Stock Code:5536

ACTER CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report

For the Years Ended December 31, 2018 and 2017

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Representation Letter

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

Company name: Acter Co., Ltd.
Chairman: Mr. Liang
Date: February 26, 2019

Independent Auditors' Report

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

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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(r) "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(w) "Revenue from contracts with customers" to the consolidated financial statements.

Description of key audit matter

The Group 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 Group'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 Group'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 contracts; comparing the actual construction costs incurred with the estimated construction costs to evaluate rationality of the estimation method; assessing whether the Group'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(g) "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 consolidated financial statements.

Description of key audit matter

The recoverability of the Group's receivables is closely related to its business cycle and its customers' operating situation. The Group'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 Group'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 the Group'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(q) "Provisions", Note 5(c) "Significant accounting assumptions and judgments, and major sources of estimation uncertainty: Recognition and measurement of provisions", Note 6(p) "Provisions", and Note 9(f) "Significant commitments and contingencies" to the consolidated financial statements.

Description of key audit matter

The Group estimates the future probability of warranty occurrence based on its historical experience. For the construction lawsuit which is still in trial, the Group also makes provisions for construction loss. Provisions for warranty involves judgment and estimation uncertainty of the Group's management. Consequently, provisions of 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; if the lawsuit of constructions is still in trial, the recoverable costs might depend on the result of the pending litigation, we will assess the provisions of construction loss in accordance with related recognition conditions.

Other Matter

The Company has prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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 consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated 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.

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

ACTER CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a)and(ab))	$ 4,424,731	38	3,926,890	34
1110	Current financial assets at fair value through profit or loss (note 6(b)and(ab))	310,257	3	-	-
1125	Current available-for-sale financial assets (note 6(d)and(ab))	-	-	198,460	2
1140	Current contract assets (note 6(w))	1,079,944	9	-	-
1150	Notes receivable, net (note 6(e)and(ab))	323,497	3	156,038	1
1170	Accounts receivable, net (note 6(e)and(ab))	3,143,806	27	2,409,665	21
1190	Construction contracts receivable (note 6(g))	-	-	1,543,171	13
1200	Other receivables (note 6(f)and(ab))	28,654	-	110,562	1
1220	Current income tax assets	-	-	3,546	-
1310	Inventories, net (note 6(h))	321,315	3	1,653,559	14
1461	Non-current assets held for sale (note 6(i))	51,400	-	-	-
1476	Other current financial assets (note 8)	614,238	5	222,630	2
1479	Other current assets	594,347	5	461,630	4
		10,892,189	93	10,686,151	92
	Non-current assets:				
1517	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(ab))	-	-	4,050	-
1550	Investments accounted for using equity method (note 6(j))	811	-	796	-
1600	Property, plant and equipment (note 6(m))	417,228	4	401,971	4
1760	Investment property, net (note 6(n))	243,254	2	245,741	2
1840	Deferred tax assets (note 6(s))	152,661	1	142,511	2
1985	Long-term prepaid rents	33,027	-	34,590	-
1990	Other non-current assets (note 6(d) and 8)	38,442	-	37,961	-
		888,600	7	867,620	8
	Total assets	$ 11,780,789	100	11,553,771	100

		December 31, 2018		December 31, 2017	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(o)and(ab))	$ 135,278	1	344,806	3
2130	Current contract liabilities (note 6(w))	1,718,930	15	-	-
2150	Notes payable (note 6(ab))	175,364	1	220,246	2
2170	Accounts payable (note 6(ab))	2,761,469	23	2,627,433	23
2180	Accounts payable to related parties (note 6(ab)and 7)	396	-	381	-
2190	Construction contracts payable (note 6(g))	-	-	764,337	6
2201	Accrued salaries and bonuses	301,655	3	254,228	2
2230	Current income tax liabilities	170,007	1	108,630	1
2250	Current provisions (note 6(p))	352,256	3	335,595	3
2311	Advance sales receipts (note 6(q))	-	-	1,706,250	15
2399	Other current liabilities and accrued expenses (note 9)	305,846	3	240,244	2
		5,921,201	50	6,602,150	57
	Non-Current liabilities:				
2570	Deferred tax liabilities (note 6(s))	428,151	4	241,328	2
2640	Non-current provisions for employee benefits (note 6(r))	49,841	-	45,458	-
2645	Guarantee deposits received (note 6(ae))	84	-	314	-
		478,076	4	287,100	2
	Total liabilities	6,399,277	54	6,889,250	59
	Equity attributable to owners of parent (note 6 (t)):				
3100	Ordinary shares	542,028	5	471,529	4
3200	Capital surplus	1,393,239	12	1,412,098	12
3300	Retained earnings	2,483,445	21	2,057,315	18
3400	Other equity interest	(69,586)	(1)	(66,649)	-
	Total equity attributable to owners of parent	4,349,126	37	3,874,293	34
36XX	Non-controlling interests (note 6(l))	1,032,386	9	790,228	7
	Total equity	5,381,512	46	4,664,521	41
	Total liabilities and equity	$ 11,780,789	100	11,553,771	100

See accompanying notes to consolidated financial statements.

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

ACTER CO., LTD. AND SUBSIDIARIES

Consolidated 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), (w) and (x))	$ 13,905,949	98	9,215,041	80
4529	Less: allowances	(8,324)	-	(8,717)	-
		13,897,625	98	9,206,324	80
4110	Sales	254,458	2	2,165,081	19
4800	Other operating revenue	68,570	-	66,277	1
		14,220,653	100	11,437,682	100
	Operating costs:				
5520	Construction cost (note 6(g), (r) and 7(b))	11,453,453	81	7,791,620	68
5110	Costs of goods sold	203,042	1	1,590,693	14
5800	Other operating costs	27,979	-	11,500	-
		11,684,474	82	9,393,813	82
	Gross profit from operations	2,536,179	18	2,043,869	18
	Operating expenses(note 6(r)):				
6100	Selling expenses	115,464	1	95,744	1
6200	Administrative expenses	551,540	4	478,905	4
6300	Research and development expenses	127,218	1	92,488	1
6450	Expected credit loss	20,339	-	-	-
		814,561	6	667,137	6
	Net operating income	1,721,618	12	1,376,732	12
	Non-operating income and expenses:				
7050	Finance costs	(4,899)	-	(9,469)	-
7010	Other income (note 6(z))	66,499	-	11,076	-
7070	Shares of loss of associates accounted for using equity method, net	(9)	-	(8)	-
7020	Other gains and losses, net (note 6(z))	55,837	-	(86,778)	(1)
		117,428	-	(85,179)	(1)
	Profit before income tax	1,839,046	12	1,291,553	11
7950	**Less: Income tax expense (note 6(s))**	563,614	4	309,413	3
	Profit	1,275,432	8	982,140	8
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(r))	(5,594)	-	(6,382)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(aa))	(873)	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(6,467)	-	(6,382)	-
8360	**Items that will be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign operations	(24,242)	-	(18,549)	-
8362	Net change in fair value of available-for-sale financial assets (note 6(aa))	-	-	1,936	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(s))	7,647	-	3,452	-
		(16,595)	-	(13,161)	-
8300	**Other comprehensive income, net of tax**	(23,062)	-	(19,543)	-
8500	**Total comprehensive income**	**$ 1,252,370**	**8**	**962,597**	**8**
	Profit, attributable to:				
8610	Owners of parent	$ 1,049,202	7	842,154	7
8620	Non-controlling interests	226,412	1	139,986	1
		$ 1,275,432	**8**	**982,140**	**8**
	Comprehensive income attributable to:				
8710	Owners of parent	$ 1,032,800	7	824,751	7
8720	Non-controlling interests	219,570	1	137,846	1
		$ 1,252,370	**8**	**962,597**	**8**
9750	**Basic earnings per share(In new Taiwan dollars) (note 6(v))**	**$**	**19.52**		**15.76**
9850	**Diluted earnings per share(In new Taiwan dollars) (note 6(v))**	**$**	**18.98**		**15.39**

See accompanying notes to consolidated financial statements.

