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

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

**June 30, 2019 and 2018**

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## Independent Auditors' Review Report

The Board of Directors
Acter Co., Ltd.:

### Introduction

We have reviewed the accompanying consolidated balance sheets of the Acter Co., Ltd. and its subsidiaries (the "Group") as of June 30, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months and six months ended June 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

### Scope of Review

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

### Basis for Qualified Conclusion

As stated in Note 4[b], the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to NT$2,301,339 thousand and NT$2,311,583 thousand, both constituting 19% of consolidated total assets as of June 30, 2019 and 2018, respectively, total liabilities amounting to NT$1,001,684 thousand and NT$1,265,997 thousand, constituting 14% and 17% of consolidated total liabilities as of June 30, 2019 and 2018, respectively, and total comprehensive income(loss) amounting to NT$74,704 thousand, NT$50,463 thousand, NT$98,714 thousand and NT$122,890 thousand, constituting 24%, 10%, 15% and 16% of consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2019 and 2018, respectively.

Furthermore, as stated in Note 6[h], the equity accounted investments of the Group in its investee companies of NT$0 thousand and NT$804 thousand as of June 30, 2019 and 2018, respectively, and shares of loss of associates and joint ventures accounted for using equity method NT$0 thousand, NT$9 thousand, NT$61 thousand and NT$9 thousand for the three months and the six months ended June 30, 2019 and 2018, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

## Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Acter Co., Ltd. and its subsidiaries as of June 30, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months and the six months ended June 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

August 12, 2019

**Note to Readers**

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

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

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

**Acter Co., Ltd. and Subsidiaries**
**Consolidated Balance Sheets**
**June 30, 2019, and 2018**
**(In Thousands of New Taiwan Dollars)**

| | Assets | June 30,2019 Amount | % | December 31,2018 Amount | % | June 30,2018 Amount | % |
|---|---|---|---|---|---|---|---|
| | **Current Assets:** | | | | | | |
| 1100 | Cash and cash equivalents (Note 6(a) and (y)) | $ 3,828,382 | 31 | 4,424,731 | 38 | 4,552,967 | 36 |
| 1110 | Current financial assets at fair value through profit or loss (Note 6(b) and (y)) | 320,333 | 3 | 310,257 | 3 | 336,646 | 3 |
| 1140 | Contract Assets – current (Note 6(v) | 1,376,926 | 11 | 1,079,944 | 9 | 1,381,060 | 11 |
| 1150 | Notes receivable, net (Note 6(d) and (y) | 464,181 | 4 | 323,497 | 3 | 123,105 | 1 |
| 1170 | Accounts receivable, net (Note 6(d)、(v) and (y) | 3,659,869 | 30 | 3,143,806 | 27 | 4,084,901 | 33 |
| 1200 | Other receivables (Note 6(e) and (y) ) | 20,661 | - | 28,654 | - | 25,786 | - |
| 1220 | Current income tax assets | 369 | - | - | - | 2,907 | - |
| 1310 | Inventories, net (Note 6(f)) | 543,223 | 5 | 321,315 | 3 | 255,937 | 2 |
| 1461 | Non-current assets held for sale (note 6(g)) | - | - | 51,400 | - | - | - |
| 1476 | Other financial assets－current (Note 8) | 530,787 | 4 | 614,238 | 5 | 220,054 | 2 |
| 1479 | Other current assets | 501,329 | 4 | 594,347 | 5 | 607,492 | 5 |
| | | 11,246,060 | 92 | 10,892,189 | 93 | 11,590,855 | 93 |
| | **Non-current assets:** | | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income(Note 6(c)) | 3,412 | - | 3,177 | - | 3,875 | - |
| 1550 | Investment accounted for using equity method (Note 6(h)) | - | - | 811 | - | 804 | - |
| 1600 | Property, plant and equipment (Note 6(k)) | 440,774 | 4 | 417,228 | 4 | 403,872 | 3 |
| 1755 | Right-of-use asset(Note 6(l)) | 154,359 | 1 | - | - | - | - |
| 1760 | Investment property, net(Note 6(m)) | 242,011 | 2 | 243,254 | 2 | 244,497 | 2 |
| 1840 | Deferred tax assets | 161,397 | 1 | 152,661 | 1 | 148,488 | 1 |
| 1985 | Long-term prepaid rents | - | - | 33,027 | - | 34,415 | 1 |
| 1990 | Other non-current assets (Note 8) | 39,715 | - | 38,442 | - | 40,010 | - |
| | | 1,041,668 | 8 | 888,600 | 7 | 875,961 | 7 |
| | **Total Assets** | $ 12,287,728 | 100 | 11,780,789 | 100 | 12,466,816 | 100 |

| | Liabilities and Equity | June 30,2019 Amount | % | December 31,2018 Amount | % | June 30,2018 Amount | % |
|---|---|---|---|---|---|---|---|
| | **Current Liabilities:** | | | | | | |
| 2100 | Short-term loans (Note 6(n) and (y)) | $ 30,000 | - | 135,278 | 1 | 55,452 | 1 |
| 2130 | Contract liabilities-current (Note 6(v)) | 1,158,759 | 9 | 1,718,930 | 15 | 1,316,288 | 11 |
| 2150 | Notes payable (Note 6(y)) | 195,978 | 2 | 175,364 | 1 | 227,303 | 2 |
| 2170 | Accounts payable (Note 6(y)) | 3,146,716 | 26 | 2,761,469 | 23 | 3,658,211 | 29 |
| 2180 | Payables to related parties (Note 6(y) and 7) | 615 | - | 396 | - | 263 | - |
| 2201 | Accrued salaries and bonuses | 204,907 | 2 | 301,655 | 3 | 178,651 | 1 |
| 2216 | Dividend payable | 1,017,901 | 8 | - | - | 741,285 | 6 |
| 2230 | Current tax liabilities | 180,146 | 1 | 170,007 | 1 | 258,433 | 2 |
| 2250 | Provisions－current (Note 6(p) | 379,702 | 3 | 352,256 | 3 | 462,874 | 4 |
| 2280 | Lease liabilities(Note 6(o) | 39,908 | - | - | - | - | - |
| 2399 | Other current liabilities(Note 9) | 329,193 | 3 | 305,846 | 3 | 348,493 | 3 |
| | | 6,683,825 | 54 | 5,921,201 | 50 | 7,247,253 | 58 |
| | **Non-current liabilities:** | | | | | | |
| 2570 | Deferred tax liabilities | 468,748 | 4 | 428,151 | 4 | 365,560 | 3 |
| 2580 | Lease obligations-non-current(Note 6(o)) | 82,379 | 1 | - | - | - | - |
| 2640 | Accrued pension liabilities | 49,173 | - | 49,841 | - | 44,812 | - |
| 2645 | Guarantee deposit received | 150 | - | 84 | - | 314 | - |
| | | 600,450 | 5 | 478,076 | 4 | 410,686 | 3 |
| | **Total Liabilities** | 7,284,275 | 59 | 6,399,277 | 54 | 7,657,939 | 61 |
| | **Equity Attributable to Shareholders of the parent company**(Note 6(s))**:** | | | | | | |
| 3100 | Common stock | 541,868 | 4 | 542,028 | 5 | 471,489 | 4 |
| 3150 | Stock dividend to be distributed | - | - | - | - | 70,729 | - |
| 3200 | Capital surplus | 1,392,119 | 11 | 1,393,239 | 12 | 1,411,813 | 11 |
| 3300 | Retained earnings | 2,198,162 | 18 | 2,483,445 | 21 | 2,067,598 | 17 |
| 3400 | Other equity interest | (55,373) | - | (69,586) | (1) | (47,062) | - |
| | **Total Equity attributable to the parent of company** | 4,076,776 | 33 | 4,349,126 | 37 | 3,974,567 | 32 |
| 36xx | **Non-controlling interests**(Note 6(j)) | 926,677 | 8 | 1,032,386 | 9 | 834,310 | 7 |
| | **Total Equity** | 5,003,453 | 41 | 5,381,512 | 46 | 4,808,877 | 39 |
| | **Total Liabilities And Equity** | $ 12,287,728 | 100 | 11,780,789 | 100 | 12,466,816 | 100 |

