therefore, its shareholding decrease by 9.02%, resulting in the carrying amount of its investment to increase by $304,711, which had been adjusted to capital surplus-changes in the ownership interest in its subsidiaries.

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(k) Property, plant and equipment

	Land	Building and construction	Other facilities	Total
Cost:				
Balance on January 1, 2018	$ 107,113	47,852	27,297	182,262
Additions	-	-	1,796	1,796
Reclassification to non-current assets held for sale	(29,250)	(29,187)	(8,528)	(66,965)
Disposals	-	-	(780)	(780)
Balance on December 31, 2018	$ 77,863	18,665	19,785	116,313
Balance on January 1, 2017	$ 107,113	47,852	22,670	177,635
Additions	-	-	4,627	4,627
Balance on December 31, 2017	$ 107,113	47,852	27,297	182,262
Depreciation:				
Balance on January 1, 2018	$ -	11,514	15,168	26,682
Depreciation	-	1,374	3,855	5,229
Reclassifications to non-current assets held for sale	-	(8,599)	(6,966)	(15,565)
Disposals	-	-	(650)	(650)
Balance on December 31,2018	$ -	4,289	11,407	15,696
Balance on January 1, 2017	$ -	10,139	11,843	21,982
Depreciation	-	1,375	3,325	4,700
Balance on December 31, 2017	$ -	11,514	15,168	26,682
Carrying amounts:				
Balance on December 31, 2018	$ 77,863	14,376	8,378	100,617
Balance on January 1, 2017	$ 107,113	37,713	10,827	155,653
Balance on December 31, 2017	$ 107,113	36,338	12,129	155,580

The property, plant and equipment are not pledged as collateral.

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(l) Investment Property

	Land and improvement	Building and construction	Facilities	Total
Cost:				
Balance on December 31, 2018 (Balance on January 1, 2018)	$ 139,922	111,777	86	251,785
Balance on December 31, 2017 (Balance on January 1, 2017)	$ 139,922	111,777	86	251,785
Depreciation:				
Balance on January 1, 2018	$ -	5,973	71	6,044
Depreciation	-	2,487	-	2,487
Balance on December 31, 2018	$ -	8,460	71	8,531
Balance on 1 January 2017	$ -	3,486	71	3,557
Depreciation	-	2,487	-	2,487
Balance on December 31, 2017	$ -	5,973	71	6,044
Carrying amounts:				
Balance on December 31, 2018	$ 139,922	103,317	15	243,254
Balance on January 1, 2017	$ 139,922	108,291	15	248,228
Balance on December 31, 2017	$ 139,922	105,804	15	245,741
Fair value:				
Balance on December 31, 2018				$ 310,407
Balance on December 31, 2017				$ 278,263

On July 12, 2016, the board of directors of the Company resolved to acquire the building in Beitou District, Taipei and West District, Taichung, for non-operating purpose and recognized them as investment property.

In November 2006, the board of directors of the Company resolved to purchase the building on Chiang Kai-Shek Road, Taichung, for self-use or lease purposes, with the lease commencing in 2007. As of December 31, 2018, the future receivable for the Company was as follows:

Term	Amount
2019.1.1~2019.10.31	$ 416

(i) The original recognition of investment property is measured at cost, and the subsequent measurement is also accounted for under cost model.

(ii) The depreciation is calculated by its depreciable amount after the original recognition of investment property, and market value is used as the fair value to asset its impairment.

(ii) The investment property is not pledged.

(m) Provisions

(i) The movement in the provisions with respect to warranties was as follows:

		2018	2017
Balance on January 1	$	30,844	32,080
Provisions made during the period		12,398	1,415
Provisions used during the period		(2,414)	(2,651)
Balance on December 31	**$**	**40,828**	**30,844**

(ii) The Company's warranty provision is estimated based on historical data of the construction contract. Most liabilities are expected to occur during the warranty period that is mentioned in the contract since completion of the construction.

(n) Employee benefits

(i) Defined benefit plans

The reconciliation in the present value of defined benefit obligations and fair value of plan assets were as follows:

		December 31, 2018	December 31, 2017
Present value of defined benefit obligation	$	27,532	26,914
Fair value of plan assets		(7,303)	(7,526)
Defined benefit obligations	**$**	**20,229**	**19,388**

The Company makes defined benefit plan contributions to the pension fund account in the Bank of Taiwan. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on the years of service and the average monthly salary for six months prior to retirement.

1) Composition of plan assets

The Company set aside pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to these funds, its minimum earnings in the annual distributions on the final financial statements shall not be less than the earnings from two-year time deposits with the interest rates offered by local banks.

(Continued)

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The Company's labor pension reserve account balance in the Bank of Taiwan amounted to $7,303 as of December 31, 2018. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movement in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations for the Company were as follows:

		2018	2017
Balance, January 1	$	26,914	25,359
Service cost and interest for the period		437	349
Remeasurement of the net defined benefit liability (asset)			
－Actuarial loss arising from changes in demographic assumptions		-	1,675
－Actuarial loss (gain) arising from changes in financial assumptions		1,079	(1,044)
－Actuarial loss arising from changes in experience adjustments		814	575
Benefits paid by the plan		(1,712)	-
Balance, December 31	$	27,532	26,914

3) Movement in fair value of defined benefit plan assets

The movement in fair value of defined benefit plan assets for the Company were as follows:

		2018	2017
Balance, January 1	$	7,526	6,263
Contributions made		1,200	1,200
Interest revenue		132	94
Remeasurements of the net defined benefit liability		157	(31)
Benefits paid by the plan		(1,712)	-
Balance, December 31	$	7,303	7,526

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

		2018	2017
Net interest cost of net defined benefit liability(Operating expense)	$	305	255

(Continued)

5) Remeasurements of the net defined benefit liability recognized in other comprehensive income

The actuarial gains and losses are recognized in other comprehensive income for the Company were as follows:

		2018	2017
Actuarial loss arising from defined benefit obligation	$	1,893	1,206
Actuarial loss (gain) arising from Fair value of plan assets		(157)	31
Actuarial loss recognized in the cunrrent period	$	1,736	1,237

6) Actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation by the Company at the reporting date are as follows:

	December 31, 2018	December 31, 2017
Discount rate	1.375%	1.625%
Increases in future salary rate	3.00%	3.00%

The Company is expected to make a contribution payment of $1,200 to the defined benefit plans for the one year period after the reporting date.

