

**ACTER GROUP CORPORATION LIMITED AND
SUBSIDIARIES**

Consolidated Financial Statements

With Independent Auditors' Report

For the Years Ended December 31, 2020 and 2019

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

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Representation Letter

The entities that are required to be included in the combined financial statements of Acter Group Corporation Limited as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements are included in the consolidated financial statements. Consequently, Acter Group Corporation Limited and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Acter Group Corporation Limited

Chairman: Liang, Chin-Li

Date: February 25, 2021

Independent Auditors' Report

To the Board of Directors of Acter Group Corporation Limited:

Opinion

We have audited the consolidated financial statements of Acter Group Corporation Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certificated Public Accountant and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No.1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Revenue recognition

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

Description of key audit matter

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

How the matter was addressed in our audit

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

2. Assessment of impairment of receivables

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

Description of key audit matter

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

How the matter was addressed in our audit

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

3. Accrual of construction contract losses

Please refer to Note 4(q) "Revenue (Cost from contracts with customers)", Note 5(c) "Significant accounting assumptions and judgments, and major sources of estimation uncertainty: Accrual of construction contract losses", and Note 9(e) "Commitments and Contingencies" to the consolidated financial statements.

Description of key audit matter

If the Group assesses that the contract cost that has been incurred is "unlikely to be recovered" then will make an accrual for the loss and recognize it as an expense immediately. The accrual of the losses involves management judgment so that the estimation of construction contract losses is one of the key matters for our audit.

How the matter was addressed in our audit

Our principal audit procedures included: Comparing the actual amount of construction contract losses and loss provisions accrued in the past assessing and understanding how the management estimates the losses, including the method of assessment, whether the source of the information is appropriate, and the possibility to correct the accounting estimates; evaluating the appropriateness of accounting principles and related disclosures. In addition, if the completion of the contract is subject to the outcome of pending litigation or legislation, the construction contract losses will also be evaluated in accordance with IAS 37.

Other Matter

The Company has prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion.

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
February 25, 2021

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		<u>2020</u>		<u>2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Operating Revenues:					
4521	Construction revenue (note 6(v))	\$ 13,586,228	97	12,085,519	95
4529	Less: allowances	(14,383)	-	(24,914)	-
		<u>13,571,845</u>	<u>97</u>	<u>12,060,605</u>	<u>95</u>
4110	Sales	295,090	2	516,240	4
4800	Other operating revenue	110,075	1	98,041	1
		<u>13,977,010</u>	<u>100</u>	<u>12,674,886</u>	<u>100</u>
Operating costs:					
5520	Construction cost (note 6(o), (q), (t) and 7(b))	11,154,624	80	9,691,442	77
5110	Costs of goods sold	228,212	2	365,643	3
5800	Other operating costs	75,668	-	45,462	-
		<u>11,458,504</u>	<u>82</u>	<u>10,102,547</u>	<u>80</u>
	Gross profit from operations	<u>2,518,506</u>	<u>18</u>	<u>2,572,339</u>	<u>20</u>
Operating expenses (note 6(q) and (t)):					
6100	Selling expenses	112,500	1	120,129	1
6200	Administrative expenses	574,237	4	545,916	4
6300	Research and development expenses	181,177	1	146,433	1
6450	Expected credit loss	(50,470)	-	(18,651)	-
		<u>817,444</u>	<u>6</u>	<u>793,827</u>	<u>6</u>
	Net operating income	<u>1,701,062</u>	<u>12</u>	<u>1,778,512</u>	<u>14</u>
Non-operating income and expenses:					
7050	Finance costs (note 6(x))	(7,168)	-	(5,254)	-
7100	Interest income (note 6(x))	31,674	-	40,425	1
7010	Other income (note 6(x))	25,044	-	21,727	-
7070	Shares of loss of associates accounted for using equity method, net	(999)	-	(61)	-
7020	Other gains and losses, net (note 6(x))	(55,507)	-	31,117	-
		<u>(6,956)</u>	<u>-</u>	<u>87,954</u>	<u>1</u>
	Profit before income tax	<u>1,694,106</u>	<u>12</u>	<u>1,866,466</u>	<u>15</u>
7950	Less: Income tax expenses (note 6(r))	495,293	3	590,182	5
	Profit	<u>1,198,813</u>	<u>9</u>	<u>1,276,284</u>	<u>10</u>
Other comprehensive income (loss):					
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurements effects on defined benefit plans	619	-	(11,300)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	2,848	-	(577)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		<u>3,467</u>	<u>-</u>	<u>(11,877)</u>	<u>-</u>
8360	Items that will be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	(11,746)	-	(97,810)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(r))	809	-	24,349	-
		<u>(10,937)</u>	<u>-</u>	<u>(73,461)</u>	<u>(1)</u>
8300	Other comprehensive income, net of tax	<u>(7,470)</u>	<u>-</u>	<u>(85,338)</u>	<u>(1)</u>
8500	Total comprehensive income	<u>\$ 1,191,343</u>	<u>9</u>	<u>1,190,946</u>	<u>9</u>
Profit, attributable to:					
8610	Owners of parent	\$ 970,082	7	1,036,094	8
8620	Non-controlling interests	228,731	2	240,190	2
		<u>\$ 1,198,813</u>	<u>9</u>	<u>1,276,284</u>	<u>10</u>
Comprehensive income attributable to:					
8710	Owners of parent	\$ 959,229	7	968,003	7
8720	Non-controlling interests	232,114	2	222,943	2
		<u>\$ 1,191,343</u>	<u>9</u>	<u>1,190,946</u>	<u>9</u>
Earnings per share (Expressed in New Taiwan Dollars) (note 6(u))					
9750	Basic earnings per share	<u>\$ 17.90</u>		<u>19.16</u>	
9850	Diluted earnings per share	<u>\$ 16.55</u>		<u>18.94</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												
	Retained earnings						Other equity						
	Ordinary shares	Advance receipts	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Others	Total Other equity	Non-controlling interests	Total equity
Balance at 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)
Share-based payment	(160)	-	(1,120)	-	-	-	-	-	-	776	776	-	(504)
Profit for the year ended December 31, 2019	-	-	-	-	-	1,036,094	1,036,094	-	-	-	-	240,190	1,276,284
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	(7,716)	(7,716)	(59,798)	(577)	-	(60,375)	(17,247)	(85,338)
Total comprehensive income	-	-	-	-	-	1,028,378	1,028,378	(59,798)	(577)	-	(60,375)	222,943	1,190,946
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(209,870)	(209,870)
Balance at December 31, 2019	\$ 541,868	-	1,392,119	617,840	68,809	2,012,132	2,698,781	(123,035)	(6,150)	-	(129,185)	1,045,459	5,549,042
Balance at January 1, 2020	\$ 541,868	-	1,392,119	617,840	68,809	2,012,132	2,698,781	(123,035)	(6,150)	-	(129,185)	1,045,459	5,549,042
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	-	103,609	-	(103,609)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	60,377	(60,377)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(812,801)	(812,801)	-	-	-	-	-	(812,801)
Changes in ownership interests in subsidiaries	-	-	(268)	-	-	-	-	-	-	-	-	-	(268)
Cash capital increase	-	450,544	-	-	-	-	-	-	-	-	-	-	450,544
Share-based payment	-	-	12,162	-	-	-	-	-	-	-	-	-	12,162
Due to recognition of equity component of convertible bonds issued	-	-	33,697	-	-	-	-	-	-	-	-	-	33,697
Profit for the year ended December 31, 2020	-	-	-	-	-	970,082	970,082	-	-	-	-	228,731	1,198,813
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	-	(577)	(577)	(13,124)	2,848	-	(10,276)	3,383	(7,470)
Total comprehensive income	-	-	-	-	-	969,505	969,505	(13,124)	2,848	-	(10,276)	232,114	1,191,343
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(125,239)	(125,239)
Balance at December 31, 2020	\$ 541,868	450,544	1,437,710	721,449	129,186	2,004,850	2,855,485	(136,159)	(3,302)	-	(139,461)	1,152,334	6,298,480