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

# Acter Co., Ltd. and Subsidiaries

## Consolidated Statements Of Comprehensive Income

**For The Three Months and Six Months Ended June 30, 2019 And 2018**

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

| Code | | For the Three Months Ended June 30 | | | | For the Six Months Ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2019 | | 2018 | | 2019 | | 2018 | |
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| | **Operating revenues:** | | | | | | | | |
| 4521 | Construction revenue (Note 6(v)) | $ 3,420,060 | 92 | 4,475,662 | 97 | 6,092,233 | 94 | 7,477,214 | 98 |
| 4529 | Less: allowances | (3,478) | - | (573) | - | (5,438) | - | (1,161) | - |
| | | 3,416,582 | 92 | 4,475,089 | 97 | 6,086,795 | 94 | 7,476,053 | 98 |
| 4110 | Sales | 255,013 | 7 | 122,154 | 3 | 310,184 | 5 | 130,373 | 2 |
| 4800 | Other operating revenue | 30,810 | 1 | 14,999 | - | 63,171 | 1 | 34,753 | - |
| | | 3,702,405 | 100 | 4,612,242 | 100 | 6,460,150 | 100 | 7,641,179 | 100 |
| | **Operating cost :** | | | | | | | | |
| 5520 | Construction cost (Note 6(f)、(o)、(q)、(w) and 7(b)) | 2,817,781 | 76 | 3,648,748 | 79 | 4,945,172 | 77 | 6,094,978 | 80 |
| 5110 | Cost of goods sold | 168,479 | 5 | 108,350 | 2 | 207,861 | 3 | 113,178 | 1 |
| 5800 | Other operating cost | 15,491 | - | 4,579 | - | 19,209 | - | 9,143 | - |
| | | 3,00,1751 | 81 | 3,761,677 | 81 | 5,172,242 | 80 | 6,217,299 | 81 |
| | **Gross profit** | 700,654 | 19 | 850,565 | 19 | 1,287,908 | 20 | 1,423,880 | 19 |
| | Operating expenses (Note 6(o)、(q) and (w)): | | | | | | | | |
| 6100 | Selling | 30,106 | 1 | 24,595 | 1 | 62,974 | 1 | 48,030 | 1 |
| 6200 | General and administrative | 139,637 | 4 | 151,319 | 3 | 282,832 | 4 | 278,603 | 4 |
| 6300 | Research and development | 44,587 | 1 | 34,658 | 1 | 74,896 | 1 | 64,266 | 1 |
| 6450 | Expected credit loss(Note6(d)) | 35,893 | 1 | (13,871) | - | 41,642 | 1 | (24,667) | - |
| | | 250,223 | 7 | 196,701 | 5 | 462,344 | 7 | 366,232 | 6 |
| | **Operating income** | 450,431 | 12 | 653,864 | 14 | 825,564 | 13 | 1,057,648 | 13 |
| | **Non-operating income and expenses:** | | | | | | | | |
| 7050 | Finance costs | (1,591) | - | (827) | - | (3,292) | - | (3,208) | - |
| 7010 | Other income (Note 6(x)) | 14,998 | - | 20,982 | - | 42,870 | 1 | 33,284 | - |
| 7070 | Share of loss of associates accounted for using equity method | - | - | (9) | - | (61) | - | (9) | - |
| 7020 | Other gains and losses, net (Note 6(x)) | 20,664 | 1 | 90,863 | 2 | 35,547 | - | 39,926 | 1 |
| | | 34,071 | 1 | 111,009 | 2 | 75,064 | 1 | 69,993 | 1 |
| | **Profit before tax** | 484,502 | 13 | 764,873 | 16 | 900,628 | 14 | 1,127,641 | 14 |
| 7950 | **Income tax expense** (Note 6(r)) | 155,898 | 4 | 241,693 | 5 | 277,679 | 4 | 368,936 | 5 |
| | **Profit for the year** | 328,604 | 9 | 523,180 | 11 | 622,949 | 10 | 758,705 | 9 |
| 8300 | **Other comprehensive income, net of tax:** | | | | | | | | |
| 8310 | **Items that will not be reclassified subsequently to profit or loss** | | | | | | | | |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | (388) | - | (30) | - | 235 | - | (175) | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | - | - | - | - | - | - | - | - |
| | | (388) | - | (30) | - | 235 | - | (175) | - |
| 8360 | **Components of other comprehensive income that will be reclassified to profit or loss:** | | | | | | | | |
| 8361 | Foreign currency translation differences－foreign operations | (22,639) | (1) | 5,298 | - | 21,952 | - | 22,256 | - |
| 8399 | Income tax related to components of other comprehensive income(Note 6(r)) | 6,226 | - | (623) | - | (5,358) | - | (4,195) | - |
| | | (16,413) | (1) | 4,675 | - | 16,594 | - | 18,061 | - |
| 8300 | **Other comprehensive income, net** | (16,801) | (1) | 4,675 | - | 16,829 | - | 17,886 | - |
| 8500 | **Comprehensive income** | $ 311,803 | 8 | 527,825 | 11 | 639,778 | 10 | 776,591 | 9 |
| | **Profit attributable to ：** | | | | | | | | |
| 8610 | Shareholders of the parent | 294,064 | 8 | 429,851 | 9 | 527,759 | 8 | 628,464 | 8 |
| 8620 | Non-controlling interests | 34,540 | 1 | 93,329 | 2 | 95,190 | 2 | 130,241 | 2 |
| | | $ 328,604 | 9 | 523,180 | 11 | 622,949 | 10 | 758,705 | 10 |
| | **Comprehensive income attributable to：** | | | | | | | | |
| 8710 | Shareholders of the parent | $ 282,142 | 7 | 435,819 | 9 | 541,196 | 8 | 643,672 | 8 |
| 8720 | Non-controlling interests | 29,611 | 1 | 92,006 | 2 | 98,582 | 2 | 132,919 | 2 |
| | | $ 311,803 | 8 | 527,825 | 11 | 639,778 | 10 | 776,591 | 10 |
| | **Earnings per share ((attributable to shareholders of the parent))** (Note 6(v)) | | | | | | | | |
| 9750 | **Basic earnings per share** | $ | 5.45 | | 8.01 | | 9.78 | | 11.73 |
| 9850 | **Diluted earnings per share** | $ | 5.33 | | 7.84 | | 9.54 | | 11.45 |

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

# Acter Co., Ltd. and Subsidiaries
## Consolidated Balance Sheets
## June 30, 2019, and 2018
## (In Thousands of New Taiwan Dollars)

| | Equity attributable to owners of parent | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stock | | | Retained earnings | | | | Other equity interest | | | | | | |
| | Common stock | Stock dividend to be distributed | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total retained earnings | Exchange difference on translation of foreign operations | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Unrealized gains (losses) of available-for-sale financial assets | Others | Total Other equity interest | Non-controlling interests | Total equity |
| **Balance, 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 |
| Adjustment | - | - | - | - | - | 65,534 | 65,534 | - | (4,700) | 3,962 | - | (738) | 39,404 | 104,200 |
| **Balance, January 1, 2018** | 471,529 | - | 1,412,098 | 428,722 | 44,052 | 1,650,075 | 2,122,849 | (52,599) | (4,700) | - | (10,088) | (67,387) | 829,632 | 4,768,721 |
| 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) | - | - | - | - | - | - | - |
| | 471,529 | 70,729 | 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 |
| Share-based payment transaction | (40) | - | (285) | - | - | - | - | - | - | - | 5,117 | 5,117 | - | 4,792 |
| Comprehensive income for the six months ended June 30,2018 | | | | | | | | | | | | | | |
| Profit for the period | - | - | - | - | - | 628,464 | 628,464 | - | - | - | - | - | 130,241 | 758,705 |
| Other comprehensive income for the period | - | - | - | - | - | - | - | 15,383 | (175) | - | - | 15,208 | 2,678 | 17,886 |
| Total comprehensive income | - | - | - | - | - | 628,464 | 628,464 | 15,383 | (175) | - | - | 15,208 | 132,919 | 776,591 |
| Decrease in non-controling interests | - | - | - | - | - | - | - | - | - | - | - | - | (128,241) | (128,241) |
| **Balance, June 30, 2018** | **$ 471,489** | **70,729** | **1,411,813** | **512,938** | **56,560** | **1,498,100** | **2,067,598** | **(37,216)** | **(4,875)** | **-** | **(4,971)** | **(47,062)** | **834,310** | **4,808,877** |
| **Balance, January 1, 2019** | $ 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 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | 104,902 | - | (104,902) | - | - | - | - | - | - | - | - |
| Special reserve | - | - | - | - | 12,249 | (12,249) | - | - | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | - | (813,042) | (813,042) | - | - | - | - | - | - | (813,042) |
| | 542,028 | - | 1,393,239 | 617,840 | 68,809 | 983,754 | 1,670,403 | (63,237) | (5,573) | - | (776) | (69,586) | 1,032,386 | 4,568,470 |
| Share-based payment transaction | (160) | - | (1,120) | - | - | - | - | - | - | - | 776 | 776 | - | (504) |
| Comprehensive income for the six months ended June 30,2019 | | | | | | | | | | | | | | |
| Profit for the period | - | - | - | - | - | 527,759 | 527,759 | - | - | - | - | - | 95,190 | 622,949 |
| Other comprehensive income for the period | - | - | - | - | - | - | - | 13,302 | 235 | - | - | 13,437 | 3,392 | 16,829 |
| Total comprehensive income | - | - | - | - | - | 527,759 | 527,759 | 13,302 | 235 | - | - | 13,437 | 98,582 | 639,778 |
| Decrease in non-controling interest | - | - | - | - | - | - | - | - | - | - | - | - | (204,291) | (204,291) |
| **Balance, June 30, 2019** | **$ 541,868** | **-** | **1,392,119** | **617,840** | **68,809** | **1,511,513** | **2,198,162** | **(50,035)** | **(5,338)** | **-** | **-** | **(55,373)** | **926,677** | **5,003,453** |