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

ACTER CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												
			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	Non-controlling interests	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)	317,511	3,380,636
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)	317,511	3,002,741
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)	317,511	3,367,053
Profit for the year ended December, 31 2017	-	-	-	-	842,154	842,154	-	-	-	-	-	139,986	982,140
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	(4,895)	(4,895)	(14,444)	-	1,936	-	(12,508)	(2,140)	(19,543)
Total comprehensive income	-	-	-	-	837,259	837,259	(14,444)	-	1,936	-	(12,508)	137,846	962,597
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	334,871	334,871
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)**	**790,228**	**4,664,521**
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)	790,228	4,664,521
Effects of retrospective application	-	-	-	-	65,534	65,534	-	(4,700)	3,962	-	(738)	39,404	104,200
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)	829,632	4,768,721
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)	829,632	4,155,735
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)	829,632	4,145,958
Profit for the year ended December, 31 2018	-	-	-	-	1,049,020	1,049,020	-	-	-	-	-	226,412	1,275,432
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(4,709)	(4,709)	(10,638)	(873)	-	-	(11,511)	(6,842)	(23,062)
Total comprehensive income	-	-	-	-	1,044,311	1,044,311	(10,638)	(873)	-	-	(11,511)	219,570	1,252,370
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(16,816)	(16,816)
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)**	**1,032,386**	**5,381,512**

See accompanying notes to consolidated financial statements.

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

ACTER CO., LTD. AND SUBSIDIARIES

Consolidated 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	$ 1,839,046	1,291,553
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses (including investment property)	27,687	22,435
Amortization expenses	7,254	6,162
Expected credit losses / Provisions for bad debt expense	20,339	(3,630)
Interest expense	4,899	9,469
Interest income	(41,089)	(19,338)
Compensation cost arising from employee stock options	7,467	17,885
Shares of loss of associates accounted for using equity method	9	8
Gains on disposal of investment	(651)	(1,975)
Others	3,391	6,661
Total adjustments to reconcile profit (loss)	29,306	37,677
Changes in operating assets and liabilities:		
Increase in current financial assets at fair value through profit or loss	(114,593)	-
Decrease in current contract assets	568,355	-
Increase in notes receivable	(167,459)	(60,082)
Increase in accounts receivable	(723,996)	(50,482)
Increase in construction contracts receivable	-	(639,155)
Increase in inventories	(63,688)	(461,878)
Increase in other financial assets	(467,467)	(52,118)
Total changes in operating assets	(968,848)	(1,263,715)
Changes in operating liabilities:		
Increase in current contract liabilities	657,138	-
Decrease in notes payable	(44,882)	(15,560)
Increase in accounts payable	134,036	543,356
Decrease in construction contracts payable	-	(263,741)
Increase in provisions	21,107	100,228
Increase in receipts in advance	-	650,904
Increase in other current liabilities	117,933	136,465
	885,332	1,151,652
Total adjustments	(54,210)	(74,386)
Cash inflow generated from operations	1,784,836	1,217,167
Interest received	39,464	17,196
Interest paid	(5,405)	(6,854)
Income taxes paid	(332,190)	(157,110)
Net cash flows from operating activities	1,486,705	1,070,399
Cash flows from (used in) investing activities:		
Acquisition of available-for-sale financial assets	-	(234,000)
Proceeds from disposal of available-for-sale financial assets	-	238,023
Acquisition of property, plant and equipment	(96,017)	(49,704)
Proceeds from disposal of property, plant and equipment	1,064	390
Increase in other non-current assets	(8,134)	(15,706)
Net cash flows used in investing activities	(103,087)	(60,997)
Cash flows from (used in) financing activities:		
Increase in short-term loans	163,515	598,018
Decrease in short-term loans	(363,265)	(433,833)
Decrease in guarantee deposits	(230)	-
Cash dividends paid	(612,986)	(377,895)
Change in non-controlling interests	(34,060)	607,318
Net cash flows from (used in) financing activities	(847,026)	393,608
Effect of exchange rate changes on cash and cash equivalents	(38,751)	(29,598)
Net increase in cash and cash equivalents	497,841	1,373,412
Cash and cash equivalents at beginning of period	3,926,890	2,553,478
Cash and cash equivalents at end of period	**$ 4,424,731**	**3,926,890**

See accompanying notes to consolidated financial statements.

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

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated 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 consolidated financial statements of the Company as of and for the year ended December 31, 2018 comprised the Company and its subsidiaries (together referred to as the "Group"). The Company is engaged in providing construction, design, and maintenance services related to air conditioners, environmental control services, clean room set-up, ice water machine trading, energy storing equipment trading, ventilation engineering, and energy technology services. The principal operating activities of the Group's entities are described in Notes 4 (c). Acter's common shares were publicly listed on the Taipei Exchange ("TPEx") on November 10, 2010.

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

These consolidated 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 Consolidated Financial Statements

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

(i) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Group 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 Group 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 Group 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 Group 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) Sales of goods

For the sales of equipment, prior to adopting IFRS 15, it was based on the acceptance terms in the contracts. The Group recognized revenue when the equipment are delivered to customers’ site, the installation is completed and accepted by customer, and the related risks and rewards of ownership have been transferred to the customers. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, The Company recognizes revenue when it transfers its control of goods to a customer.

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

For some made-to-order equipment product contracts, the controls of working process are gradually transferred to the customer during the period of manufacturing and installation. Under such case, the Group applies IFRS 15 to perform its assessment and recognizes revenue during the progress of manufacturing and installation. This will result in the revenue and associated costs from such contracts being recognized earlier as compared to the period prior to adopting IFRS 15 – i.e. before the equipment are delivered, installed and accepted completely by the customers.

3) Impacts on financial statements

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

		December 31, 2018			January 1, 2018		
Impacted line items on the consolidated 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	$	-	1,079,944	1,079,944	-	1,648,299	1,648,299
Construction contracts receivable		1,194,985	(1,194,985)	-	1,543,171	(1,543,171)	-
Inventories		2,844,273	(2,522,958)	321,315	1,653,559	(1,395,932)	257,627
Deferred tax assets		218,957	(66,296)	152,661	142,511	(13,791)	128,720
Impact on assets			**(2,704,295)**			**(1,304,595)**	
Current contract liabilities	$	-	1,718,930	1,718,930	-	1,061,792	1,061,792
Construction contracts payable		1,337,929	(1,337,929)	-	764,337	(764,337)	-
Advance sales receipts		3,454,061	(3,454,061)	-	1,706,250	(1,706,250)	-
Impact on liabilities			**(3,073,060)**			**(1,408,795)**	
Retained earnings	$	2,253,390	229,317	2,482,707	2,057,315	64,796	2,122,111
Non-controlling interests		892,937	139,449	1,032,386	790,228	39,404	829,632
Impact on equity			**368,766**			**104,200**	

		For the year ended December 31, 2018		
Impacted line items on the consolidated income statement		**Balances without adoption of IFRS 15**	**Impact of changes in accounting polices**	**Balances with adoption of IFRS 15**
Operating revenues	$	12,737,782	1,482,871	14,220,653
Operating costs		(10,518,673)	(1,165,801)	(11,684,474)
Impact on profit before income tax			317,070	
Income tax expenses		(511,110)	(52,504)	(563,614)
Impact on Profit			264,566	
Basic earnings per share (Dollar)	**$**	**16.46**	**3.06**	**19.52**
Diluted earnings per share (Dollar)	**$**	**16.00**	**2.98**	**18.98**

(Continued)

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

Impacted line items on the consolidated 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	$ 1,521,976	317,070	1,839,046
Adjustments:			
Decrease in current contract assets	-	568,355	568,355
Decrease (increase) in construction contracts receivable	348,186	(348,186)	-
Decrease (increase) in inventories	(1,190,714)	1,127,026	(63,688)
Increase in Current contract liabilities	-	657,138	657,138
Increase (decrease) in construction contracts payable	573,592	(573,592)	-
Increase (decrease) in advance sales receipts	1,747,811	(1,747,811)	-
Impact on cash flows from operating activities		(317,070)	
Impact on net cash flows from operating activities		-	

(ii) IFRS 9 “Financial Instruments”

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

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

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

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

1) Classification of financial assets and financial liabilities

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

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 (g).