The weighted – average duration of the defined benefit plans is 18.71 years.

7) Sensitivity analysis

	The impact on defined benefit obligation		
		Increase 0.25%	Decrease 0.25%
Discount rate	$	(1,079)	1,130
Future salary increase (decrease)		1,095	(1,047)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There were no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

(ii) Defined contribution plans

The Company contribute an amount at the rates of 6% of their employee’s monthly wages to the Labor Pension personal account with the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company’s offshore subsidiaries contribute their pensions to their respective local social insurance agency in accordance with the provisions of their local acts. The Company’s contributions to the Bureau of the Labor Insurance or other local social insurance agency for the Company’s employee pension benefits require no further

(Continued)

additional payment of legal or constructive obligations.

For the years ended December 31, 2018 and 2017, the Company set aside $10,540 and $10,807, respectively, of the pension costs to the Bureau of Labor Insurance under the defined contribution plan.

(o) 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 commencing 2018.

(i) Income tax expense

The amount of income tax expense for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Current income tax expense:			
Current period	$	107,533	60,306
Prior years income tax adjustment		(319)	159
		107,214	60,465
Deferred tax expense:			
Origination and reversal of temporary differences		62,509	28,950
Adjustment in tax rate		21,243	-
		83,752	28,950
Income tax expense	**$**	**190,966**	**89,415**

The amount of tax income expense (benefit) recognized in other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Items that will be reclassified subsequently to profit or loss:			
Foreign currency translation differences－foreign operations	**$**	**(2,898)**	**(2,958)**

(Continued)

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Reconciliation of income tax expense (benefit) and income before tax were as follows:

	2018	2017
Profit before tax	$ 1,239,986	931,569
Tax rate according to the Company's location	$ 247,997	158,367
Adjustment in tax rate	21,243	-
Investments tax credits	(84,075)	(69,097)
10% surtax on undistributed earnings	5,682	154
Others	438	(168)
Prior years income tax adjustment	(319)	159
Total	**$ 190,966**	**89,415**

(ii) Deferred tax asset and liability

1) Recognized deferred tax asset and liabilities

Deferred tax asset:

	January 1, 2017	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**December 31, 2017**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**December 31, 2018**
Warranty cost	$ 12,632	(4,362)	-	8,270	5,016	-	13,286
Estimated construction loss	1,127	(808)	-	319	360	-	679
Excessive provision of bad debt	1,246	-	-	1,246	852	-	2,098
Exchange of Unrealized Profits and Losses	-	581	-	581	41	-	622
Compensated absences	1,206	479	-	1,685	(222)	-	1,463
Foreign currency translation differences for foreign operations	-	-	1,082	1,082	-	2,898	3,980
	$ 16,211	(4,110)	1,082	13,183	6,047	2,898	22,128

Deferred tax liability:

	January 1, 2017	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**December 31, 2017**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**December 31, 2018**
Gains on investment in foreign equity- accounted investee	$ 106,626	25,848	-	132,474	89,799	-	222,273
Foreign currency translation differences for foreign operations	1,876	-	(1,876)	-	-	-	-
Others	1,008	(1,008)	-	-	-	-	-
	$ 109,510	24,840	(1,876)	132,474	89,799	-	222,273

(iii) Income tax examination and approval

The income tax returns of the Company have been examined by the tax authorities through year 2016.

(p) Capital and other equity

(i) Issuance of common stock

As of December 31, 2018 and 2017, the authorized common stock was $720,000, while the issued common stock amounted to $542,028 and $471,529, respectively, with a par value of $10 per share.

The Company's board meeting on June 18, 2014 approved the issuance of restricted stock to employees, which are issued by batch, with a total shares of 1,200,000. The first batch of 480,000 shares had been issued at a total value of $4,800 in December 2014, with a par value of $10 per share, which had been approved by the Financial Supervisory Commission on January 12, 2015, with the record date of issuance on January 26, 2015. The Company filed an issuance of restricted stock to its employees on May 28, 2015 for 720,000 shares, with a total shares amounting to $7,200, at a par value of $10 per share, with the effective date of this issuance on June 12, 2015, at the record date of issuance on January 11, 2016.

On May 31, 2016, November 8, 2016, May 11, 2017, May 10, 2018 and November 9, 2018, the Company's board of directors approved to write off the restricted stock to employees of 28,000 shares, 71,000 shares, 84,000 shares, 4,000 shares and 19,000 shares, respectively, with the record date of capital reduction on June 8, 2016, November 15, 2016, June 1, 2017 and 2018, as well as November 12, 2018, respectively. The Company had finished the capital reduction registration.

On May 30, 2017, the company's stockholders' meeting approved the earnings distribution of stock dividends in the total amount of $70,729. The capital increase has been registered with and approved by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. The Company' s board of the directors resolved the date of the increase in capital to be July 3, 2018, and the registration procedures have been completed on August 2, 2018.

(ii) Capital surplus

The components of the capital surplus were as follows:

		December 31, 2018	December 31, 2017
From issuance of common stock	$	946,809	919,074
Difference between the consideration and the carrying amount of subsidiaries acquired or disposed		72,098	72,098
Changes in ownership interest in subsidiaries		353,962	371,206
From insurance of restricted stocks for employees		20,370	49,720
	$	**1,393,239**	**1,412,098**

(Continued)

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

According to the Company'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 to be approved in the stockholders' meeting.