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

**Acter Co., Ltd. and Subsidiaries**

**Consolidated Statements Of Cash Flows**

**For The Six Months Ended June 30, 2019 And 2018**

**(All Amount Expressed in Thousands of New Taiwan Dollars)**

| | For the Six months Ended June 30 | |
|---|---|---|
| | **2019** | **2018** |
| **Cash flows from operating activities:** | | |
| **Profit before tax** | $ 900,628 | 1,127,641 |
| **Adjustments:** | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation(Including investment property) | 33,161 | 13,566 |
| Amortization | 3,354 | 3,642 |
| Provision for bad debt expense | 41,642 | (24,667) |
| Net loss (gain) on financial assets or liabilities at fair value through profit or loss | (6,414) | 2,046 |
| Interest income | (21,386) | (21,599) |
| Interest expense | 3,292 | 3,208 |
| Compensation cost arising from employee stock options | (504) | 4,792 |
| Shares of loss (profit) of associates and joint ventures accounted for using equity method | 61 | 9 |
| Non-current assets held for sale profit | (19,515) | - |
| Other | (44) | (303) |
| | 33,647 | (19,306) |
| Changes in operating assets and liabilities | | |
| Changes in operating assets | | |
| Net loss (gain) on financial assets at fair value through profit or loss | (3,662) | (140,232) |
| Decrease (increase) in contract assets | (296,982) | 267,239 |
| Decrease (increase) in notes receivable | (140,684) | 32,933 |
| Increase in accounts receivable | (558,812) | (1,652,466) |
| Decrease (increase) in inventories | (221,908) | 1,690 |
| Increase in other financial assets | 182,059 | (59,139) |
| | (1,039,989) | (1,549,975) |
| Changes in operating liabilities | | |
| Increase (decrease) in contract liabilities | (560,171) | 254,496 |
| Increase in notes payable | 20,614 | 7,057 |
| Increase in accounts payable | 412,753 | 1,157,219 |
| Increase (decrease) in other current liabilities | (76,182) | 32,548 |
| | (202,986) | 1,451,320 |
| Total adjustments | (1,209,328) | (117,961) |
| Cash inflow generated from operations | (308,700) | 1,009,680 |
| Interest received | 23,599 | 22,129 |
| Interest paid | (2,672) | (3,848) |
| Income taxes paid | (238,614) | (131,040) |
| **Net cash generated by (used in) operating activities** | (526,387) | 896,921 |
| **Cash flows from investing activities:** | | |
| Proceeds from disposal of investments accounted for using equity method | 747 | - |
| Proceeds from disposal of non-current assets held for sale | 72,627 | - |
| Acquisition of property, plant and equipment | (34,936) | (14,094) |
| Proceeds from disposal of property, plant and equipment | 103 | 965 |
| Right-of-use asset | (576) | - |
| Increase in other non-current assets | (5,173) | (5,809) |
| **Net cash generated by (used in) investing activities** | 32,792 | (18,938) |
| **Cash flows from financing activities:** | | |
| Increase in short-term loans | 30,000 | 26,971 |
| Repayments of short-term loans | (136,449) | (317,783) |
| Increase in guarantee deposits received | 66 | - |
| Repayments of lease liabilities | (17,632) | - |
| Changes in non-controlling interests | - | 58 |
| **Net cash used in financing activities** | (124,015) | (290,754) |
| Effect of exchange rate changes on cash and cash equivalents | 21,261 | 38,848 |
| Net increase (decrease) in cash and cash equivalents | (596,349) | 626,077 |
| Cash and cash equivalents at beginning of period | 4,424,731 | 3,926,890 |
| Cash and cash equivalents at end of period | $ 3,828,382 | 4,552,967 |

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

# ACTER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

## June 30, 2019 and 2018

**(Expressed in thousands of New Taiwan dollars, unless otherwise specified)**

### (1) Organization and business scope

ACTER CO., LTD. (the "Company") was incorporated on February 19, 1979, under the approval of the Ministry of Economic Affairs, R.O.C. The Company's registered office address is located at 19F-1, No.201, Sec.2, Wenxin Road, Xitun District., Taichung City 40758, Taiwan (R.O.C.).The consolidated financial statements of the Company as of and for the year ended June 30, 2019 comprised the Company and its subsidiaries (together referred to as the "Group"). The Company is engaged in providing construction, design, and maintenance services related to air conditioners, environmental control services, clean room set-up, ice water machine trading, energy storing equipment trading, ventilation engineering, and energy technology services. The principal operating activities of the rest of the Group entities are described in Notes 4 (b). Acter's common shares were publicly listed on the Taipei Exchange ("TPEx") on November 10, 2010.

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

The consolidated financial statement for the six months ended June 30, 2019 and 2018 were authorized for issuance by the Board of Directors on August 12, 2019.

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

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

The Group has prepared its consolidated financial statements in conformity with the new standards, interpretations and amendments of IFRSs which have been endorsed by the FSC and are effective for annual period beginning on or after January 1, 2019 as follows:

| 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.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

(1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(c)

On transition to IFRS 16, the Group elected to apply the practical expedient to the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

(2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of work office and employee's dormitory.

- Leases classified as operating leases under IAS 17

  At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

  - their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application ; or
  - an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all lease.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.

- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

(4) Impacts on financial statements

On transition to IFRS 16, the Group recognised additional $144,189 of right-of-use assets ($33,027 was reclassified from long-term prepaid rent) and $111,162 of lease liabilities, recognising the difference in retained earnings. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 2.28%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

| | January 1, 2019 |
|---|---|
| Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements | $ 138,857 |
| Recognition exemption for: | |
| short-term leases | (19,262) |
| leases of low-value assets | (3,567) |
| Extension and termination options reasonably certain to be exercised | **$ 116,028** |
| | |
| Discounted using the incremental borrowing rate at January 1, 2019 | $ 111,162 |
| Finance lease liabilities recognized as at December 31, 2018 | - |
| Lease liabilities recognized at January 1, 2019 | **$ 111,162** |

(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.

There is no material impact after adapting the new accounting standard.

(b) The impact of IFRS endorsed by the 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, 2020 in according with Ruling No. 1080323028 issued by FSC on July 29, 2019:

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

The Group assesses that the adoption of abovementioned standards would not have any material 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 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 |

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.

## (4) Summary of significant accounting policies:

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2018. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2018.

(b) Basis of preparation

(i) List of subsidiaries in the consolidated financial statements

| | | | Shareholding | | | |
|---|---|---|---|---|---|---|
| **Investor** | **Subsidiary** | **Nature of business** | **June 30, 2019** | **December 31, 2018** | **June 30, 2018** | **Note** |
| (a)The Company | Nova Technology Corp. (Nova Tech) | Wholesaling of electronic and chemical equipment | 62.19% | 62.19% | 62.19% | |
| | HerSuo Engineering Co., Ltd. (Her Suo) | Construction and set-up of freezing equipment | 100% | 100% | 100% | Note 11 |
| | Enrich Tech Co., Ltd(Enrich ) | Comprehensive construction company | 56.94% | 56.94% | 60% | Note 5 and 11 |
| | Sheng Huei International Co., Ltd. (Sheng Huei International) | Investment Holding company | 100% | 100% | 100% | |
| | Nova Technology Singapore Pte., Ltd. (NTS) | Investment Holding company | - | - | 100% | Note 7 and 11 |
| (b) Nova Tech | Winmax Technology (Shanghai) Corp.(Winmax) | Design and manufacture of air containers and liquid containers | 100% | 100% | 100% | |
| | Winmega Technology Corp.(Winmega) | Wholesaling of electronic and chemical equipments | 100% | 100% | 100% | |
| | Suzhou Winmax Technology Corp (Suzhou Winmax) | Design and manufacture of air containers and liquid containers | 100% | 100% | 100% | Note 10 |
| | Novatech Engineering & Construction Pte.,Ltd.(NTEC) | Chemical supply system | 100% | 100% | 100% | Note 11 |
| (c) Sheng Huei International | Sheng Huei (Suzhou) Engineering Co., Ltd. (Sheng Huei Suzhou) | Construction and set-up of electronic equipment and air conditioners | 86.66% | 86.66% | 100% | Note 6 |
| | New Point Group Ltd. (New Point) | Holding company and equipment trading | 100% | 100% | 100% | Note 11 |
| | Sheng Huei Engineering Technology Co., Ltd. ( Sheng Huei Engineering) | Set-up of electronic protection systems and central air conditioners | - | - | 100% | Note 8 and 11 |
| | Acter International Ltd. (Acter International) | Holding company and trading of clean rooms and air conditioners | - | - | 100% | Note 4 and 11 |
| (d) NTS | Nova Technology Malaysia Sdn. Bhd.(NTM) | Investment Holding company | 100% | 100% | 100% | Note 11 |
| | Novamex Indonesia, PT. (NMI) | Equipment trading and set-up | 100% | 100% | 100% | Note 1 and 11 |
| | Acter Engineering Co. | Construction and set-up of | - | 100% | 100% | Note 2,9 |

| Investor | Subsidiary | Nature of business | Shareholding June 30, 2019 | Shareholding December 31, 2018 | Shareholding June 30, 2018 | Note |
|---|---|---|---|---|---|---|
| | Ltd.( Acter Engineering) | electronic equipment and air conditioners | | | | and 11 |
| (e) Sheng Huei (Suzhou) | Shenzhen Ding –Mao Trade Co., Ltd. (Shenzhen Ding –Mao) | Electronic equipment and machinery trading | 100% | 100% | 100% | Note 11 |
| | Sheng Huei (Shenzhen) Engineering Co., Ltd. (Sheng Huei Shenzhen) | Construction and set-up of electronic equipment and air conditioners | 100% | 100% | - | Note 3 and 11 |
| | Acter International Ltd. (Acter International) | Holding company and trading of clean rooms and air conditioners | 100% | 100% | - | Note 4 and 11 |
| | Nova Technology Singapore Pte., Ltd. (NTS) | Investment Holding company | 100% | 100% | - | Note 7 and 11 |
| (f) New Point | Zhangjiagang Free Trade Zone Fuyu Internation Trade Co., Ltd. (Fuyu) | Agent for electronic equipment importing and exporting | 100% | 100% | 100% | Note 11 |
| (g) Acter International | Sheng Huei (Shenzhen) Engineering Co., Ltd. | Construction and set-up of electronic equipment and air conditioners | - | - | 100% | Note 3 and 11 |
| | Sheng Huei Engineering Technology Co., Ltd. ( Sheng Huei Engineering) | Set-up of electronic protection systems and central air conditioners | 100% | 100% | - | Note 8 and 11 |

Note 1: 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 2: The ownership of Acter Engineering in NTS and Sheng Huei International consisted of 99% and 1%, respectively.