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 Group assumes that the credit risk on its asset will not increase significantly since its initial recognition.

(Continued)

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

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

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018. (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	3,926,890	Amortized cost	3,926,890
Debt securities	Available-for-sale (note 1)	198,460	Mandatorily at FVTPL	198,460
Equity instruments	Available-for-sale (note 2)	4,050	FVOCI	4,050
Trade and other receivables	Loans and receivables (note 3)	2,676,265	Amortized cost	2,676,265
Other financial assets (Guarantee deposits paid)	Loans and receivables	222,630	Amortized cost	222,630

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 Group 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 Group intends to hold for the long term strategic purposes. As permitted by IFRS 9, the Group 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.

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	-	198,460	-		738	(738)
Total	**$ -**	**198,460**	**-**	**198,460**	**738**	**(738)**
Fair value through other comprehensive income						
Beginning balance of available for sale (IAS 39)	$ 202,510	-	-		-	-
Subtractions – debt instruments:						
To FVTPL – required reclassification based on classification criteria	-	(198,460)	-		-	-
Total	**$ 202,510**	**(198,460)**	**-**	**4,050**	**-**	**-**

(Continued)

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

(iii) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

The amendments clarifies the transaction date used to determine the exchange rate. The transaction date is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration.

(iv) Amendments to IAS 7 “Disclosure Initiative”

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

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

(v) 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 Group estimated the application of the amendments would not have a significant impact on its consolidated 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

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

(i) IFRS 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”.

(Continued)

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 Group 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 Group 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 Group can apply the standard using either of the following:

· retrospective approach; or

· modified retrospective approach with optional practical expedients.

On January 1, 2019, the Group 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 Group chooses to elect the following practical expedients:

· 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.

(Continued)

- 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 Group will have to recognize the new assets and liabilities for the operating leases of its offices, employee' dormitories, and official cars. The Group estimated its right-of-use assets and the lease liabilities to increase by $144,189 and $111,162, respectively, on January 1, 2019. No significant impact is expected for the Group's finance leases. Besides, the Group 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 Group estimated the application of the amendments will not have any significant impact on its consolidated 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 Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

(Continued)

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

(4) Summary of significant accounting policies:

The accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

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

(a) Statement of compliance

These consolidated 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”), and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated 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 functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated 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) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprised the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that the control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(Continued)

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

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change, and any considerations received or paid, are adjusted to or against the Group reserves.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2018	Shareholding December 31, 2017	Notes
(1)The Company	Nova Technology Corp. (Nova Tech)	Wholesale of electronic and chemical equipment	62.19	62.19	Note 1
	HerSuo Engineering Co., Ltd. (HerSuo)	Construction and set-up of freezing equipment	100	100	
	Enrich Tech Co., Ltd. (Enrich Tech)	Comprehensive construction company	56.94	60	Note 7
	Sheng Huei International Co., Ltd. (Sheng Huei International)	Investment holding company	100	100	
	Nova Technology Singapore Pte., Ltd.(NTS)	Investment holding company	-	100	Note 9
(2)Nova Tech	Winmax Technology Corp. (Winmax)	Design and manufacture of air containers and liquid containers	100	100	
	Winmega Technology Corp. (Winmega)	Wholesale of electronic and chemical engineering equipments	100	100	
	Suzhou Winmax Technology Corp. (Suzhou Winmax)	Design and manufacture of air containers and liquid containers	100	100	
	Novatech Engineering & Construction Pte., Ltd. (NTEC)	Chemical supply system business	100	100	
(3)Sheng Huei International	Sheng Huei (Suzhou) Engineering Co., Ltd. (Sheng Huei Suzhou)	Construction and set-up of electronic equipment and air conditioners	86.66	100	Note 8
	New Point Group Ltd.(New Point)	Investment holding company and trading of clean rooms and air conditioners	100	100	
	Sheng Huei Engineering Technology Co., Ltd. (Sheng Huei Engineering)	Set-up of electronic protection systems and central air conditioners	-	100	Note 10

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2018	Shareholding December 31, 2017	Notes
	Acter International Ltd.(Acter International)	Investment holding company and trading of clean rooms and air conditioners	-	100	Note 6
(4)NTS	Nova Technology Malaysia Sdn. Bhd. (NTM)	Investment holding company	100	100	
	PT. Novamex Indonesia. (NMI)	Huge machinery and other goods trading	100	100	Note 2
	Acter Engineering Co., Ltd. (Acter Engineering)	Construction and setup of electronic equipment and air conditioners	100	100	Note 3
(5)Sheng Huei (Suzhou)	Shenzhen Ding –Mao Trade Co., Ltd. (Shenzhen Ding –Mao)	Electronic equipment and machinery trading	100	100	
	SCEC (Suzhou) Corporation (SCEC Suzhou)	Construction and set-up of electronic equipment and air conditioners	-	-	Note 4
	SCEC (Shanghai) Corporation (SCEC Shanghai)	Wholesale, import and export of equipment and commission agent	-	-	Note 4
	Sheng Huei (Shenzhen) Engineering Co., Ltd. (Sheng Huei Shenzhen)	Construction and set-up of electronic equipment and air conditioners	100	-	Note 5
	Acter International Ltd.(Acter International)	Investment holding company and trading of clean rooms and air conditioners	100	-	Note 6
	Nova Technology Singapore Pte., Ltd. (NTS)	Investment holding company	100	-	Note 9
(6)New Point	Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd. (Fuyu)	Agent for electronic equipment importing and exporting	100	100	
(7)Acter International	Sheng Huei (Shenzhen) Engineering Co., Ltd. (Sheng Huei Shenzhen)	Construction and set-up of electronic equipment and air conditioners	-	100	Note 5
	Sheng Huei Engineering Technology Co., Ltd. (Sheng Huei Engineering)	Set-up of electronic protection systems and central air conditioners	100	-	Note 10

(Continued)

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

Note 1: In June 2016, the Company disposed 2.3% of its shares in Nova Tech. In July 2016, the Company acquired 9.7% shares of Nova Tech through Solar Applied Materials Technology Corp. In September 2016, the Company sold 11.26% of its shares in Nova Tech to its shareholders. In December 2016, the Company disposed 2.03% of its shares in Nova Tech. In November 2016, Nova Tech had a capital increase, wherein the Company did not participate in, resulting in its shareholding in Nova Tech to decrease by 8.46%, from 87.41% to 73.06%. In December 2017, the Company disposed 1.85% of its shares in Nova Tech; furthermore, Nova Tech had a capital increase in the same period, wherein the Company did not participate in, resulting in its shareholding in Nova tech to decrease from 73.06% to 62.19%.

Note 2: The ownership of NMI in NTS and NTM consisted of 99% and 1%, respectively. In May 2018, the Group has gone through restructuring, resulting in the entire 1% shares of NTM in NMI to be transferred to Acter International.

Note 3: The ownership of Acter Engineering in NTS and Sheng Huei International consisted of 99% and 1%, respectively.

Note 4: SCEC Suzhou and SCEC Shang Hai had been liquidated in 2017.

Note 5: In April 2018, the Group has gone through rrestructuring, resulting in the entire shares of Acter international in Sheng Huei Shenzhen to be transferred to Sheng Huei (Suzhou).

Note 6: In August 2018, the Group has gone through restructuring, resulting in the entire shares of Sheng Huei International in Acter International to be transferred to Sheng Huei (Suzhou).

Note 7: 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 from 60% to 56.94%.

Note 8: Sheng Huei International sold 13.34% of its shares in Sheng Huei (Suzhou) in August 2018, resulting in its shareholding in Sheng Huei (Suzhou) to decrease from 100% to 86.66%.

Note 9: In November 2018, the Group has gone through restructuring, resulting in the entire shares of the Company in NTS to be transferred to Sheng Huei (Suzhou).

Note 10:In December 2018, the Group has gone through restructuring, resulting in the entire shares of Sheng Huei Engineering in Sheng Huei International to be transferred to Acter International.