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 special earnings reserve during earnings distribution. Other prior accumulated debit balance of stockholders' equity was recognized as additional special reserve from prior undistributed earnings since distributions were prohibited. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

According to the Letter No.1010051600 issued by the FSC on November 21, 2012, the "Unearned employee benefit" arising from issuing restricted stock to employees is deemed as unrealized gains and losses, therefore, there is no need to set aside any special reserve.

As of December 31, 2018 and 2017, the Company's balance of special reserve were $56,560 and $44,052.

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3) Earnings distribution

On May 30, 2018 and May 26, 2017, the meeting of the shareholders approved the distribution plan of retained earnings proposed by the Board of Directors. The information about dividends per share for 2017 and 2016 is as follows:

	2017		2016	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Dividends distributed to ordinary shareholders				
Cash	$ 13.00	612,986	8.00	377,895
Shares	1.50	70,729	-	-
Total	**$ 14.50**	**683,715**	**8.00**	**377,895**

4) Other equity interest (net of tax)

	Foreign currency translation differences for foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Investment in available-for-sale financial assets	Other Equity-Unearned employee benefit	Total
Balance, January1, 2018	$ (52,599)	-	(3,962)	(10,088)	(66,649)
Effects of retrospective application		(4,700)	3,962	-	(738)
Balance at January 1, 2018 after adjustments	(52,599)	(4,700)	-	(10,088)	(67,387)
Foreign currency translation differences (net of tax)	(10,638)		-	-	(10,638)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(873)	-	-	(873)
Unearned employee benefit	-	-	-	9,312	9,312
Balance, December 31, 2018	**$ (63,237)**	**(5,573)**	**-**	**(776)**	**(69,586)**
Balance, January1, 2017	$ (38,155)	-	(5,898)	(34,798)	(78,851)
Foreign currency translation differences (net of tax)	(14,444)	-	-	-	(14,444)
Unrealized gains(losses) on available-for-sale financial assets	-	-	1,936	-	1,936
Unearned employee benefit	-	-	-	24,710	24,710
Balance, December 31, 2017	**$ (52,599)**	**-**	**(3,962)**	**(10,088)**	**(66,649)**

(Continued)

(q) Share-based payment

The Company's shareholders' meeting on June 18, 2014 approved the issuance of restricted stock to employees, with a total shares amounting to 1,200,000, and issued by batch. The first batch amounting to 480,000 shares has been issued and its total value amounted to $4,800 in December 2014, with a par value $10, approbated by the Financial Supervisory Commission, effective on January 12, 2015. The record date of issuance of restricted stock to employees resolved by the Board of Directors was January 26, 2015. The Company filed an issuance of restricted stock to employees on May 28, 2015 for 720,000 shares, with a total shares amounting to $7,200 and a par value $10. The effective date of this issuance is June 12, 2015. The record date of issuance of restricted stock to employees resolved by the Board of Directors was January 11, 2016.

Employees with restricted stock awards are entitled to purchase the Company's shares without charge, provided that these employees continue to work for the Company for another three years, upon reaching their goals of financial performance. 20%, 30% and 50% of the restricted shares are vested in year 1, 2 and 3, respectively, when the above conditions are met. The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. These shares are entitled to the right as the holders of common shares once issued, except for those shares kept by a trust or shares that do not meet the vesting condition. If the shares remain unvested after the vesting period, the Company will repurchase all the unvested shares at the issuance price, and cancel the shares thereafter.

The relevant information of restricted stock to employee is as follows:

Unit: In thousand shares	**2018**	**2017**
Balance, beginning of the period	703	1,011
Vested	(389)	(224)
Forfeited	(23)	(84)
Balance, end of the period	**291**	**703**

The Company has two share-based payment trade as of December 31, 2018：

	Equity-settled Restricted stock to employee	**Equity-settled Restricted stock to employee**
Grant date	2016.1.11	2015.1.26
Grant (Unit：In thousand shares)	720	480
Contractual life	2016.1.11~2019.1.11	2015.1.26~2018.1.26
Object of grant	The Company's employees who have formal employment relationship with the Company and serve as supervisors or above managerial level related to business operation	The Company's employees who have formal employment relationship with the Company and serve as supervisors or above managerial level related to business operation
Vesting conditions	Note 1	Note 1

(Continued)

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

Note1: A restricted stock is vested when the Company's financial performance is rendered and employees' service years are met.

1) The Company's financial performance is measured by the 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 following three years after the 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%

(i) The Company used the Black-Scholes options pricing model to measure the fair value of the share-based payment at grant date, and the main inputs to the pricing model were as follows:

	2018	**2017**
	Restricted stock to employee	**Restricted stock to employee**
Fair value at grant date	61.5 & 74.1	61.5 & 74.1
Stock price at grant date	82.5 & 80	82.5 & 80
Exercise price	-	-
Expected price volatility (%)	29.02% & 0.46%	29.02% & 0.46%
Life of option (year)	3	3
Expected price volatility (%)	9.76% & 2.52%	9.76% & 2.52%
Risk-free rate (%)	1.21% & 1.13%	1.21% & 1.13%

Expected price volatility is based on the weighted average of historical volatility, and it is adjusted when there is additional market information about the volatility. Life of option is determined by the Company's regulation regarding the issuance of restricted stock. Expected divided yield rate is determined based on the annual cash dividend yield rate measured by weighted stock index. Risk-free rate is determined based on rate of time deposits. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

(ii) Relevant information on restricted stock to employee:

Information on restricted stock to employee was as follows:

	2018		2017	
(Expressed in thousand unit)	Weighted-Average Exercise Price	Number of Exercisable Shares	Weighted-Average Exercise Price	Number of Exercisable Shares
Balance, beginning of the period	$ -	703	-	1,011
Forfeited	-	(389)	-	(224)
Exercised	-	(23)	-	(84)
Balance, end of the period		291		703