Note 3: In April 2018, the Group has gone through restructuring, resulting in the entire shares of Acter international in Sheng Huei Shenzhen to be transferred to Sheng Huei (Suzhou).

Note 4: 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 5: 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 6: 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 7: 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 8: In December 2018, the Group has gone through restructuring, resulting in the entire shares of Sheng Huei International in Sheng Huei Engineering to be transferred to Acter International.

Note 9: Acter Engineering had been liquidated in March, 2019.

Note 10: The financial statement of six months ended June 30, 2019 were reviewed by independent auditors. The financial statement of six months ended June 30, 2018 were not reviewed by independent auditors and non-significant subsidiaries.

Note 11: Companies are non-significant and their financial statements have not been reviewed.

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

(c) Leases（applicable from January 1, 2019）

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the Group has the right to direct the use of the asset.

- The Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.
- In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of an asset if either:

— the Group has the right to operate the asset; or

— the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lease

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

1) fixed payments, including substantively fixed payment;
2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
3) amounts expected to be payable under a residual value guarantee; and
4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

1) there is a change in future lease payments arising from the change in an index or rate; or
2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
3) there is a change in the assessment on whether it will have the option to exercise a purchase; or termination option; or
4) there is a change in the assessment on lease term as to whether it will be extended or terminated; or
5) there is any lease modifications.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of balance sheets.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of work office, employees' dormitory and transaction equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

The lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(d) Income taxes

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

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

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

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

(e) Employee benefits

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

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2018. For the related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2018.

**(6) Explanation of significant accounts**

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2018. Please refer to Note 6 of the 2018 annual consolidated financial statements.

(a) Cash and cash equivalents

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Petty cash and cash on hand | $ 2,567 | 1,040 | 1,192 |
| Checking and demand deposits | 1,793,145 | 2,145,066 | 2,461,173 |
| Time deposits | 1,747,706 | 2,160,764 | 1,201,001 |
| Cash equivalent - repurchased commercial paper | 284,964 | 117,861 | 889,601 |
| | **$ 3,828,382** | **4,424,731** | **4,552,967** |

The above-mentioned repurchased commercial paper rate as of June 30, 2019, December 31, 2018 and June 30, 2018 were 0.5%~0.58%, 0.475%~0.48% and 0.45%~0.55%, respectively, and they mature from July 3 to July 8, 2019, from January 4 to February 25, 2019 and from July 3 to July 13, 2018, respectively.

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

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Mandatorily measured at fair value through profit or loss: | | | |
| Non-derivative financial assets | | | |
| Beneficiary securities - open-end funds | **$ 320,333** | **310,257** | **336,646** |

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

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Equity investments at fair value through other comprehensive income | | | |
| Emerging Stock- | | | |
| Holy Stone Healthcare Co., Ltd. | $ 3,412 | 3,177 | 3,875 |

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

The Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes.

No strategic investments were disposed as of June 30, 2019 and 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(y).

(iii) The aforesaid financial assets were not pledged.

(d) Note and trade receivables

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Note receivables from operating activities | $ 464181 | 323,497 | 123,105 |
| Trade receivables –measured as amortized cost | 3,898,345 | 3,339,533 | 4,277,579 |
| Less: Allowance for impairment | (238,476) | (195,727) | (192,678) |
| Total | $ 4,124,050 | 3,467,303 | 4,208,006 |

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 June 30, 2019 and 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

The loss allowance provision was determined as follows:

| | June 30, 2019 | | |
|---|---|---|---|
| **Aging of Receivables** | **Gross carrying amount** | **Weighted-average loss rate** | **Loss allowance provision** |
| 1 to 120 days | $ 3,701,686 | - | - |
| 121 to 180 days | 118,986 | 0.50% | 595 |
| 181 to 360 days | 210,717 | 1% | 2,107 |
| 361 to 540 days | 172,227 | 40%~50% | 76,864 |
| More than 541 days | 158,910 | 100% | 158,910 |
| Total | $ **4,362,526** | | **238,476** |

| | December 31, 2018 | | |
|---|---|---|---|
| **Aging of Receivables** | **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 |
| Total | $ **3,663,030** | | **195,727** |

| | June 30, 2018 | | |
|---|---|---|---|
| **Aging of Receivables** | **Gross carrying amount** | **Weighted-average loss rate** | **Loss allowance provision** |
| 1 to 120 days | $ 4,039,216 | - | - |
| 121 to 180 days | 115,069 | 0.50% | 575 |
| 181 to 360 days | 38,879 | 1% | 389 |
| 361 to 540 days | 28,922 | 40%~50% | 13,116 |
| More than 541 days | 178,598 | 100% | 178,598 |
| Total | $ **4,400,684** | | **192,678** |

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

| | **June 30, 2019** | **June 30, 2018** |
|---|---|---|
| Balance, January 1 | $ 195,727 | 215,449 |
| Impairment losses recognized | 127,163 | 4,143 |
| Impairment losses reversed | (85,521) | (28,810) |
| Foreign exchange gains (losses) | 1,107 | 1,896 |
| Balance, June 30 | **$ 238,476** | **192,678** |

(i) Accounts receivable includes retained construction receivable, which amounted to $50,255, $41,796 and $40,344 as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively.

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

(e) Other receivables

| | **June 30, 2019** | **December 31, 2018** | **June 30, 2018** |
|---|---|---|---|
| Other accounts receivable | $ 34,237 | 46,266 | 39,644 |
| Less: Loss allowance | (13,576) | (17,612) | (13,858) |
| | **$ 20,661** | **28,654** | **25,786** |

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

(f) Inventories

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Finished goods and merchandise | $ 43,800 | 24,306 | 19,454 |
| Work in process and semi-finished goods | 193,986 | 20,305 | 331 |
| Raw materials | 316,773 | 294,428 | 250,096 |
| | 554,559 | 339,039 | 269,881 |
| Less: provision for inventory devaluation | (11,336) | (17,724) | (13,944) |
| | **$ 543,223** | **321,315** | **255,937** |

For the three months and six months ended June 30, 2019 and 2018, the write-down of inventories amounted to $(8,354) thousand, $7,268 thousand, $(6,585) thousand and $7,498 thousand. The write-downs are included in cost of goods sold.

The inventories of the Group were not pledged.

(g) 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 the buyer at the end of December 2018.The Group has completed the related legal procedures and recognized the gain on the disposal $19,515 in March, 2019. The selling price has been collected as of June 30, 2019.

(h) Investments in equity-accounted investees

| | | | Percentage of ownership and voting share | | |
|---|---|---|---|---|---|
| **Associates** | **Relationship with the Company** | **Main Business Location/Registered Country** | **June 30, 2019** | **December 31, 2018** | **June 30, 2018** |
| Global one source life sciences company limited | 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% | 40% |

(i) Associated

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

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| The carrying amount of the Group's interests in all individually immaterial associates | $ - | 2,027 | 2,010 |

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Profit attributable to the Group: | | | | |
| Loss from continuing operation | $ - | (9) | (61) | (9) |
| Comprehensive income | $ - | (9) | (61) | (9) |

(ii) The Group has disposed 40% shares of Global one source life sciences Co. Ltd. amounted to $747 and lost the significant influence. The selling price $747 has been collected as June 30, 2019.

(iii) The investments accounted for using equity method was not pledged.

(iv) The investments were accounted for by the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

(i) Changes in parent’s ownership interest in a subsidiary

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

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. For the restructuring of the Group, please refer to Note 4(b).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.

(ii) Not invest by proportion of subsidiary’s capital increase without losing control

The Group's subsidiary, Enrich Tech, had a capital increase in July 2018, and 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.