(iii) Subsidiaries excluded from the consolidated financial statement: None.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group 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 Group 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 Group 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.

(e) 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;

(Continued)

(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.

(f) 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.

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

1) Financial assets measured at amortized cost

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

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

- 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 Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss. 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 Group’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 Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. 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 Group recognizes its loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets), and contract assets.

The Group 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 Group is exposed to credit risk.

(Continued)

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

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

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

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

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

At each reporting date, the Group assesses whether financial assets carried at amortized cost 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 Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

(Continued)

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

5) Derecognition of financial assets

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

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

On derecognition of a financial asset other than in its entirety, the Group 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.

(Continued)

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 Group'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 Group on terms that the Group 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 grouping together assets with similar risk characteristics. In assessing collective impairment, the Group 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.

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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 group 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 Group 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 Group 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 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 Group 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 Group presents financial assets and liabilities on a net basis when the Group 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.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses.

(Continued)

(i) 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 Group'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.

(j) 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 group, are remeasured in accordance with the Group'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 group 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 Group'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.

(Continued)

(k) Investment in associates

Associates are those entities in which the Group 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 consolidated financial statements include the Group’s shares of profit or loss and other comprehensive income of associates, after adjustments to align the accounting policies with those of the Group, 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 Group’s shareholding ratio, the Group recognizes the changes in ownership interests of the associate attributable to the Group as capital surplus in proportion to its ownership associate.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group’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 Group’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 Group has an obligation or has made payments on behalf of its associate.

(l) 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 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.

(m) 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.

(Continued)

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 Group. 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 grouped 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: 5~50 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 5~50 years.

4) The significant portion of other facilities consists of transportation vehicles and others, which are estimated over their useful life within 3~9 years.

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.

(Continued)

(n) 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 Group'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.

(o) Intangible assets

(i) Other Intangible Assets

Other intangible assets that are acquired by the Group 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.

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(p) Impairment of non-financial assets

The Group assesses non-derivative financial assets for impairment (except for inventories, 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 Group 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 Group 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.

(q) Provisions

A provision is recognized if, as a result of a past event, the Group 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.

(r) Revenue

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

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

1) Construction contracts

The Group 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 Group recognizes revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract. The consideration promised in the contract includes those fixed amounts. The Group recognizes revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If the Group has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

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

A provision for onerous contracts is recognized when the Group expects the unavoidable costs of performing 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 Group 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 (p).

2) Financing components

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

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

1) Construction contracts

Contract revenue includes the initial amount agreed in the contract, plus, any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. 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.

2) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, and the associated costs and possible return of goods can be estimated reliably.

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

1) Incremental costs of obtaining a contract

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

The Group 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 Group 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 Group can specifically identify;

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

(Continued)

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

(s) 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 Group'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 Group'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 Group'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 Group, 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 Group. An economic benefit is available to the Group 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.

(Continued)

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 Group 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 Group 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.

(t) 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.

(u) 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.

(Continued)

(v) Earnings per share

The Group 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.

Incremental shares from issuance of shares from earning or capital surplus are calculated through retroactive adjustment.

(w) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

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

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 consolidated 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 (w) for further description of the for revenue recognition.

(b) The loss allowance of trade receivable

The Group has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. 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 (p) for further description of the recognition and measurement of provisions.

If the Group determined that the contract cost are not probable of being recovered, it will be recognized as expense immediately. If the construction lawsuit is still in trial, the possibility of recovering the cost depends on the outcome of the pending litigation. Construction loss and provision for construction loss are estimated based on the pending litigation, which are likely to have unfavorable outcome, and the loss amount can be reasonably estimated. Due to the high uncertainty of the outcome of the lawsuit, there might be a significant difference between the court decision or actual compensation and the estimated amount. Please refer to Note 9(f) “Significant commitments and contingencies”.

When measuring the assets and liabilities, the Group 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(ab) 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	$ 1,040	1,118
Checking and demand deposits	2,145,066	2,249,161
Time deposits	2,160,764	1,139,760
Cash equivalent - repurchased commercial paper	117,861	536,851
	$ 4,424,731	**3,926,890**

(Continued)

The above-mentioned repurchased rates for commercial paper as of December 31, 2018 and 2017 ranged between 0.475%~0.48% and 0.38%~0.43%, respectively, with maturity dates from January 4 to February 25, 2019 and from January 4 to January 29, 2018, respectively.

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

(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	$ 310,257

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

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 (ab).

(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	$ 198,460
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 non-current assets)	45
	$ 202,555

(Continued)

(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 Group 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 (ab).

(iv) The financial assets were not pledged.

(e) The net of notes and accounts receivable

		December 31, 2018	December 31, 2017
Notes receivable	$	323,497	156,038
Accounts receivable		3,339,533	2,625,114
Less: Allowance for impairment		(195,727)	(215,449)
	$	3,467,303	2,565,703

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on 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:

		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
1 to 120 days	$	2,977,827	-	-
121 to 180 days		164,927	0.50%	825
181 to 360 days		319,842	1%	3,198
361 to 540 days		15,048	40%~50%	6,318
More than 541 days		185,386	100%	185,386
	$	3,663,030		195,727

As of December 31, 2017, the Group 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:

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	December 31, 2017
Past due 1-120 days	$ 98,505
Past due 121-180 days	2,838
Past due 181-360 days	11,516
Past due 361-540 days	3,634
	$ 116,493

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

	2018	2017 Individually and Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS 39	$ 215,449	254,547
Adjustment on initial application of IFRS 9	-	-
Balance on January 1, 2018 per IFRS 9	215,449	-
Amounts written off	(9,577)	(30,894)
Impairment losses reversed	(6,691)	(3,630)
Foreign exchange gains/(losses)	(3,454)	(4,574)
Balance on December 31, 2018 and 2017	$ 195,727	215,449

(i) Accounts receivable includes retained construction receivable, which amounted to $41,796 and $33,296 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	$ 46,266	124,321
Less: Loss allowance	(17,612)	(13,759)
	$ 28,654	110,562

(i) As of December 31, 2017, other receivables were not past due nor impaired.

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

		2017 Individually and Collectively assessed impairment
Balance on January 1, 2017	$	21,273
Amounts written off		(7,330)
Foreign exchange gains/(losses)		(184)
Balance on December 31, 2017	**$**	**13,759**

(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	**$**	**9,206,324**

		December 31, 2017
Accumulated construction costs incurred (including contract costs that relate to future activity)	$	10,323,332
Add: Accumulated construction profit and losses		857,760
		11,181,092
Less: Progress billings		(10,402,258)
Net receivables (payables) of construction contracts	**$**	**778,834**
Construction contracts receivable presented as an asset	$	1,543,171
Construction contracts payable presented as a liability		(764,337)
	$	**778,834**
Advance received before construction begins	**$**	**9,215**

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

(h) Inventories

		December 31, 2018	December 31, 2017
Finished goods and merchandise	$	24,306	22,327
Work in process and semi-finished goods		20,305	1,475,964
Raw materials		294,428	169,354
		339,039	1,667,645
Less: provision for inventory devaluation		(17,724)	(14,086)
	$	**321,315**	**1,653,559**

For the years ended December 31, 2018 and 2017, the Group recognized the operating costs of $11,609 and $2,316, respectively, from the write-down of inventory cost to net realizable value.

No inventories were pledged as collaterals.

(i) 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 Group 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.

(j) Investment in equity-accounted investees

(i) Associates

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

		Main Business Location	Percentage of ownership and voting share	
Associates	**Relationship with the Company**	**/Registered country**	**December 31, 2018**	**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 Group's investment	Hong Kong	40%	40%

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

		December 31, 2018	December 31, 2017
The carrying amount of the Group's interests in all individually immaterial associates	$	2,027	1,990

		2018	2017
Profit attributable to the Group:			
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.

(k) 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:

		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 of subsidiaries acquired	$	**41,716**

1) In August 2018, The Group's subsidiary, Sheng Huei International, disposed 13.34% of its shares in Sheng Huei (Suzhou) due to the restructuring of the Group during 2018. Please refer to note 4 (c).