	December 31, 2018	December 31, 2017
Weighted-average remaining contractual life	0.03	0.07~1.03

(iii) Expenses and liabilities resulting from share-based payments

The Company incurred expenses from shares-based payments transactions as follows:

	2018	2017
Expenses resulting from issuance of restricted stock to employees	$ 7,467	17,885

(r) Earnings per share ("EPS")

	2018	2017
Profit attributable to common shareholders	$ 1,049,020	842,154
Weighted average number of common shares (In thousand shares)	53,751	53,430
Basic Earnings per share (In New Taiwan Dollars)	$ 19.52	15.76
Profit attributable to common shareholders	$ 1,049,020	842,154
Weighted average number of common shares (In thousand shares)	53,751	53,430
Add: effect on dilutive potential common stock		
Employee bonuses (In thousand shares)	526	326
Restricted stock to employees (In thousand shares)	1,005	967
Diluted weighted average number of common shares (In thousand shares)	55,282	54,723
Diluted Earnings per share (In New Taiwan Dollars)	$ 18.98	15.39

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

		2018
Primary geographical markets		
Taiwan	$	4,234,865
Major products		
Cleanroom electromechanical integration engineering	$	3,018,367
Biomedical integration engineering		843,081
Consumer industry electromechanical integration engineering		363,492
High-tech equipment and materials sales and services		9,925
	$	4,234,865

For details of revenue for the year ended December 31, 2017, please refer to note 6 (g) and (t).

(ii) Contract balances

		December 31, 2018	January 1, 2018
Accounts receivable(including related parties)	$	659,816	793,764
Less: allowance for impairment		(10,371)	(3,228)
	$	649,445	790,536
Contract assets-Construction and equipment	$	492,538	655,450
Less: allowance for impairment		-	-
	$	492,538	655,450
Contract liabilities-Construction and equipment	$	524,744	227,635

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

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

The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract liability balance at the beginning of the period was $209,737.

The contract assets primarily relate to the Company had recognized contract revenue but yet to issue bill on reporting date. The contract assets are transferred to receivables when the rights to consideration become unconditional.

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. There were no major changes in 2018.

(iii) Transaction price allocated to the remaining performance obligations

As of December 31, 2018, the aggregated amount of the transaction price from construction contracts allocated to the remaining performance obligation from construction contract was

(Continued)

$2,263,729. The Company will recognize revenue gradually over time by the stage of completion of building and expected to recognize in the next 36 months.

If the contract of construction has an original expected duration of less than one year, the Company shall apply the practical expedient of IFRS 15 and shall not disclose the information about the transaction price allocated to the remaining performance obligations of the contract.

All consideration from contracts with customers are included in the transaction price disclosed above.

(t) Revenue

The details of revenue for the year ended December 31, 2017 was as follows:

		2017
Contract revenue	$	3,854,220
Other operating revenue		12,016
	$	3,866,236

For details of revenue for the year ended December 31, 2018, please refer to note 6 (s).

(u) Remuneration to employees and directors

The Company's articles of incorporation require that earnings shall first be offset against any deficit, then, a minimum of 3% shall be distributed as employee remuneration, and a maximum of 5% as remuneration to directors and supervisors.

For the years ended December 31, 2018 and 2017, the Company estimated its employee remuneration amounting to $81,757 and $61,369, and its directors' and supervisors' remuneration amounting to $40,879 and $30,685, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were recognized under operating costs or operating expenses during 2018 and 2017. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2018 and 2017.

(v) Non-operating income and expenses

(i) Other revenue

		2018	2017
Interest income	$	5,215	4,036
Rental income		990	967
Others		22,248	18,968
	$	28,453	23,971

ACTER CO., LTD. AND SUBSIDIARIES

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(ii) Other income and losses

	2018	2017
Exchange gain (loss) on foreign currency	$ 6,440	(10,056)
Gain (Loss) on disposals of property, plant and equipment	(130)	-
Gain (Loss) on disposal of investment	-	1,531
Net (loss) gain on financial assets measured at fair value through profit and loss	(3,336)	-
Others	-	2,930
	$ 2,974	(5,595)

(w) Reclassification adjustments of components of other comprehensive income

	2018	2017
Available-for-sale financial assets		
Net change in fair value	$ -	1,936
Equity instruments at fair value through other comprehensive income	-	-
Net change in fair value	(873)	-
Net change in fair value recognized in other comprehensive income	$ (873)	1,936

(x) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

As of December 31, 2018 and 2017, the accounts receivable (including related parties) from the Company's top four and five customers representing 56% and 60% of the accounts receivable, respectively, which exposes the Company to credit risk.

3) Receivables

For credit risk exposure of note and trade receivables, please refer to note 6 (e).

Other financial assets at amortized cost include other receivables and other financial assets. For the details on other receivables and loss allowance on December 31, 2017, please refer to note 6 (f).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses.

(Continued)

Regarding how the financial instruments are considered to have low credit risk, please refer to note 4 (f). There is no loss allowance provision recognized for the year of 2018.

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5years	More than 5 years
December 31, 2018						
Non-derivative financial liabilities						
Notes payable	$ 2,950	2,950	2,950	-	-	-
Accounts payable (including related parties) and other accrued expenses	858,300	858,300	838,997	16,316	2,975	12
	$ 861,250	861,250	841,947	16,316	2,975	12
	Carrying amount	**Contractual cash flows**	**Within 1 year**	**1-2 years**	**2-5years**	**More than 5 years**
December 31, 2017						
Non-derivative financial liabilities						
Notes payable	$ 2,098	2,098	2,098	-	-	-
Accounts payable (including related parties) and other accrued expenses	834,390	834,390	808,782	22,382	3,209	17
	$ 836,488	836,488	810,880	22,382	3,209	17