(j) Significant subsidiaries of non-controlling interest

No-controlling interests of subsidiaries of the Group that are significant to the Group are as follows:

| Subsidiaries | Main Business Location/Registered Country | Percentage of ownership and voting share June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|---|
| Nova Tech | R.O.C. | 37.81% | 37.81% | 37.81% |
| Enrich Tech | R.O.C. | 43.06% | 43.06% | 40% |
| Sheng Huei Suzhou | China | 13.34% | 13.34% | - |

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

(i) Information regarding of Nova Tech:

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Current assets | $ 2,302,880 | 1,852,051 | 2,309,638 |
| Non-current assets | 1,344,650 | 1,384,994 | 1,210,575 |
| Current liabilities | (1,417,535) | (714,770) | (1,248,156) |
| Non-current Liabilities | (209,510) | (216,464) | (176,744) |
| Net assets | $ 2,020,485 | 2,305,811 | 2,095,313 |

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Operating revenue | $ 481,416 | 550,577 | 908,722 | 1,213,542 |
| Net income for the period | $ 58,782 | 240,047 | 215,365 | 325,676 |
| Other comprehensive income | (13,369) | (3,505) | 8,230 | 7,080 |
| Comprehensive income | $ 45,413 | 236,542 | 223,595 | 332,756 |
| Cash flows from operating activities | | | $ 232,730 | 104,454 |
| Cash flows from investing activities | | | (1,493) | 28,546 |
| Cash flows from financing activities | | | (12,135) | - |
| Net increase (decrease) in cash and cash equivalents | | | $ 219,102 | 133,000 |

(ii) Information regarding of Enrich Tech:

| | June 30,2019 | December 31,2018 | June 30,2018 |
|---|---|---|---|
| Current assets | $ 210,335 | 229,730 | 227,322 |
| Non-current assets | 11,342 | 3,959 | 3,708 |
| Current liabilities | (91,167) | (75,117) | (133,389) |

| | | | |
|---|---|---|---|
| Non- Current liabilities | (1,599) | - | - |
| Net assets | $ 128,911 | 158,572 | 97,641 |

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Operating revenue | $ 37,630 | 80,301 | 100,567 | 299,251 |
| Net income for the period | (2,018) | 6,390 | (9,661) | 17,718 |
| Other comprehensive income | - | - | - | - |
| Comprehensive income | $ (2,018) | 6,390 | (9,661) | 17,718 |

| | | |
|---|---|---|
| Cash flows from operating activities | $ (39,225) | 41,261 |
| Cash flows from investing activities | (606) | (23) |
| Cash flows from financing activities | (750) | (2,141) |
| Net increase (decrease) in cash and cash equivalents | $ (40,581) | 39,097 |

(iii) Information regarding of Sheng Huei Suzhou:

| | June 30,2019 | December 31,2018 |
|---|---|---|
| Current assets | $ 1,696,877 | 1,807,929 |
| Non-current assets | 613,954 | 446,622 |
| Current liabilities | (1,474,447) | (1,553,903) |
| Non- Current liabilities | (33,163) | (9,584) |
| Net assets | $ 803,221 | 691,064 |

| | For the three months ended June 30 ,2019 | For the six months ended June 30 ,2019 |
|---|---|---|
| Operating revenue | $ 869,369 | $ 1,297,081 |
| Net income for the period | $ 98,818 | $ 134,283 |
| Other comprehensive income | 1,315 | 2,094 |
| Comprehensive income | $ 100,133 | $ 136,377 |

| | |
|---|---|
| Cash flows from operating activities | $ 96,709 |
| Cash flows from investing activities | (204,302) |
| Cash flows from financing activities | (92,661) |
| Effect of movements in exchange rates | 5,076 |
| Net increase (decrease) in cash and cash equivalents | $ (195,178) |

(k) Property, plant and equipment

| | Land | Building and construction | Other facilities | Unfinished construction and equipment under acceptance | Total |
|---|---|---|---|---|---|
| **Book values:** | | | | | |
| Balance on January 1, 2019 | $ 176,502 | 155,811 | 55,958 | 28,957 | 417,228 |
| Balance on June 30, 2019 | $ 176,502 | 154,784 | 55,343 | 54,145 | 440,774 |
| Balance on January 1, 2018 | $ 183,187 | 167,255 | 51,529 | - | 401,971 |
| Balance on June 30, 2018 | $ 183,187 | 163,960 | 55,658 | 1,067 | 403,872 |

There were no significant additions, disposal, or recognition and reversal of impairment losses of property, plant and equipment for the six months ended June 30 2019 and 2018. Information on amortization for the period is discussed in Note 12(a). Please refer to Note 6(m) of the 2018 annual consolidated financial statements for other related information.

(l) Right-of-use asset

The movements in the cost and depreciation of the leased land, building and construction and facility were as follows:

| | Land | Building and construction | Facilities | Total |
|---|---|---|---|---|
| **Cost:** | | | | |
| Balance on January 1, 2019 | $ - | - | - | - |
| Effect of IFRS16 | 33,028 | 68,533 | 42,628 | 144,189 |
| Additions | - | 20,574 | 8,518 | 29,092 |
| Effect of movements in exchange rates | 268 | (2) | 180 | 446 |
| Balance on June 30, 2019 | $ 33,296 | 89,105 | 51,326 | 173,727 |
| **Depreciation** | | | | |
| Balance on January 1, 2019 | $ - | - | - | - |
| Depreciation | **422** | 10,784 | 8,248 | 19,454 |
| Effect of movements in exchange rates | (4) | (38) | (44) | (86) |
| Balance on June 30, 2019 | $ 418 | 10,746 | 8,204 | 19,368 |
| **Book values:** | | | | |
| Balance on June 30, 2019 | $ 32,878 | 78,359 | 43,122 | 154,359 |

(m) Investment Property

Investment property comprises office buildings that are leased to third parties under operating leases, as well as properties that are owned by the Group. The leases of investment properties contain an initial non-cancellable lease term of 1 year. For all investment property leases, the rental income is fixed under the contracts.

| | | Land | Building and construction | Facilities | Total |
|---|---|---|---|---|---|
| **Book values:** | | | | | |
| Balance on January 1, 2019 | $ | 139,922 | 103,317 | 15 | 243,254 |
| Balance on June 30, 2019 | $ | 139,922 | 102,074 | 15 | 242,011 |
| Balance on January 1, 2018 | $ | 139,922 | 105,804 | 15 | 245,741 |
| Balance on June 30, 2018 | $ | 139,922 | 104,561 | 14 | 244,497 |

There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the six months ended June 30, 2019 and 2018. Information on amortization for the period is discussed in Note 12(a). Please refer to Note 6(n) of the 2018 annual consolidated financial statements for other related information.

The fair value of investment property was no significant different from 2018 annual consolidated financial statements.

(n) Short-term loans

| | | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|---|
| Secured bank loans | $ | - | 135,278 | 35,452 |
| Credit loan | $ | 30,000 | - | 20,000 |
| | $ | 30,000 | 135,278 | 55,452 |
| Unused bank facilities | $ | 5,975,113 | 6,060,885 | 6,964,005 |
| Interest rate | | 1.3% | 3.06%~5% | 1.3%~2.5% |

(i) Issues and Repayments of short-term loans

For the six months ended June 30, 2019 and 2018, the issues amounted to $30,000 and $26,971, and due in July, 2019 and August, 2018, respectively. The repayment amounted to $136,449 and $317,783 for the six months ended June 30, 2019 and 2018, respectively.

(ii) Assets pledged for bank loans

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

(o) Leases liabilities

| | June 30, 2019 | | | |
|---|---|---|---|---|
| | | Future minimum rent payments | Interest | Minimum present value of rent payments |
| Less than one year | $ | 42,362 | 2,454 | 39,908 |
| Between one and five years | | 70,089 | 2,574 | 67,515 |
| More than five years | | 15,038 | 174 | 14,864 |
| | $ | 127,489 | 5,202 | 122,287 |
| Current | $ | 42,362 | 2,454 | 39,908 |
| Non-current | $ | 85,127 | 2,748 | 82,379 |

There were no significant issues, repurchases and repayments of lease liabilities for the six months ended June 30, 2019.

| | For the three months ended June 30 ,2019 | For the six months ended June 30 ,2019 |
|---|---|---|
| Leases liabilities interest | $ 742 | 1,354 |
| Short leases expense | $ 11,749 | 21,687 |
| Low price leases assets (excluding short-term leases of low-value assets) | $ 1,996 | 2,612 |
| Recognized in statement of cash flow were as follows: | | |
| Cash flows out from leases | | $ 43,285 |

(i) Land、building and construction leases

As of June 30, 2019, the Group leases land and buildings for its office space. The leases of office space typically run for a period of three to five years.

(ii) Other leases

The Group leases vehicles, with lease terms of three to five years. In some cases, the Group has options to purchase the assets at the end of the contract term.

The Group leases work office, employees' dormitory and office equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(p) Provisions

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Provisions | $ 379,702 | 352,256 | 462,874 |

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

There were no significant fluctuation of provisions for the six months ended June 30, 2019 and 2018. Please refer to Note 6(p) of the 2018 annual consolidated financial statements for other related information.

(q) Employee benefits

(i) Defined benefit plans

Due to there are no significant market volatility, significant reduction, settlement or other significant one-time items after the end of previous financial year, the Group adopts the actuarial decision cost on December 31, 2018 and 2017 to measure and disclose pension cost during the period.

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

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Operating cost | $ 38 | 44 | 75 | 88 |
| Operating expense | 112 | 121 | 225 | 241 |
| | **$ 150** | **165** | **300** | **329** |

(ii) Defined contribution plans

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

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Operating cost | $ 4,059 | 4,054 | 8,228 | 8,171 |
| Operating expense | 1,657 | 1,653 | 3,590 | 3,188 |
| | **$ 5,716** | **5,707** | **11,818** | **11,359** |

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

(r) Taxes

The Group income tax expense (benefit):

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Current income tax expense (benefit): | | | | |
| Current period | $ 158,521 | 214,931 | 227,921 | 268,204 |
| Deferred tax expense: | | | | |
| Origination and reversal of temporary difference | (2,623) | 26,762 | 49,758 | 66,645 |
| Fluctuation of tax rate | – | – | – | 34,807 |
| Income tax expense (benefit) | **$ 155,898** | **241,693** | **277,679** | **368,936** |

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

| | | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|---|
| | | **2019** | **2018** | **2019** | **2018** |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Foreign currency translation differences－foreign operations | $ | (6,226) | 623 | 5,358 | 5,333 |
| Fluctuation of tax rate | | - | - | - | (1,138) |
| | $ | (6,226) | 623 | 5,358 | 4,195 |

The income tax return of the Company has been examined by the tax authorities through year 2017.