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 Group'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.

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4) The Group'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.

(l) Significant subsidiaries of non-controlling interest

Non-controlling interests of subsidiaries of the Group that are significant to the Group are as follows:

		Percentage of non-controlling ownership	
Subsidiaries	**Main Business Location/Registered Country**	**December 31, 2018**	**December 31, 2017**
Nova Tech	R.O.C.	37.81%	37.81%
Enrich Tech	R.O.C.	43.06%	40%
SCEC Shanghai	China	(Note 1)	(Note 1)
SCEC Suzhou	China	(Note 1)	(Note 1)
Sheng Huei Suzhou	China	13.34%	-

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

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

(i) Information regarding of Nova Tech:

	December 31, 2018	December 31, 2017
Current assets	$ 1,852,051	2,149,828
Non-current assets	1,384,994	1,021,468
Current liabilities	(714,770)	(1,043,772)
Non-current Liabilities	(216,464)	(129,888)
Net assets	**$ 2,305,811**	**1,997,636**
Non-controlling interest	**$ 871,937**	**755,402**

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		2018	2017
Operating revenue	$	**1,847,875**	**1,446,807**
Net income for the period	$	559,863	447,475
Other comprehensive loss		(16,608)	(7,940)
Comprehensive income	$	**543,255**	**439,535**
Net income attributable to non-controlling interest	$	**211,711**	**120,550**
Comprehensive income attributable to non-controlling interest	$	**205,431**	**118,410**
Cash flows from operating activities	$	47,968	188,502
Cash flows from investing activities		154,505	13,333
Cash flows from financing activities		(370,461)	480,498
Net (decrease) increase in cash and cash equivalents	$	**(167,988)**	**682,333**

(ii) Information regarding of Enrich Tech:

		December 31, 2018	December 31, 2017
Current assets	$	229,730	193,670
Non-current assets		3,959	2,630
Current liabilities		(75,117)	(109,236)
Net assets	$	**158,572**	**87,064**
Non-controlling interest	$	**68,281**	**34,826**

		2018	2017
Operating revenue	$	**437,955**	**540,406**
Net income for the period	$	32,426	48,933
Other comprehensive income		-	-
Comprehensive income	$	**32,426**	**48,933**
Net income attributable to non-controlling interest	$	**13,420**	**19,574**
Comprehensive income attributable to non-controlling interest	$	**13,420**	**19,574**

		2018	2017
Cash flows from operating activities	$	(2,917)	5,188
Cash flows from investing activities		(71)	(3,231)
Cash flows from financing activities		39,082	-
Net increase in Cash and cash equivalents	$	**36,094**	**1,957**

(Continued)

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(iii) Information regarding of SCEC Shanghai (Note 1):

	2017
Operating revenue	**$ -**
Net income for the period	$ 99
Other comprehensive income	-
Comprehensive income	**$ 99**
Net income attributable to non-controlling interest	**$ 42**
Comprehensive income attributable to non-controlling interest	**$ 42**

(iv) Information regarding of SCEC Suzhou (Note 1):

	2017
Operating revenue	**$ -**
Net loss for the period	$ (426)
Other comprehensive income	-
Comprehensive income	**$ (426)**
Net income attributable to non-controlling interest	**$ (180)**
Comprehensive income attributable to non-controlling interest	**$ (180)**

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

(v) Information regarding of Sheng Huei Suzhou:

	December 31, 2018
Current assets	$ 1,807,929
Non-current assets	446,622
Current liabilities	(1,553,903)
Non-current Liabilities	(9,584)
Net assets	**$ 691,064**
Non-controlling interest	**$ 92,168**

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	2018
Operating revenue	$ 3,294,307
Net income for the period	$ 260,656
Other comprehensive loss	(4,206)
Comprehensive income	$ 256,450
Net income attributable to non-controlling interest	$ 1,281
Comprehensive income attributable to non-controlling interest	$ 719
Cash flows from operating activities	$ 557,367
Cash flows from investing activities	(168,899)
Cash flows from financing activities	(222,145)
Effect of exchange rate changes	(7,404)
Net increase in cash and cash equivalents	$ 158,919

(m) Property, plant and equipment

	Land	Building and construction	Other facilities	Unfinished construction and equipment under acceptance	Total
Cost:					
Balance on January 1, 2018	$ 183,187	207,623	122,992	-	513,802
Additions	22,565	18,776	25,248	29,428	96,017
Disposals	-	-	(6,655)	-	(6,655)
Reclassification to non-current assets held for sale	(29,250)	(29,187)	(8,528)	-	(66,965)
Effect of movements in exchange rates	-	(2,324)	(1,972)	(471)	(4,767)
Balance on December 31, 2018	$ 176,502	194,888	131,085	28,957	531,432
Balance on January 1, 2017	$ 183,187	176,974	108,204	4,393	472,758
Additions	-	-	22,820	26,884	49,704
Disposals	-	-	(7,081)	-	(7,081)
Reclassification	-	31,145	-	(31,145)	-
Effect of movements in exchange rates	-	(496)	(951)	(132)	(1,579)
Balance on December 31, 2017	$ 183,187	207,623	122,992	-	513,802

(Continued)

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

		Land	Building and construction	Other facilities	Unfinished construction and equipment under acceptance	Total
Depreciation:						
Balance on January 1, 2018	$	-	40,368	71,463	-	111,831
Depreciation		-	7,854	17,346	-	25,200
Disposals		-	-	(5,648)	-	(5,648)
Reclassifications to non-current assets held for sale		-	(8,599)	(6,966)	-	(15,565)
Effect of movements in exchange rates		-	(546)	(1,068)	-	(1,614)
Balance on December 31,2018	$	**-**	**39,077**	**75,127**	**-**	**114,204**
Balance on January 1, 2017	$	-	34,194	64,034	-	98,228
Depreciation		-	6,354	13,594	-	19,948
Disposals		-	-	(5,611)	-	(5,611)
Reclassifications		-	-	-	-	-
Effect of movements in exchange rates		-	(180)	(554)	-	(734)
Balance on December 31, 2017	$	**-**	**40,368**	**71,463**	**-**	**111,831**
Carrying amounts:						
Balance on December 31, 2018	$	**176,502**	**155,811**	**55,958**	**28,957**	**417,228**
Balance on January 1, 2017	$	**183,187**	**142,780**	**44,170**	**4,393**	**374,530**
Balance on December 31, 2017	$	**183,187**	**167,255**	**51,529**	**-**	**401,971**

Please refer to Note 8 for details of the property, plant and equipment pledged as collateral.

(n) 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**

(Continued)

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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 Group 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.

(iii) The investment property is not pledged.

(o) Short-term loans

	December 31, 2018	December 31, 2017
Unsecured bank loans	$ 89,075	334,806
Secured bank loans	46,203	-
	$ 135,278	**334,806**
Unused facilities	**$ 6,060,885**	**5,037,194**
Interest Rate	**3.06%~5%**	**2.5%~4.785%**

(p) Provisions

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

	2018	2017
Balance on January 1	$ 335,595	235,573
Provisions made during the period	214,342	303,095
Provisions used during the period	(193,235)	(202,867)
Effect of movements in exchange rates	(4,446)	(206)
Balance on December 31	**$ 352,256**	**335,595**

The Group’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.

(Continued)

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

(q) Advance sales receipts

Projects	December 31, 2017
W3-XXC071X	$ 349,982
W3-XXCX6XX	339,719
N3XX16C20X	240,560
W3-XXCXX0X	94,889
WS-XXC001X	93,977
W3-XXC06XX	86,387
Other (Net less than 5%)	500,736
	$ 1,706,250

(r) 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	$ 69,171	66,578
Fair value of plan assets	(19,330)	(21,120)
Defined benefit obligations	**$ 49,841**	**45,458**

The Group 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 Group 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.

The Group's labor pension reserve account balance in the Bank of Taiwan amounted to $19,330 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.