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to currency risk

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

	December 31, 2018			December 31, 2017		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 1,930	30.802	59,448	3,617	29.848	107,960
CNY	5	4.4862	22	4,820	4.5835	22,093
Financial liabilities						
Monetary items						
USD	8	30.802	246	2	29.848	54
CNY	-	4.4862	-	3,496	4.5835	16,025

2) Sensitivity analysis

The Company'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, financial assets at fair value through profit and loss (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

(Continued)

against the USD and CNY as of December 31, 2018 and 2017 would have increased or decreased the before-tax net income by $592 and $1,140, respectively. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses of monetary items

The exchange gains and losses of monetary items (including both realized and unrealized) of the Company were as follow:

	2018		2017	
	Exchange gains and losses	**Average exchange Rate**	**Exchange gains and losses**	**Average exchange Rate**
CNY	$ 4,629	4.5591	(647)	4.5052
USD	1,810	30.163	(9,408)	30.4425
JPY	1	0.2732	(1)	0.2714
IDR	(1)	0.002119	-	0.002275
MYR	1	7.4747	-	7.0817
	$ 6,440		(10,056)	

(iv) Other market price risk

For the years ended December 31, 2018 and 2017, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	For the years ended December 31,			
	2018		2017	
Prices of securities at the reporting date	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increasing 3%	**$ 95**	**4,911**	**2,427**	**-**
Decreasing 3%	**$ (95)**	**(4,911)**	**(2,427)**	**-**

(v) Fair value of financial instruments

1) The kinds of financial instruments and fair value

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income (available-for sale financial assets) is measured on a recurring basis. The carrying amount and fair value of the Company’s financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

	December 31, 2018				
		Fair Value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	163,697	163,697	-	-	163,697
Financial assets at fair value through other comprehensive income					
Emerging stock	3,177	3,177	-	-	3,177

(Continued)

ACTER CO., LTD. AND SUBSIDIARIES

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	December 31, 2018				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	1,235,082	-	-	-	-
Contract assets	492,538	-	-	-	-
Notes receivable	60,964	-	-	-	-
Accounts receivable	617,721	-	-	-	-
Accounts receivable to the related parties	31,724	-	-	-	-
Other receivables	1,296	-	-	-	-
Other receivables to the related parties	24,549	-	-	-	-
Other current financial assets	289,424	-	-	-	-
Total	$ 2,920,172	166,874	-	-	166,874
Financial liabilities at amortized cost					
Notes payable	$ 2,950	-	-	-	-
Accounts payable	834,955	-	-	-	-
Accounts payable to related parties	1,209	-	-	-	-
Other accrued expenses	22,136	-	-	-	-
Total	$ 861,250	-	-	-	-

	December 31, 2017				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets - current	76,837	76,837	-	-	76,837
Available-for-sale financial assets - noncurrent	4,050	4,050	-	-	4,050
Financial asset at cost (recognized as other non-current assets)	45	-	-	-	-
Loans and receivables					
Cash and cash equivalents	883,359	-	-	-	-
Notes receivable	32,541	-	-	-	-
Accounts receivable	741,812	-	-	-	-
Accounts receivable to related parties	48,724	-	-	-	-
Other receivables	74,094	-	-	-	-
Other receivables to related parties	19,609	-	-	-	-
Other accrued expenses	5,050	-	-	-	-
Total	$ 1,886,121	80,887	-	-	80,887
Financial liabilities at amortized cost					
Notes payable	$ 2,098	-	-	-	-
Accounts payable	794,789	-	-	-	-
Accounts payable to related parties	16,405	-	-	-	-
Other accrued expenses	23,196	-	-	-	-
Total	$ 836,488	-	-	-	-

(Continued)

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 Company's financial instruments are classified by their category, and the attributes of their fair value are 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 year ended December 31, 2018 and 2017.

(y) Financial risk management

(i) Overview

The Company is exposed to the following risks due to its use in financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note discloses the exposure risk information, and the Company's objectives, policies and procedures of measuring and managing risks. For more quantitative disclosure information, please refer to notes of the financial statements.

(ii) Risk management framework

The Company's finance department provides business services for the overall internal department. It coordinates the domestic and international financial market operations, as well as supervises and manages financial risks related to the Company's operation based on internal risk report about exposure to risk, with the analysis of the extent and width of risk. Operation of derivative financial instruments is subject to the policy approved by the Board of Directors, which is documented based on exchange rate risk, interest risk, credit risk, operation of derivative and non-derivative financial instruments, and investment in the remaining current capital. The internal auditors of the Company continue with the review of the compliance with the policy and the extent of the exposure to risk. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

The Company's audit committee oversees how management supervision is in compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by the Company. The internal auditors assist the Company's audit committee in oversight, maintain control on risk management and procedures of both regular and exceptional reviews, and report the review results to the audit committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations that arise principally from the Company's accounts receivable, investments in securities and financial guarantees.

1) Accounts receivable

The Company goes through the process of credit assessment on the trading parties pertaining to company size, industry perspective and general impression from the same industry before transaction begins. The engineering department also conducts an on-site interview, and the finance department will check to financial institutions for any abnormal dishonored check. The engineering department also establishes credit lines for each client, and updates the credit lines on a timely basis to reduce the transaction risk. The Company follows every uncollected receivable monthly. The administrative and the engineering department are responsible for gaining understandings about the overdue receivables and their anticipated date of collection, gaining understandings about clients' financial position, negotiations with the clients or demanding pledges or installment payment.

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and open-end fund investments are measured and monitored by the Company's finance department. Since, the Company deals with banks and other external parties with good credit standing, the Company believes that there is no significant impact on credit risk.

3) Guarantee

The Company's policy stated that financial guarantee may be rendered to subsidiaries and trading parties running construction business.

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows.

(v) Market risk

Market risk is a risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

(Continued)

ACTER CO., LTD. AND SUBSIDIARIES

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The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the US Dollars (USD) and Chinese Yuan (CNY) as well.