(s) Capital and other equity

Except as described below, no significant changes in the Group capital and other equity for the six months ended June 30, 2019 and 2018. The related information, please refer to Note 6(t) of the Group financial statements for the year ended December 31, 2018.

(i) Issuance of common stock

On May 9, 2019 and May 10, 2018, the Company's board of directors approved to write off restricted stock to employees 16,000 shares and 4,000 shares, respectively, with the record date of capital reduction on May 31, 2019 and June 1, 2018. The company had finished the capital reduction registration.

On May 30, 2018, 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. and effective on June 8, 2018. The Company's board of the directors resolved the date of the increase in capital to be July 3, 2018.

(ii) Capital surplus

The Company wrote off 16,000 shares and 4,000 shares of restricted stock, with the record date of capital reduction on May 31, 2019 and June 1, 2018, and decreasing capital surplus amounted to $1,120 and $285, respectively.

(iii) Retained earnings

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

(1) Legal reserve

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

(2) Special reserve

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

(3) Earnings distribution

On May 29, 2019, and May 30, 2018, the meeting of stockholders of Acter approved the distribution plan of retained earnings. Information about dividends per share for 2018 and 2017 are as follows:

| | 2018 | 2017 |
|---|---|---|
| Dividends per share (In New Taiwan Dollars): | | |
| Cash | $ 813,042 | 612,986 |
| Stock | - | 70,729 |
| | $ 813,042 | 683,715 |

(iv) Other equity interest (net of tax)

| | Exchange differences on translation of foreign operations | Financial assets measured at fair value through other comprehensive income | Investment in available-for-sale financial assets | Other equity-unrealized bonus | Total |
|---|---|---|---|---|---|
| Balance, January1, 2019 | $ (63,237) | (5,573) | - | (776) | (69,586) |
| Foreign currency exchange differences (net of tax) | 13,202 | - | - | - | 13,202 |

| | Exchange differences on translation of foreign operations | Financial assets measured at fair value through other comprehensive income | Investment in available-for-sale financial assets | Other equity-unrealized bonus | Total |
|---|---|---|---|---|---|
| Unrealized gains(losses) on financial assets measured at fair value through other comprehensive income | - | 235 | - | - | 235 |
| Employee's unrealized bonus | - | - | - | 776 | 776 |
| Balance, June 30, 2019 | $ (50,035) | (5,338) | - | - | (55,373) |
| Balance, January1, 2018 | $ (52,599) | - | (3,962) | (10,088) | (66,649) |
| Adjustment | - | (4,700) | 3,962 | - | (738) |
| Balance, January1, 2018 | (52,599) | (4,700) | - | (10,088) | (67,387) |
| Foreign currency exchange differences (net of tax) | 15,383 | - | - | - | 15,383 |
| Unrealized gains(losses) on available-for-sale financial assets | - | (175) | - | - | (175) |
| Employee's unrealized bonus | - | - | - | 5,117 | 5,117 |
| Balance, June 30, 2018 | $ (37,216) | (4,875) | - | (4,971) | (47,062) |

(t) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment for the six months ended June 30, 2019 and 2018. For the related information, please refer to Note 6(u) of the consolidated financial statements for the year ended December 31, 2018.

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

The Company has two share-based payment trade as of June 30, 2019：

| | Equity-settled<br>Restricted stock to employee | Equity-settled<br>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% |

| (Expressed in thousand unit) | 2019 Weighted-Average Exercise Price | 2019 Number of Exercisable Shares | 2018 Weighted-Average Exercise Price | 2018 Number of Exercisable Shares |
|---|---|---|---|---|
| Balance, beginning of the period | $ - | 291 | - | 703 |
| Forfeited | - | (16) | - | (4) |
| Exercised | - | (275) | - | (389) |
| Balance, end of the period | | - | | 310 |

(u) Earnings per share ("EPS")

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Profit attributable to common shareholders | $ 294,064 | 429,851 | 527,759 | 628,464 |
| Weighted average number of common shares (In thousand shares) | 54,005 | 53,651 | 53,959 | 53,587 |
| **Basic Earnings per share (In New Taiwan Dollars)** | **$ 5.45** | **8.01** | **9.78** | **11.73** |
| Profit attributable to common shareholders | $ 294,064 | 429,851 | 527,759 | 628,464 |
| Weighted average number of common shares (In thousand shares) | 54,005 | 53,651 | 53,959 | 53,587 |
| Add: effect on potential common stock | | | | |
| －employee bonuses (In thousand shares) | 143 | 142 | 381 | 303 |
| －restricted stocks | 989 | 1,006 | 991 | 1,006 |

| | | | | |
|---|---|---|---|---|
| for employees | | | | |
| Diluted weighted average number of common shares (In thousand shares) | 55,137 | 54,799 | 55,331 | 54,896 |
| **Diluted Earnings per share (In New Taiwan Dollars)** | $ 5.33 | 7.84 | 9.54 | 11.45 |

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| Primary geographical markets | 2019 | 2018 | 2019 | 2018 |
| Taiwan | $ 1,138,870 | 1,917,925 | 2,544,502 | 3,138,943 |
| China | 2,275,068 | 2,529,776 | 3,535,108 | 4,226,582 |
| Other | 288,467 | 164,541 | 380,540 | 275,654 |
| | $ 3,702,405 | 4,612,242 | 6,460,150 | 7,641,179 |
| Major products/services lines | | | | |
| Cleanroom electromechanical integration engineering | $ 2,207,538 | 2,342,158 | 3,417,520 | 3,489,486 |
| Water gasification supply integration engineering | 964,348 | 1,576,756 | 2,142,746 | 2,850,001 |
| Consumer industry electromechanical integration engineering | 153,905 | 264,294 | 316,829 | 689,188 |
| Biomedical integration engineering | 90,791 | 252,429 | 209,700 | 419,926 |
| High-tech equipment and materials sales and services | 285,823 | 176,605 | 373,355 | 192,578 |
| | $ 3,702,405 | 4,612,242 | 6,460,150 | 7,641,179 |

(ii) Contract balances

| | June 30, 2019 | December31, 2018 | June 30, 2018 |
|---|---|---|---|
| Accounts receivable | $ 3,898,345 | 3,339,533 | 4,277,579 |
| Less: allowance for impairment | (238,476) | (195,727) | (192,678) |
| | $ 3,659,869 | 3,143,806 | 4,084,901 |
| Contract assets-construction and equipment | $ 1,426,561 | 1,125,423 | 1,426,539 |
| Less: allowance for impairment | (49,635) | (45,479) | (45,479) |
| | $ 1,376,926 | 1,079,944 | 1,381,060 |
| Contract liabilities-construction and equipment | $ 1,158,759 | 1,715,013 | 1,309,804 |
| Contract liabilities- Advance received | - | 3,917 | 6,484 |
| | $ 1,158,759 | 1,718,930 | 1,316,288 |

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

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 is no other majority change for the six months ended June 30, 2019.

(w) Remuneration to employees and directors

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

For the three months and six months ended June 30, 2019 and 2018, the Company estimated its employee remuneration amounted to $24,097, $27,373, $41,361, and $41,233, and directors' and supervisors' remuneration amounting to $12,049, $16,424, $20,681 and $24,740, respectively. These amounts were calculated using the company's net income before tax, multiplied by the proposed percentage which is stated under the company's article. These remunerations were expensed under operating costs or expenses for each period. If there is an adjustment between actual distribution and estimation of the aforementioned employee bonuses and remuneration to directors, the adjustment will reflect to the profit and loss on next year.

For the year ended December 31, 2018 and 2017, the Company estimated its employee remuneration amounted to $81,757 and $61,369, and directors' and supervisors' remuneration amounting to $40,879 and $30,685, respectively. There is no different between estimation and paid. The information is available on the Market Observation Post System website.

(x) Non-operating income and expenses

(i) Other revenue

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Interest income | $ 10,389 | 12,370 | 21,386 | 21,599 |
| Rental income | 499 | 854 | 951 | 1,524 |
| Others | 4,110 | 7,758 | 20,533 | 10,161 |
| | **$ 14,998** | **20,982** | **42,870** | **33,284** |

(ii) Other income and losses

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Exchange gain(loss) on foreign currency | $ 20,489 | 90,795 | 9,492 | 41,669 |

| | | | | |
|---|---|---|---|---|
| Gain on disposal of no-current assets held for sale | - | - | 19,515 | - |
| Net loss on financial assets or liabilities at fair value through profit or loss | 1,905 | (126) | 6,414 | (2,046) |
| Others | (1,730) | 194 | 126 | 303 |
| | $ 20,664 | 90,863 | 35,547 | 39,926 |

(y) Financial Instruments

Except as described below, there are no significant changes on the fair value of financial instruments and the financial instruments exposed to credit risk, liquidity risk and market risk, please refer to Note 6(ab) of the Group's financial statements for the year ended December 31, 2018.

(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 June 30, 2019, December 31 and June 30, 2018, concentration of credit risk came from the Group's largest client are not more than 6%, 6% and 11% of the Group's receivables, respectively, while that came from the Group's other four major clients are not more than 21%, 20% and 19% of the Group's receivables, respectively.