ACTER CO., LTD. AND SUBSIDIARIES
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2) Movement in present value of the defined benefit obligations

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

	2018	2017
Balance, January 1	$ 66,578	59,466
Service cost and interest for the period	1,090	826
Remeasurements 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	2,900	(2,653)
—Actuarial loss arising from changes in experience adjustments	3,162	7,264
Benefits paid by the plan	(4,559)	-
Balance, December 31	**$ 69,171**	**66,578**

3) Movement in fair value of defined benefit plan assets

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

	2018	2017
Balance, January 1	$ 21,120	19,066
Contributions made	1,939	1,872
Interest revenue	362	278
Remeasurements of the net defined benefit liability		
—Return on plan assets (excluding the interest revenue)	468	(96)
Benefits paid by the plan	(4,559)	-
Balance, December 31	**$ 19,330**	**21,120**

4) Expenses recognized in profit or loss

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

	2018	2017
Net interest cost of net defined benefit liability	**$ 728**	**548**
Operating cost	$ 171	130
Operating expense	557	418
	$ 728	**548**

(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 Group were as follows:

	2018	2017
The Company	$ (4,709)	(4,895)
Non-controlling interests	(885)	(1,487)
Recognition for the period	**$ (5,594)**	**(6,382)**

6) Actuarial assumptions

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

	December 31, 2018	December 31, 2017
Discount rate	1.375 %	1.667 %
Increases in future salary rate	3.00 %	3.00 %

The Group is expected to make a contribution payment of $1,923 to the defined benefit plans for the one year period after the reporting date.

The weighted – average duration of the defined benefit plans is 18.31 years.

7) Sensitivity analysis

	The impact on defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
Discount rate	$ (2,670)	2,786
Future salary increase (decrease)	2,699	(2,596)

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.

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

(ii) Defined contribution plans

The Company, HerSuo, Nova Tech, and Enrich Tech, 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 Group's offshore subsidiaries contribute their pensions to their respective local social insurance agency in accordance with the provisions of their local acts. The Group's contributions to the Bureau of the Labor Insurance or other local social insurance agency for the Group's employee pension benefits require no further additional payment of legal or constructive obligations.

For the years ended December 31, 2018 and 2017, the Group set aside $22,864 and $22,058, respectively, of the pension costs under the defined contribution plan.

(s) 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	$ 389,641	180,190
Prior years income tax adjustment	(10,347)	15,245
	379,294	195,435
Deferred tax expense:		
Origination and reversal of temporary differences	160,290	145,675
Adjustment in tax rate	34,087	-
Changes in deductible temporary difference without recognition	(598)	(2,396)
Recognition of previously unrecognized loss carry forward	(9,459)	(29,301)
	184,320	113,978
Income tax expense	**$ 563,614**	**309,413**

ACTER CO., LTD. AND SUBSIDIARIES
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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	**$**	**(7,647)**	**(3,452)**

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

		2018	2017
Profit before tax	$	1,839,046	1,291,553
Tax rate according to the Group's location	$	367,809	219,564
Effect of difference in tax rate of foreign jurisdiction		255,906	148,548
Adjustment in tax rate		34,087	-
Effect on income tax due to adjust tax law		(89,053)	(75,099)
Prior years income tax adjustment		(10,347)	15,245
Others		2,409	27,214
Unrecognized loss carry forward		(9,459)	(29,301)
Changes in unrecognized temporary difference		(598)	(2,396)
10% surtax on undistributed earnings		12,860	5,638
Total	**$**	**563,614**	**309,413**

(ii) Deferred tax asset and liability

1) Unrecognized deferred tax asset

		December 31, 2018	December 31, 2017
Deductible temporary difference	$	1,596	2,194
Loss carry forward		11,544	21,003
	$	**13,140**	**23,197**

Except for the remaining profit, the tax losses, which are the previous accounting losses examined and approved by the tax authorities, are deductible from profit before tax for the current year, according to the respective local tax law of the Company and its subsidiaries. The deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

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As of December 31, 2018, the subsidiaries' estimated unused carry-forwards were as follows:

Company Name	Year of Occurrence	Unused amount	Expiry Year	Note
NTS	2016	$ 4,726	-	Filing amount
NTM	2012	1,544	-	Filing amount
NTM	2013	931	-	Filing amount
NTM	2014	4,006	-	Filing amount
NTM	2015	4,519	-	Filing amount
NTM	2016	2,729	-	Filing amount
NTM	2017	99	-	Filing amount
NTM	2018	412	-	Estimated filing amount
Sheng Huei Shenzhen	2016	9,543	2021	Filing amount
Sheng Huei Shenzhen	2017	19,830	2022	Filing amount
		$ 48,339		

2) 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	$ 45,835	(3,135)	-	42,700	10,224	-	52,924
Loss on investment in foreign equity-accounted investee	9,737	(9,737)	-	-	-	-	-
Estimated construction loss	8,633	(8,035)	-	598	1,374	-	1,972
Loss carry forward	22,819	(22,819)	-	-	163	-	163
Allowance for decline in realizable value of inventory	1,860	246	-	2,106	(217)	-	1,889
Excessive provision of bad debt	57,959	(7,297)	-	50,662	2,271	-	52,933
Construction cost	35,182	(11,706)	-	23,476	(4,939)	-	18,537
Exchange of Unrealized Profits and Losses	262	6,228	-	6,490	(5,873)	-	617
Others	2,599	12,339	1,541	16,479	(500)	7,647	23,626
	$ 184,886	**(43,916)**	**1,541**	**142,511**	**2,503**	**7,647**	**152,661**

ACTER CO., LTD. AND SUBSIDIARIES
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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	$ 170,258	69,825	-	240,083	183,602	-	423,685
Foreign currency translation differences for foreign operations	1,876	-	(1,876)	-	-	-	-
Others	1,008	237	-	1,245	3,221	-	4,466
	$ 173,142	70,062	(1,876)	241,328	186,823	-	428,151

(iii) Income tax examination and approval

The income tax returns of the Company, Hersuo, Nova Tech, and Enrich Tech, have been examined by the tax authorities through year 2016.

(t) 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 11, 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.

(Continued)

(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**

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.

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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.

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**

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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)**

(u) 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.

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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

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%

(Continued)

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(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:

(Expressed in thousand unit)	2018 Weighted-Average Exercise Price	2018 Number of Exercisable Shares	2017 Weighted-Average Exercise Price	2017 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**

(Continued)

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(v) 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**

(w) Revenue from contracts with customers

(i) Disaggregation of revenue

	2018
Primary geographical markets	
Taiwan	$ 5,848,402
Mainland China	7,693,600
Other countries	678,651
	$ 14,220,653
Major products	
Cleanroom electromechanical integration engineering	$ 7,034,186
Water gasification supply integration engineering	4,500,879
Consumer industry electromechanical integration engineering	1,076,726
Biomedical integration engineering	892,248
High-tech equipment and materials sales and services	716,614
	$ 14,220,653

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

(ii) Contract balances

		December 31, 2018	January 1, 2018
Accounts receivable	$	3,339,533	2,625,114
Less: allowance for impairment		(195,727)	(215,449)
	$	**3,143,806**	**2,409,665**
Contract assets-Construction and equipment	$	1,125,423	1,691,348
Less: allowance for impairment		(45,479)	(43,049)
	$	**1,079,944**	**1,648,299**
Contract liabilities-Construction and equipment	$	1,715,013	1,047,794
Contract liabilities- Advance sales receipts		3,917	13,998
	$	**1,718,930**	**1,061,792**

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 $1,004,186.

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 $3,790,004. The Group 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 Group 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.

(x) Revenue

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

	2017
Contract revenue	$ 9,206,324
Sales	2,165,081
Other operating revenue	66,277
	$ 11,437,682

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

(y) 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 consolidated financial statements, are identical to those of the actual distributions for 2018 and 2017.