2) Other market price risk

The Company is exposed to equity price risk due to the investments in equity securities. This is a strategic investment and is not held for trading. The Company does not actively trade in these investments as the management of the Company minimizes the risk by holding different investment portfolios. The Company assigned a specific team to supervise and assess the equity price risk so as to avoid or minimize the risk from the hedging position.

(z) Capital management

The Company meets its objectives for managing capital to safeguard the capacity to continue to operate and provide a return on its shareholders; also, to benefit other related parties, as well as to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares or sell assets to settle any liabilities.

The Company and other entities in the similar industry use the debt-to-equity ratio to manage capital. This ratio uses the total net debt to be divided by the total capital. The net debt from the balance sheet is derived from the total liabilities, less, cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings and other equity, plus, net debt.

The Company's debt to capital ratios at the balance sheet date were as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 2,032,911	1,617,712
Less: cash and cash equivalents	(1,235,082)	(883,359)
Net debt	797,829	734,353
Total equity	4,349,126	3,874,293
Total capital	$ 5,146,955	4,608,646
Debt to capital ratio	15.50%	15.93%

The management believes that there were no changes in the Company's approach to capital management for the year ended December 31, 2018.

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

The Company's financing activities which did not affect the current cash flow in the years ended December 31, 2018, was as follows:

	January 1,2018	Cash flows	Non-cash changes: Foreign exchange movement	Non-cash changes: Fair value changes	December 31,2018
Guarantee deposits	$ 314	(230)	-	-	84
Total liabilities from financing activities	**$ 314**	**(230)**	**-**	**-**	**8**

(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 financial statements and its subsidiaries.

Name of related party	Relationship with the Company
Nova Technology Corp. (Nova Tech)	The Subsidiary
HerSuo Engineering Co., Ltd. (HerSuo)	The Subsidiary
Enrich Tech Co., Ltd. (Enrich Tech)	The Subsidiary
Winmega Technology Corp. (Winmega)	The Subsidiary
Suzhou Winmax Technology Corp. (Suzhou Winmax)	The Subsidiary
Novatech Engineering & Construction Pte., Ltd. (NTEC)	The Subsidiary
Sheng Huei International Co., Ltd. (Sheng Huei International)	The Subsidiary
Acter International Ltd.(Acter International)	The Subsidiary
Nova Technology Singapore Pte., Ltd.(NTS)	The Subsidiary
Nova Technology Malaysia Sdn. Bhd. (NTM)	The Subsidiary
PT. Novamex Indonesia. (NMI)	The Subsidiary
Acter Engineering Co., Ltd. (Acter Engineering)	The Subsidiary
New Point Group Ltd.(New Point)	The Subsidiary
Winmax Technology Corp. (Winmax)	The Subsidiary
Sheng Huei Engineering Technology Co., Ltd. (Sheng Huei Engineering)	The Subsidiary
Sheng Huei (Suzhou) Engineering Co., Ltd. (Sheng Huei Suzhou)	The Subsidiary
Sheng Huei (Shenzhen) Engineering Co., Ltd. (Sheng Huei Shenzhen)	The Subsidiary
Shenzhen Ding –Mao Trade Co., Ltd. (Shenzhen Ding –Mao)	The Subsidiary
Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd. (Fuyu)	The Subsidiary
Johnwell Ent Co.,Ltd.	The key management personnel of the parent company’s directors

(Continued)

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

(b) Other related party transactions

(i) Construction revenue, related assets and liabilities:

1) Revenue and accounts receivable to the related parties

The amounts of significant sale transactions and outstanding receivable between the Company and its related parties were as follows:

	Revenue		Receivable to Related Parties	
	2018	2017	December 31, 2018	December 31, 2017
Subsidiaries	$ 229,297	54,129	31,724	48,724

2) Contract assets and liabilities

	December 31, 2018	
	Contract assets	Contract liabilities
Subsidiaries	$ -	9,915

3) Construction contracts receivable and payable

The balance of accounts receivable resulting from transaction with related parties were as follows:

	December 31, 2017
Accumulated construction costs incurred (including contract costs that relate to future activity)	$ 43,247
Add: Accumulated construction profit and losses	(330)
	42,917
Less: Progress billings	(66,697)
Net receivables (payables) of construction contracts	$ (23,780)
Construction contracts payable presented as a liability	$ (23,780)

There were no differences in the purchase price and terms of payments offered to related parties and those of third-party vendors.

(ii) Construction cost and related liabilities

The amounts of significant purchase transactions and outstanding payables for goods and equipment between the Company and its related parties were as follows:

	Construction cost		Payables to Related Parties	
	2018	2017	December 31, 2018	December 31, 2017
Subsidiaries	$ 8,377	71,984	812	16,024
Entity under the key management's control	1,228	1,475	397	381
	$ 9,605	73,459	1,209	16,405

(iii) Load to related parties:

The amounts of the Company loan to related parties and recognized as other receivable to the related parties were as follows:

	December 31, 2017	
	Highest balance of loan	Balance of loan
Subsidiaries	$ 61,260	16,405

For the year ended December 31, 2017, the Company recognized interest income from loan to related parties amounting to $696 under interest rate 2.56 %, which was recognized as other receivable to related parties. As of December 31, 2017, the other receivable to related parties has been collected.

(iv) Collections and payment transfer:

For the year ended December 31, 2017, the Company collected construction progress billing on the behalf of subsidiaries amounting to $104,472 which was recognized as other payable to related parties.

For the years ended December 31, 2018 and 2017, the Company paid the expenses on the behalf of subsidiaries amounting to $0 and $320, which were recognized as other receivable to related parties. As of December 31, 2018 and 2017, the balance of other receivable to related parties amounting to $326 and $320.

The Company paid on the behalf of subsidiary amounting to $7,330 after measured the probable of being recovered and recognized the allowance for impairment in December 2015. The Company wrote off the other receivable to related parties and allowance for impairment in February 2017.