(3) Credit risk of receivable

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

Other financial assets at amortized cost include other receivables and other financial assets.

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) of the Group's financial statements for the year ended December 31, 2018.

The loss allowance provision as for the six months ended June 30, 2019 and 2018 were determined as follows:

| | | Other receivables | Other financial assets (guarantee deposits paid) |
|---|---|---|---|
| Balance on January 1,2019 | $ | 17,612 | 22,431 |
| Amounts written off | | (4,226) | - |
| Foreign exchange losses | | 190 | 182 |
| Balance on June 30,2019 | $ | 13,576 | 22,613 |
| Balance on January 1,2018 | | 13,759 | - |
| Impairment loss recognized | | - | - |
| Foreign exchange losses | | 99 | - |
| Balance on June 30,2018 | $ | 13,858 | - |

(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 |
|---|---|---|---|---|---|---|---|
| **June 30, 2019** | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Unsecured bank loans | $ | 30,000 | 30,004 | 30,004 | - | - | - |
| Notes payable | | 195,978 | 195,978 | 195,978 | - | - | - |
| Accounts payable (including related parties) and other accrued expenses | | 3,198,777 | 3,198,777 | 2,912,843 | 140,011 | 103,029 | 42,894 |
| Leases liabilities (current and non-current) | | 122,287 | 127,489 | 42,363 | 40,931 | 29,157 | 15,038 |
| | $ | 3,547,042 | 3,552,248 | 3,181,188 | 180,942 | 132,186 | 57,932 |
| **December 31, 2018** | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Secured bank loans | $ | 135,278 | 136,316 | 136,316 | - | - | - |
| 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 | 79,353 | 12 |
| | $ | 3,136,909 | 3,137,947 | 2,926,901 | 131,681 | 79,353 | 12 |
| **June 30, 2018** | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Secured bank loans | $ | 35,452 | 35,634 | 35,634 | - | - | - |
| Unsecured bank loans | | 20,000 | 20,003 | 20,003 | - | - | - |
| Notes payable | | 227,303 | 227,303 | 227,303 | - | - | - |
| Accounts payable (including related parties) and other accrued expenses | | 3,743,090 | 3,743,090 | 3,547,347 | 119,963 | 75,768 | 12 |
| | $ | 4,025,845 | 4,026,030 | 3,830,287 | 119,963 | 75,768 | 12 |

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

(iii) Market risk

(1) Foreign exchange risk

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

| | June 30, 2019 | | | December 31, 2018 | | | June 30, 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Foreign Currency** | **Exchange Rate** | **NTD** | **Foreign Currency** | **Exchange Rate** | **NTD** | **Foreign Currency** | **Exchange Rate** | **NTD** |
| Financial assets | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD | $ 60,291 | 31.1010 | 1,875,114 | 61,510 | 30.802 | 1,894,616 | 72,033 | 30.5860 | 2,203,208 |
| CNY | 555,607 | 4.5226 | 2,512,790 | 540,472 | 4.4862 | 2,424,663 | 482,857 | 4.6168 | 2,229,253 |
| SGD | 2,652 | 22.9553 | 60,876 | 2,896 | 22.4235 | 64,946 | 3,223 | 22.3459 | 72,031 |
| JPY | 12,543 | 0.2878 | 3,610 | 46,792 | 0.2777 | 12,994 | 137,753 | 0.2772 | 38,185 |
| Financial liabilities | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD | 10,993 | 31.1010 | 341,903 | 8,397 | 30.802 | 258,655 | 13,810 | 30.5860 | 422,403 |
| CNY | 289,726 | 4.5226 | 1,310,315 | 335,631 | 4.4862 | 1,505,707 | 329,421 | 4.6168 | 1,520,872 |
| SGD | 42 | 22.9553 | 973 | 179 | 22.4235 | 4,020 | 244 | 22.3459 | 5,452 |
| JPY | 24,793 | 0.2878 | 7,135 | 56,308 | 0.2777 | 15,637 | 117,802 | 0.2772 | 32,655 |

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, 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 June 30, 2019 and 2018 would have increased or decreased the before-tax net income by $27,921 and $25,613, respectively. The analysis is performed on the same basis for both periods.

Due to the Group have various functional currencies, thus adopting summary disclose monetary items to display exchange gain or loss. Exchange gain or loss for the six months ended June 30, 2019 and 2018, respectively, including unrealized and realized, were $9,492 and $41,669.

(2) Interest rate analysis

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

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

If the interest rate increases/decreases by 1%, the Group's net income will decrease/increase by $300 and $555 for the six months ended June 30, 2019 and 2018, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's borrowing in variable rate.

(3) Other price risk

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

| | For the six months ended June 30 | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| **Reporting Date Security Price** | **Other comprehensive income Before-tax amount** | **Before-tax Profit or loss** | **Other comprehensive income Before-tax amount** | **Before-tax Profit or loss** |
| **Go up 3%** | $ 102 | 9,610 | 116 | 10,099 |
| **Go down 3%** | $ (102) | (9,610) | (116) | (10,099) |

(iv) 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 are 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 and leases liabilities disclosure of fair value information is not required :

| | June 30 ,2019 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | **Book value** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets at fair value through profit or loss** | | | | | |
| Mandatorily measured at fair value through profit or loss | $ 320,333 | 320,333 | - | - | 320,333 |
| **Financial assets at fair value through other comprehensive income** | | | | | |
| Emerging Stock | 3,412 | 3,412 | - | - | 3,412 |
| **Financial assets at amortized cost** | | | | | |
| Cash and cash equivalents | 3,828,382 | - | - | - | - |
| Contract Assets | 1,376,926 | | | | |
| Notes receivable | 464,181 | - | - | - | - |
| Accounts receivable | 3,659,869 | - | - | - | - |
| Other receivable | 20,661 | - | - | - | - |
| Other financial assets | 530,787 | - | - | - | - |
| Total | $ 10,204,551 | 323,745 | - | - | 323,745 |
| **Financial liabilities at amortized cost** | | | | | |
| Short-term loans | $ 30,000 | - | - | - | - |
| Notes payable | 195,978 | - | | | |

| | | | | | |
|---|---|---|---|---|---|
| Accounts payable | 3,146,716 | - | - | - | - |
| Accounts payable-related party | 615 | - | - | - | - |
| Other accrued expenses | 51,446 | - | - | - | - |
| Leases liabilities (current and non-current) | 122,287 | - | - | - | - |
| Total | $ 3,547,042 | - | - | - | - |

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

| | June 30 ,2018 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Book value | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value through profit or loss** | | | | | |
| Mandatorily measured at fair value through profit or loss | $ 336,646 | 336,646 | - | - | 336,646 |
| **Financial assets at fair value through other comprehensive income** | | | | | |
| Emerging Stock | 3,875 | 3,875 | - | - | 3,875 |
| **Financial assets at amortized cost** | | | | | |
| Cash and cash equivalents | 4,552,967 | - | - | - | - |
| Contract Assets | 1,381,060 | - | - | - | - |
| Notes receivable | 123,105 | - | - | - | - |
| Accounts receivable | 4,084,901 | - | - | - | - |
| Other receivable | 25,786 | - | - | - | - |

| | | | | | |
|---|---|---|---|---|---|
| Other current financial assets | 220,054 | - | - | - | - |
| Total | $ 10,728,394 | 340,521 | - | - | 340,521 |
| **Financial liabilities at amortized cost** | | | | | |
| Short-term loans | $ 55,452 | - | - | - | - |
| Notes payable | 227,303 | - | - | - | - |
| Accounts payable | 3.658,211 | - | - | - | - |
| Accounts payable-related party | 263 | - | - | - | - |
| Other accrued expenses | 84,616 | - | - | - | - |
| Total | $ 4,025,845 | - | - | - | - |

(2) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

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

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or regulators and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high bid-ask spreads is an indication of non-active market.

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

There were no transfers from one level to another for the six months ended June 30, 2019 and 2018.

(z) Financial risk management

There are no significant changes on the Group financial risk management objectives and policies disclosure, please refer to Note 6(ac) of the Group financial statements for the year ended December 31, 2018.

(aa) Capital management

Disclosure of the Company's capital management objectives, policies and procedures consists with the consolidated financial statements of 2018; there are no significant changes to summary quantitative data for capital management disclosed of the consolidated financial statements of 2018. Please refer to Note 6(ad) of the Group financial statements for the year ended December 31, 2018.

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

The Group's investing and financing activities which did not affect the current cash flow in the three months ended June 30, 2019 and 2018, were as follows:

Acquired right-of-use asset by finance lease, please refer to Note 6(l).