(z) Non-operating income and expenses

(i) Other revenue

	2018	2017
Interest income	$ 41,089	19,338
Rental income	2,884	3,505
Others	22,526	(11,767)
	$ 66,499	**11,076**

(ii) Other income and losses

	2018	2017
Exchange gain (loss) on foreign currency	$ 58,576	(88,726)
Gain (Loss) on disposals of property, plant and equipment	57	(1,103)
Gain (Loss) on disposal of investment	651	1,975
Net losses on financial assets at fair value through profit or loss	(3,447)	(1,853)
Others	-	2,929
	$ 55,837	**(86,778)**

(Continued)

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(aa) 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**

(ab) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

As of December 31, 2018 and 2017, concentration of credit risk deriving from the Group’s top customer did not constitute more than 6% and 12%, respectively, of the Group’s receivables while those deriving from the Group’s other top four customers did not constitute more than 20% and 27%, respectively, of the Group’s receivables.

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. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4 (g).

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The loss allowance provision as of December 31, 2018 was determined as follows:

	Other receivables	Other financial assets (guarantee deposits paid)
Balance on January 1 per IAS 39	$ 13,759	-
Adjustment on initial application of IFRS 9	-	-
Balance on January 1 per IFRS 9	13,759	-
Impairment loss recognized	4,210	22,820
Foreign exchange losses	(357)	(389)
Balance on December 31	**$ 17,612**	**22,431**

(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						
Secured bank loans	$ 89,075	90,113	90,113	-	-	-
Non-secured bank loans	46,203	46,203	46,203	-	-	-
Notes payable	175,364	175,364	175,364	-	-	-
Accounts payable (including related parties) and other accrued expenses	2,826,267	2,826,267	2,615,221	131,681	79,553	12
	$ 3,136,909	**3,137,947**	**2,926,901**	**131,681**	**79,553**	**12**
December 31, 2017						
Non-derivative financial liabilities						
Secured bank loans	$ 344,806	346,115	346,115	-	-	-
Notes payable	220,246	220,246	220,246	-	-	-
Accounts payable (including related parties) and other accrued expenses	2,711,187	2,711,187	2,375,042	206,039	130,101	5
	$ 3,276,239	**3,277,548**	**2,941,403**	**206,039**	**130,101**	**5**

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

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(iii) Currency risk

1) Exposure to currency risk

The Group'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	$ 61,510	30.802	1,894,616	65,405	29.848	1,952,208
CNY	540,472	4.4862	2,424,663	333,972	4.5835	1,530,760
SGD	2,896	22.4235	64,946	2,054	22.3238	45,843
JPY	46,792	0.2777	12,994	1,894	0.2649	502
Financial liabilities						
Monetary items						
USD	8,397	30.802	258,655	13,547	29.848	404,342
CNY	335,631	4.4862	1,505,707	295,117	4.5835	1,352,669
SGD	179	22.4235	4,020	252	22.3238	5,636
JPY	56,308	0.2777	15,637	48,275	0.2649	12,788

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, financial assets at fair value through other comprehensive income (available-for-sale financial assets), loans, accounts payable and other payables that are denominated in foreign currency. A 1% of appreciation or depreciation of the TWD against the USD, CNY, SGD and JPY as of December 31, 2018 and 2017 would have increased or decreased the before-tax net income by $26,132 and $17,539, respectively. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses of monetary items

As the Group transacts in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the year ended December 31, 2018 and 2017, the foreign exchange gains or losses, including both realized and unrealized, amounted to $58,576 and $(88,726), respectively.

(iv) Interest rate analysis

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate which increases or decreases by 1% when reporting to the internal management, which also represents the Group management's assessment of the reasonably possible interest rate change.

(Continued)

If the interest rate increases/decreases by 1%, the Group's net income will decrease/increase by $1,353 and $3,448 for the year ended December 31, 2018 and 2017, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's borrowing in variable rates.

(v) 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	9,308	6,075	-
Decreasing 3%	$ (95)	(9,308)	(6,075)	-

(vi) 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 Group'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	310,257	310,257	-	-	310,257
Financial assets at fair value through other comprehensive income					
Emerging stock	3,177	3,177	-	-	3,177
Financial assets measured at amortized cost					
Cash and cash equivalents	4,424,731	-	-	-	-
Contract assets	1,079,944	-	-	-	-
Notes receivable	323,497	-	-	-	-
Accounts receivable	3,143,806	-	-	-	-
Other receivables	28,654	-	-	-	-
Other current financial assets	614,238	-	-	-	-
Total	$ 9,928,304	313,434	-	-	313,434

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	December 31, 2018				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities at amortized cost					
Short-term loans	$ 135,278	-	-	-	-
Notes payable	175,364	-	-	-	-
Accounts payable	2,761,469	-	-	-	-
Accounts payable-related parties	396	-	-	-	-
Other accrued expenses	64,402	-	-	-	-
Total	$ 3,136,909	-	-	-	-

	December 31, 2017				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Current available-for-sale financial assets	198,460	198,460	-	-	198,460
Non-Current available-for-sale financial assets	4,050	4,050	-	-	4,050
Financial asset at cost (recognized as other non-current assets)	45	-	-	-	-
Loans and receivables					
Cash and cash equivalents	3,926,890	-	-	-	-
Notes receivable	156,038	-	-	-	-
Accounts receivable	2,409,665	-	-	-	-
Other receivables	110,562	-	-	-	-
Other accrued expenses	222,630	-	-	-	-
Total	$ 7,028,340	202,510	-	-	202,510
Financial liabilities at amortized cost					
Short-term loans	$ 344,806	-	-	-	-
Notes payable	220,246	-	-	-	-
Accounts payable	2,627,433	-	-	-	-
Accounts payable-related parties	381	-	-	-	-
Other accrued expenses	83,373	-	-	-	-
Total	$ 3,276,239	-	-	-	-

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.

(Continued)

The Group’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.

(ac) Financial risk management

(i) Overview

The Group 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 Group’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 Group’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 Group’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 Group continue with the review of the compliance with the policy and the extent of the exposure to risk. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

The Group’s audit committee oversees how management supervision is in compliance with the Group’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by the Group. The internal auditors assist the Group’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 Group if a customer or counterparty to financial instruments fails to meet its contractual obligations that arise principally from the Group’s accounts receivable, investments in securities and financial guarantees.

(Continued)

1) Accounts receivable

The Group 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 Group 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 Group's finance department. Since, the Group deals with banks and other external parties with good credit standing, the Group believes that there is no significant impact on credit risk.

3) Guarantee

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

(iv) Liquidity risk

The Group 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 Group'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

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

2) Interest rate risk

The Group borrows funds on variable interest rates. Changes in market interest rates leads to the change of effective interest rates and fluctuation of future cash flows. The Group reduces interest rate risk by negotiating interest rates with banks from time to time.

(Continued)

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3) Other market price risk

The Group 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 Group does not actively trade in these investments as the management of the Group minimizes the risk by holding different investment portfolios. The Group assigned a specific team to supervise and assess the equity price risk so as to avoid or minimize the risk from the hedging position.

(ad) Capital management

The Group 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 Group 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	$ 6,399,277	6,889,250
Less: cash and cash equivalents	(4,424,731)	(3,926,890)
Net debt	1,974,546	2,962,360
Total equity	4,349,126	3,874,293
Total capital	**$ 6,323,672**	**6,836,653**
Debt to capital ratio	**31.22%**	**43.33%**

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

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

The Group'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
Short-term borrowings	$ 344,806	(199,750)	(9,778)	-	135,278
Guarantee deposits	314	(230)	-	-	84
Total liabilities from financing activities	**$ 345,120**	**(199,980)**	**(9,778)**	**-**	**135,362**

(7) Related-party transactions:

(a) Names and relationship with related parties

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

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

(b) Other related party transactions

Construction cost, and related assets and liabilities:

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

	Purchases		Payables to Related Parties	
	2018	**2017**	**December 31, 2018**	**December 31, 2017**
Entity under the key management's control	**$ 1,229**	**1,475**	**396**	**381**

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

(c) Key management personnel compensation

	2018	2017
Short-term employee benefits	$ 98,703	64,788
Post-employment benefits	542	309
Share based payments	5,122	8,228
	$ 104,367	**73,325**

(Continued)

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

(8) Pledged assets:

The Group's pledged assets were as follows:

Asset	Purpose of pledge		December 31, 2018	December 31, 2017
Other financial assets－current:				
Demand deposit and time deposit	Construction contract fulfillment and warranty guarantee	$	392,727	62,530
Other financial assets－non-current:				
Time deposit	Warranty guarantee		1,573	-
Total		$	394,300	62,530

(9) Significant commitments and contingencies:

Significant commitments and contingencies for the Group 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 $1,211,732 and $1,229,305, respectively.