(v) Endorsements to the related parties:

For the years ended December 31, 2018 and 2017, the Company provide credit loan, Stand by L/C, Bank guarantee letter and promissory note for engaging in bank guarantee loan and construction fulfillment amounting to $3,517,634 and $2,271,505, respectively.

For the years ended December 31, 2018 and 2017, the Company charged interest expenses to related parties from endorsements amounting to $18 and $1,233, which were recognized as other receivable

(Continued)

to related parties. As of December 31, 2018 and 2017, the balance of other receivable to related parties amounting to $233 and $1,233.

For the years ended December 31, 2018 and 2017, the Company's subsidiaries acquired bank loan credit from abovementioned bank guarantee loan amounting to $2,347,289 and $1,403,600 and actual usage amounting to $ 159,119 and 352,172, respectively.

(v) Guarantees from the related parties:

For the years ended December 31, 2018 and 2017, the subsidiaries provided guarantees to the Company for fulfillment and warranty guarantee for engaging in construction contracts amounting to $364,934 and $407,604, respectively.

(vi) Others:

For the years ended December 31, 2018 and 2017, the Company estimated its directors' and supervisors' remuneration from subsidiaries amounting to $23,990 and $18,057, which were recognized as other receivable to related parties. As of December 31, 2018 and 2017, the balance of other receivable to related parties amounting to $23,990 and $18,057, respectively.

(c) Key management personnel compensation

		2018	2017
Short-term employee benefits	$	93,869	64,449
Post-employment benefits		542	309
Share based payments		5,122	8,228
	$	99,533	71,986

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

(8) Pledged assets: None.

(9) Significant commitments and contingencies:

Significant commitments and contingencies for the Company as of December 31, 2018, and 2017 were as follows:

(a) Fulfillment and warranty guarantee (excluding related parties) for engaging in construction contracts amounted to $463,800 and $512,274, respectively.

(b) The amounts pledged to the bank for engaging in construction contracts amounted to $607,229 and $283,879, respectively.

(c) For already-signed but not-yet-finished significant construction contracts, please refer to note 6 (g) and (s).

(d) 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, filed a lawsuit to the Taipei District Court, claiming a compensation amounting to $42,189. The civil judgment of the first instance during December, 2015 has been pronounced by the Taipei District Court, requiring the Company to pay the amount of $14,666 to Walsin, which had been fully recognized as loss by the Company in 2015. The Company appealed to the Taiwan High Court and sent identification data to the Architecture Construction. As of December 31, 2018, the compensation of $8,376 has been recognized as other current liabilities and accrued expenses.

(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:

By item	2018			2017		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Employee benefit						
Salary	320,014	78,441	398,455	296,065	75,703	371,768
Labor, health and social insurance	14,542	6,911	21,453	15,438	5,702	21,140
Pension	8,817	2,028	10,845	9,262	1,800	11,062
Remuneration of directors	-	44,743	44,743	-	33,806	33,806
Other	6,637	6,215	12,852	7,516	6,416	13,932
Depreciation	-	5,229	5,229	10	4,690	4,700
Amortization	-	2,735	2,735	-	1,952	1,952

Note: Depreciation for investment property for the year ended December 31, 2018 and 2017 was $2,487, respectively, and was recorded in non-operating expense.

In 2018 and 2017, the Company had 268 and 277 employees, of which 6 directors were not in concurrent employment, respectively.

(13) Segment information:

For the related information, please refer to consolidated financial statements for the year ended December 31, 2018.

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Statement of Cash and Cash Equivalents

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash	Cash in hand	$ 80
	Foreign Currency cash in hand (USD1.219 thousands x 30.802 MYR0.501 thousands x 7.3751 RMB2.711 thousands x 4.4862 JPY99 thousands x 0.2777)	81
Bank deposit	Demand deposit	270,550
	Note deposit	616
	Foreign currency deposits (USD4.5835 thousands x 30.802 RMB3 thousands x 2,078 IDR9,952 thousands x 0.002112)	53,268
	Time deposit	910,487
		$ 1,235,082

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

Statement of Financial Assets Measured at Fair Value through Profit or Loss - Current

December 31, 2018

(In Thousands of New Taiwan Dollars)

Name of financial instrument	Description	Shares or units	Acquisition cost	Fair value: Unit price (in dollars)	Fair value: Total amount
Jih Sun Asian High Yield Bond	Asian High Yield Bond	1,182	15,000	11.963	14,139
Jih Sun China High Yield Bond	CNY High Yield Bond	577	6,000	10.536	6,081
Shin Kong US Harvest Balanced-TWD- A	USD Balanced Fund	296	3,009	9.59	2,843
JPMorgan Global Corporate Bond Fund-USD-A- Accumulate	Corporate Bond Fund	12	6,165	16.72	6,160
Taishin Asia-Australia High Yield Bond Fund	Asia-Australia High Yield Bond Fund	497	6,000	11.7988	5,869
Nomura Global Short Duration Bond Fund	Asian High Yield Bond	586	6,000	10.1791	5,964
Eastspring Global High Yield Bond Fund-A	Global High Yield Bond	490	6,000	11.7023	5,739
PineBridge Preferred Securities Income Fund	Preferred Securities Income Fund	781	8,000	9.65	7,539
Allianz Global Investors All Seasons Harvest Fund of Bond Funds-A	Fund of Bond Funds-TWD	799	10,000	11.9533	9,556
Nomura EMD & High Yield Bond Portfolio Accumulate	Emerging Market High Yield Bond	832	10,000	11.3278	9,424
Franklin Templeton Sinoam Money Market Fund	Money Market Fund	4,866	50,000	10.3209	50,217
Allianz Global Investors Taiwan Money Market Fund	Money Market Fund	1,605	20,000	12.5115	20,083
Jih Sun Money Market Fund	Money Market Fund	1,358	20,000	14.7935	20,083
Total			166,174		163,697
Less: Adjustments at fair value			(2,477)		
			$ 163,697		

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

Statement of Notes Receivable

December 31, 2018

(In Thousands of New Taiwan Dollars)

Client Name		**Amount**
A company	$	30,966
B company		9,754
C company		7,711
D company		3,411
Others((Each amount is less than 5% of notes receivable)		9,122
	$	**60,964**

Statement of Account Receivable

Client Name		**金　額**
A company	$	152,297
B company		113,765
C company		67,755
D company		36,015
Others((Each amount is less than 5% of account receivable)		258,260
		628,092
Less: Allowance for impairment		(10,371)
	$	**617,721**

Statement of Contract Assets and Liabilities

"Statement of Contract Assets and Liabilities", Please refer to Note 6(s).