Reconciliation of liabilities arising from financing activities were as follows:

| | | | Non-cash changes | | |
|---|---|---|---|---|---|
| | **January 1, 2019** | **Cash flows** | **Foreign exchange movement** | **Increased** | **June 30, 2019** |
| Short-term loans | $ 135,278 | (106,449) | 1,171 | - | 30,000 |
| Leases liabilities | 111,162 | (17,632) | 241 | 28,516 | 122,287 |
| Guarantee deposit received | 84 | 66 | - | - | 150 |
| Total liabilities from financing activities | $ 246,524 | (124,015) | 1,412 | 28,516 | 155,437 |

| | | | Non-cash changes | | |
|---|---|---|---|---|---|
| | **January 1, 2018** | **Cash flows** | **Foreign exchange movement** | **Fair value Changes** | **June 30, 2018** |
| Short-term loans | $ 344,806 | (290,812) | 1,458 | - | 55,452 |
| Guarantee deposit received | 314 | - | - | - | 314 |
| Total liabilities from financing activities | $ 345,120 | (290,812) | 1,458 | - | 55,766 |

## (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

(i) Construction cost, and related assets and liabilities:

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

| | Purchases | | Purchases | | Payables to Related Parties | | |
|---|---|---|---|---|---|---|---|
| | For the three months ended June 30 | | For the six months ended June 30 | | | | |
| | 2019 | 2018 | 2019 | 2018 | June 30, 2019 | December 31, 2018 | June 30, 2018 |
| Entity under the key management's control | $ 575 | 230 | 712 | 462 | 615 | 396 | 263 |

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

(c) Key management personnel compensation

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Short-term employee benefits | $ 19,747 | 25,983 | 56,962 | 51,836 |
| Post-employment benefits | 108 | 63 | 216 | 144 |
| Share based payments | - | 786 | 363 | 1,960 |
| | $ 19,855 | 26,832 | 57,541 | 53,940 |

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 | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|---|
| Other financial assets－current: | | | | |
| Savings deposit / time deposit | Construction contract fulfillment and warranty guarantee | $ 116,942 | 392,727 | 64,627 |
| Other non-current assets: | | | | |
| Other non-current assets | warranty guarantee | 1,578 | 1,573 | 1,565 |
| | | $ 118,520 | 394,300 | 66,192 |

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

Significant commitments and contingencies for the Group as of June 30, 2019, and December 31, June 30, 2018 are as follows:

(a) Fulfillment and warranty guarantee (excluding related parties) for engaging in construction contracts amounted to $1,224,319, $1,211,732 and $1,417,878, respectively.

(b) Bank pledges for engaging in construction contracts amounted to $1,584,826,

$1,412,180 and $897,248, respectively.

(c) Contract fulfillment guarantee and warranty guarantee (excluding related parties) for other companies in the same industry amounted to $400,880, $400,455 and $394,221, respectively.

(d) For already-signed but not-yet-finished significant construction contracts, please refer to Note 6(v).

(e) The Company has signed a construction contract with Walsin Technology Corporation (Walsin) in December, 2010. Walsin claimed that the Company did not perform the construction according to the contract, and therefore claimed a compensation amounting to $42,189 at the Taipei District Court. The civil judgment of the first instance during December, 2015 has been pronounced by the Taipei District Court, requiring the Company pay $14,666 to Walsin, which has been fully recognized as loss by the Company. The Company has appealed to Taiwan High Court. As of June 30, 2019, the compensation remained $8,376 payable, and has been recognized as other current liabilities and accrued expenses.

(f) The Company's subsidiary, Nova Tech, contracted to constructions of gas factory expansion and new factory with Jing He Science Co., Ltd. (Jing He). For installation of process equipment and pipeline, Nova Tech was responsible for installing the process pipelines and purchasing process equipment according with the design layout or purchase order provided by Jing He. Hereafter, Jing He had changed the design layout which resulted in extra work. Nova Tech requested Jing He for additional contract payment. Jing He argued that the contract is a lump-sum contract.

Therefore, Jing He refused any additional payment and terminated the contract unilaterally right before the construction completed. Nova Tech has sued Jing He for related contract payment. Nova Tech has appointed an attorney as an agent. The case has been in trial and the district court has appointed Taiwan Association of Construction and Development and Taiwan Professional Electrical Engineers Association to valuing the completed part of new factory building. Nova Tech and Jing He has provided supplement opinions for the preliminary valuation and wait for the valuation report. Besides, the district court has appointed Taiwan Construction Research Institute to valuing the gas factory expansion construction. Taiwan Construction Research Institute requested Nova Tech and Jing He for supplement documents. Up to the issuance date of the financial statements, Nova Tech was not able to predict the judgment of the court and amount of compensation. However, Nova Tech has appropriately recognized allowance for impairment of incurred construction cost in accordance with related accounting standards. Nova Tech estimated the maximum loss for this lawsuit. The maximum impact to financial statements is a loss of 70 million. Jing He paid 10,500 for partial of construction payment and interest to Nova Tech on February 5, 2018.

**(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:

| | For the three months ended June 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| **By item** | **Operating costs** | **Operating expenses** | **Total** | **Operating costs** | **Operating expenses** | **Total** |
| Employee benefit | | | | | | |
| Salary | $ 167,963 | 119,759 | 287,722 | 179,505 | 128,814 | 308,319 |
| Labor, health and social insurance | 19,946 | 10,972 | 30,918 | 16,719 | 11,142 | 27,861 |
| Pension | 4,097 | 1,769 | 5,866 | 4,098 | 1,774 | 5,872 |
| Other | 4,747 | 5,169 | 9,916 | 4,114 | 3,888 | 8,002 |
| Depreciation | 4,359 | 12,339 | 16,698 | 1,138 | 5,161 | 6,299 |
| Amortization | 79 | 1,712 | 1,791 | 108 | 1,740 | 1,848 |

| | For the six months ended June 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| **By item** | **Operating costs** | **Operating expenses** | **Total** | **Operating costs** | **Operating expenses** | **Total** |
| Employee benefit | | | | | | |
| Salary | $ 328,905 | 243,900 | 572,805 | 342,258 | 220,547 | 562,805 |
| Labor, health and social insurance | 34,760 | 21,296 | 56,056 | 33,088 | 19,475 | 52,563 |
| Pension | 8,303 | 3,815 | 12,118 | 8,259 | 3,429 | 11,688 |
| Other | 9,133 | 10,604 | 19,737 | 9,512 | 8,942 | 18,454 |
| Depreciation | 8,590 | 23,328 | 31,918 | 2,107 | 10,215 | 12,322 |
| Amortization | 138 | 3,216 | 3,354 | 163 | 3,479 | 3,642 |

Note: Depreciation for investment property for the six months ended June 30, 2019 and 2018 were $1,243 and $1,244, respectively, and were recorded in non-operating expenses.

(b) Operation of seasonal:

The Group did not be influenced by seasonal or periodicity.

**(13) Segment information:**

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

| For the three months ended June 30, 2019 | Taiwan | Mainland China | Other Asian | Adjustments and Eliminations | Total |
|---|---|---|---|---|---|
| Revenue: | | | | | |
| Revenue from external customers | $ 1,652,035 | 1,864,605 | 185,765 | - | 3,702,405 |
| Intersegment revenues | 12,532 | - | - | (12,532) | - |
| Total revenue | $ 1,664,567 | 1,864,605 | 185,765 | (12,532) | 3,702,405 |
| **Reportable segment profit or loss** | | | | | **$ 328,604** |

| For the three months ended June 30, 2018 | Taiwan | Mainland China | Other Asian | Adjustments and Eliminations | Total |
|---|---|---|---|---|---|
| Revenue: | | | | | |
| Revenue from external customers | $ 1,917,925 | 2,529,776 | 164,541 | - | 4,612,242 |
| Intersegment revenues | 137,551 | 27,064 | - | (164,615) | - |
| Total revenue | $ 2,055,476 | 2,556,840 | 164,541 | (164,615) | 4,612,242 |
| **Reportable segment profit or loss** | | | | | **$ 523,180** |

| For the six months ended June 30, 2019 | Taiwan | Mainland China | Other Asian | Adjustments and Eliminations | Total |
|---|---|---|---|---|---|
| Revenue: | | | | | |
| Revenue from external customers | $ 3,057,667 | 3,124,645 | 277,838 | - | 6,460,150 |
| Intersegment revenues | 29,266 | 6,542 | - | (35,808) | - |
| Total revenue | $ 3,086,933 | 3,131,187 | 277,838 | (35,808) | 6,460,150 |
| **Reportable segment profit or loss** | | | | | **$ 622,949** |

| For the six months ended June 30, 2018 | Taiwan | Mainland China | Other Asian | Adjustments and Eliminations | Total |
|---|---|---|---|---|---|
| Revenue: | | | | | |
| Revenue from external customers | $ 3,138,943 | 4,226,582 | 275,654 | - | 7,641,179 |
| Intersegment revenues | 553,569 | 66,274 | - | (619,843) | - |
| Total revenue | $ 3,692,512 | 4,292,856 | 275,654 | (619,843) | 7,641,179 |
| **Reportable segment profit or loss** | | | | | **$ 758,705** |

| **Reportable segment asset** | **Taiwan** | **Mainland China** | **Other Asian** | **Adjustments and Eliminations** | **Total** |
|---|---|---|---|---|---|
| **June 30, 2019** | **$ 11,516,169** | **10,183,900** | **2,295,016** | **(11,707,357)** | **12,287,728** |
| **December 31, 2018** | **$ 10,553,191** | **9,872,124** | **1,896,417** | **(10,540,943)** | **11,780,789** |
| **June 30, 2018** | **$ 11,337,693** | **5,620,131** | **1,948,505** | **(6,439,513)** | **12,466,816** |
| **Reportable segment liability** | | | | | |
| **June 30, 2019** | **$ 4,991,388** | **4,485,444** | **276,675** | **(2,469,232)** | **7,284,275** |
| **December 31, 2018** | **$ 3,432,785** | **4,388,295** | **251,719** | **(1,673,522)** | **6,399,277** |
| **June 30, 2018** | **$ 4,904,420** | **3,539,508** | **411,562** | **(1,197,551)** | **7,657,939** |