(b) The amounts pledged to the bank for engaging in construction contracts amounted to $1,412,180 and $681,859, respectively.

(c) Contract fulfillment guarantee and warranty guarantee (excluding related parties) for the competitive corporations amounted to $400,455 and $445,866, respectively.

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

(e) The Company has signed a construction contract with Walsin Technology Corporation (Walsin) in December, 2010. Walsin claimed that the Company did not perform the construction according to the contract, and therefore, 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.

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(f) The Company's subsidiary, Nova Tech entered into an agreement with Jing He Science Co., Ltd. (Jing He) for the construction and expansion of a new factory and gas factory, respectively, wherein Nova Tech is responsible for the installation process of the pipelines, as well as for purchasing the related equipment according to the design layout and purchase order provided by Jing He. However, Jing He made certain changes to its layout plan, which in turn, requires extra work; and for this reason, Nova Tech requested Jing He for an additional payment, in which Jing He argued that the contract is a lump-sum contract; therefore, refused to make any additional payment. Furthermore, it unilaterally terminated the agreement prior to the completion of the construction. Nova Tech then filed a lawsuit to the District Court against Jing He, demanding the amount of the contract to be paid in full. Nova Tech has also engaged a lawyer to defend its case. On the other hand, the District Court appointed Taiwan Association of Construction and Development, as well as Taiwan Professional Electrical Engineers Association, to estimate the value of the completed part of the new factory building, with both parties providing supplementary opinions for the preliminary valuation. The District Court has also appointed Taiwan Construction Research Institute (TCRI) to estimate the value of the expansion of the gas factory, wherein the estimated result turned out to be the same as that of which conducted by Nova Tech. As of the issuance date of this financial statements, the Court's decision has yet to be made, wherein it included the compensation amount of the damage resulting in a recognition of allowance for impairment incurred from the construction cost by Nova Tech in accordance with the related accounting standards. Nova Tech has estimated the maximum loss incurred from this lawsuit to be $70 million. On February 5, 2018, Jing He had partially paid the amount of $10,500 (including interest) for the said construction.

(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:

	2018			2017		
By item	**Operating costs**	**Operating expense**	**Total**	**Operating costs**	**Operating expense**	**Total**
Employee benefit						
Salary	693,566	429,861	1,123,427	592,493	376,610	969,103
Labor, health and social insurance	55,318	35,558	90,876	57,423	27,457	84,880
Pension	17,139	6,453	23,592	16,705	5,901	22,606
Other	19,304	21,066	40,370	18,511	18,127	36,638
Depreciation	4,770	20,430	25,200	2,863	17,085	19,948
Amortization	317	6,937	7,254	585	5,577	6,162

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.

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(13) Segment information:

(a) General information

There are three reportable segments of the Group: Taiwan, Mainland China, and other Asian countries. The Taiwan segment provides engineering, maintenance, sales and other services in Taiwan area. The Mainland China segment provides engineering services and sales in Mainland China. The other Asian segment provides engineering services in Vietnam, Singapore, Malaysia and other Asian countries.

The reportable segments are strategic business units that render products and services in different areas. Since each strategic business unit is located in a different environment, they require different administration strategies and are managed separately. Most of the business units were founded by the Company, and the management teams have been cultivated by the Company as well.

(b) Information on reportable segment profit or loss, segment assets, segment liabilities, and their measurement and reconciliations

The Group uses the segmented net income from the internal management report that the chief operating decision maker reviews as the basis to determine the resource allocation and make a performance evaluation. The Group has allocated income tax expense (benefit) or extraordinary gain or losses to reportable segments. In addition, profit or loss from all reportable segments includes significant non-cash items, excluding depreciation and amortization. The reportable amount is similar to that of the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in Note 4 "Significant accounting policies". The Group's income from operating segment is measured by using the net income, and is referred to as the basis of performance evaluation.

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

2018	**Taiwan**	**Mainland China**	**Other Asian**	**Adjustments and eliminations**	**Total**
Revenue:					
Revenue from external customers	$ 6,535,724	7,186,876	498,053	-	14,220,653
Intersegment revenues	689,845	110,340	-	(800,185)	-
Interest revenue	12,009	26,290	5,445	(2,655)	41,089
Total revenue	$ 7,237,578	7,323,506	503,498	(802,840)	14,261,742
Interest expense	(35)	(6,105)	(919)	2,160	(4,899)
Depreciation and amortization	(16,187)	(17,339)	(1,415)	-	(34,941)
Share of gain (loss) of associates accounted for using equity method	1,243,658	38,957	383,448	(1,666,072)	(9)
Reportable segment profit or loss	**476,903**	**721,191**	**78,945**	**(1,607)**	**1,275,432**
Asset:					
Investment accounted for using equity method	4,296,537	3,258,597	1,046,445	(8,600,768)	811
Capital expenditures of noncurrent assets	5,784	23,358	857	-	29,999
Reportable segment asset	**10,553,191**	**9,872,124**	**1,896,417**	**(10,540,943)**	**11,780,789**
Reportable segment liability	**3,432,785**	**4,388,295**	**251,719**	**(1,673,522)**	**6,399,277**

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2017	Taiwan	Mainland China	Other Asian	Adjustments and eliminations	Total
Revenue:					
Revenue from external customers	$ 6,547,775	4,224,415	665,492	-	11,437,682
Intersegment revenues	79,448	251,032	-	(330,480)	-
Interest revenue	8,047	12,231	3,490	(4,430)	19,338
Total revenue	$ 6,635,270	4,487,678	668,982	(334,910)	11,457,020
Interest expense	(1,187)	(10,938)	(1,801)	4,457	(9,469)
Depreciation and amortization	(13,395)	(13,211)	(1,991)	-	(28,597)
Share of gain (loss) of associates accounted for using equity method	852,491	5,508	150,266	(1,008,273)	(8)
Reportable segment profit or loss	**572,690**	**345,034**	**65,572**	**(1,156)**	**982,140**
Asset:					
Investment accounted for using equity method	3,420,666	8,270	1,197,369	(4,625,509)	796
Capital expenditures of noncurrent assets	17,415	15,416	887	-	33,718
Reportable segment asset	**9,438,989**	**5,350,917**	**1,715,752**	**(4,951,887)**	**11,553,771**
Reportable segment liability	**3,182,608**	**3,786,798**	**246,242**	**(326,398)**	**6,889,250**

(c) Information about the products and services

Revenue from external customers was as follows:

	2018	2017
Cleanroom electromechanical integration engineering	$ 7,034,186	5,894,065
Water gasification supply integration engineering	4,500,879	1,058,762
Consumer industry electromechanical integration engineering	1,076,726	849,574
Biomedical integration engineering	892,248	932,458
High-tech equipment and materials sales and services	716,614	2,702,823
	$ 14,220,653	**11,437,682**

(d) Geographical information

In presenting information on the basis of geography, segment revenue should be based on the geographical location of customers, and segment non-current assets should be based on the geographical location of the assets.

Area	2018	2017
Revenue from external customers:		
Taiwan	$ 5,848,402	6,547,775
Mainland China	7,693,600	4,224,415
Other countries	678,651	665,492
	$ 14,220,653	**11,437,682**

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Area	December 31, 2018	December 31, 2017
Non-current assets:		
Taiwan	$ 521,361	543,062
Mainland China	189,254	158,977
Other countries	2,671	3,639
	$ 713,286	**705,678**

Non-current assets include property, plant and equipment, investment property, intangible assets, long-term prepaid rents and other assets.

(e) Information on significant customers

As of December 31, 2018 and 2017, none of the sales to the Group’s external single customer exceeds 10% of the total revenue.