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

Statement of Other Current Financial Assets

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount
Contract refundable deposit	$ 19,338
Restricted assets-current	269,974
Others((Each amount is less than 5% of other current financial assets)	112
	$ 289,424

Statement of Other Current Assets

Item	Amount
Project advance payments	$ 12,615
Payments for others	6,188
Temporary payments	6,841
Others((Each amount is less than 5% of other current assets)	1,481
	$ 27,125

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

Statement of Changes in Financial Assets Measured at Fair Value through Other Comprehensive income - Non-current

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Name of financial instrument	Beginning Balance		Addition(decrease)		Others(Note 1)		Ending Balance		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	
Holy Stone Healthcare Co., Ltd.	250	$ 4,050	-	-	-	(873)	250	3,177	None

Note 1: The others are the unrealized gains (losses) from financial assets measured at fair value through other comprehensive income.

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

Statement of Changes in Investments Accounted for Using the Equity Method

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

	Beginning Balance		Addition(decrease)						Ending Balance				Collateral
Name of investee	Shares	Amount	Shares	Amount	Gains (losses) on investment	Exchange differences in transaction foreign financial statements	Cash dividends	Others (Note1)	Shares	Amount	Percentage of owner ship	Net Assets value	
Nova Technology Corp. (Nova Tech)	21,098	$ 1,242,234	-	-	348,152	(8,870)	(210,982)	63,339	21,098	1,433,873	62.19	1,433,873	None
HerSuo Engineering Co., Ltd. (HerSuo)	10,000	213,612	-	-	54,374	-	(38,236)	(1,518)	10,000	228,232	100.00	228,232	None
Sheng Huei International Co., Ltd.	4,205	940,132	-	-	332,911	(2,861)	-	(19,188)	4,205	1,250,994	100.00	1,250,994	None
Nova Technology Singapore Pte., Ltd.	2,700	46,405	(2,700)	(43,794)	(806)	(1,805)	-	-	-	-		-	None
Enrich Tech Co., Ltd. (Enrich Tech)	3,600	59,742	2,094	26,052	17,851	-	(7,200)	196	5,694	96,641	56.94	96,641	None
		$ 2,502,125		(17,742)	752,482	(13,536)	(256,418)	42,829		3,009,740			

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

Statement of Changes in Property, Plant and Equipment
For the year ended December 31, 2018
(In Thousands of New Taiwan Dollars)

“Statement of in Property, Plant and Equipment”, Please refer to Note 6(k).

Statement of Changes in Accumulated Depreciation of Property, Plant and Equipment

“Statement of Changes in Accumulated Depreciation of Property, Plant and Equipment”, Please refer to Note 6(k).

Statement of Change in Investment Property

“Statement of Statement of Change in Investment Property”, Please refer to Note 6(l).

Statement of Changes in Accumulated Depreciation of Investment Property

“Statement of Changes in Accumulated Depreciation of Investment Property”, Please refer to Note 6(l).

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

Statement of Deferred Tax Assets

December 31, 2018

(In Thousands of New Taiwan Dollars)

“Statement of Deferred Tax Assets”, Please refer to Note 6(l).

Statement of Other Non-current Assets

Item	Amount
Computer software	$ 3,756
Refundable deposit	3,800
The other non-current financial assets	45
	$ 7,601

Statement of Notes Payable

Vendor Name	Amount
A company	$ 1,611
B company	600
Others (Each amount is less than half million)	739
	$ 2,950

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

Statement of Trade Payables

December 31, 2018

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
A company	$ 45,358
B company	34,155
C company	25,222
Others (Each amount is less than 3% of account payable)	730,220
	$ 834,955

Statement of Accrued Expenses and Other Current Liabilities

Item	Amount
Employee remuneration payable	$ 98,177
Directors remuneration payable	40,879
Accrued expenses	13,760
Value-Added tax payable	9,894
Other payable-others	8,376
Others (Each amount is less than 5% of accrued expenses and other current liabilities)	1,497
	$ 172,583

Statement of Deferred Tax Liabilities

“Statement of Deferred Tax Liabilities”, Please refer to Note 6(o).

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

Statement of Operating Revenue
For the year ended December 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount
Construction revenue	$ 4,223,537
Maintenance revenue	1,403
Labor service revenue	9,925
	$ 4,234,865

Statement of Operating Cost

Item		Amount
Construction cost		
Construction outsourcing		$ 1,947,162
Raw material and equipment		1,186,896
Direct labor salary		340,024
Direct expenses		79,736
Maintenance cost		1,260
		3,555,078
Labor cost		9,716
Operation cost		**$ 3,564,794**

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

Statement of Operating Expenses

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Selling Expenses	Administrative Expenses
Salary and wages expenses	$ 10,995	67,446
Directors remuneration	-	44,743
Entertainment expenses	3,572	5,337
Rent expenses	1,374	11,900
Others (Each amount is less than 5% of operating expenses)	6,533	54,950
	$ 22,474	184,376

Statement of the Net Other Income

“Statement of the Net Other Income”, Please refer to Note 6(v).

Statement of the Net Other Gains and Losses

“Statement of the Net Other Gains and Losses”, Please refer to Note 6(v).