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,694,106	1,866,466
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses (including investment property)	76,333	68,350
Amortization expenses	9,902	7,219
Expected credit gain	(50,470)	(18,651)
Interest expense	7,168	5,254
Interest income	(31,674)	(40,425)
Dividend income	(3,905)	-
Compensation cost arising from employee stock options	12,162	(504)
Shares of loss of associates accounted for using equity method	999	61
Net loss of financial liability at fair value through profit or loss	240	-
Disposal, property plant, equipment loss	217	142
Gain on disposal of non-current assets held for sale	-	(19,515)
Others	(7)	-
Total adjustments to reconcile profit (loss)	<u>20,965</u>	<u>1,931</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) decrease in current financial assets at fair value through profit or loss	(197,745)	137,857
Increase in current contract assets	(1,438,481)	(416,825)
Decrease (increase) in notes receivable	255,706	(129,652)
Increase in trade receivables	(399,937)	(313,770)
Decrease (increase) in inventories	254,904	(163,416)
Decrease (increase) in other financial assets	(122,119)	395,276
Total changes in operating assets	<u>(1,647,672)</u>	<u>(490,530)</u>
Changes in operating liabilities:		
Increase (decrease) in current contract liabilities	536,839	(494,749)
Increase (decrease) in notes payable	32,216	(111,727)
Increase in trade payables	426,498	348,920
Decrease in provisions	(53,339)	(21,414)
Increase in other current liabilities	28,578	54,215
Total changes in operating liabilities	<u>970,792</u>	<u>(224,755)</u>
Total adjustments	<u>(655,915)</u>	<u>(713,354)</u>
Cash inflow generated from operations	1,038,191	1,153,112
Interest received	30,962	41,883
Interest paid	(6,212)	(3,170)
Income taxes paid	(393,948)	(438,350)
Net cash flows from operating activities	<u>668,993</u>	<u>753,475</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(2,246)	(127,400)
Acquisition of investments accounted for using equity method	(116,980)	-
Proceeds from disposal of investments accounted for using equity method	-	747
Proceeds from disposal of non-current assets as held for sale	-	72,627
Acquisition of property, plant and equipment	(29,425)	(79,960)
Proceeds from disposal of property, plant and equipment	28	102
Acquisition of intangible assets	(15,148)	(8,191)
Acquisition of right-of-use assets	(356)	(1,030)
Increase in other non-current assets	(2,469)	(1,900)
Dividends received	3,905	-
Net cash flows used in investing activities	<u>(162,691)</u>	<u>(145,005)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	1,979,881	236,289
Decrease in short-term loans	(1,434,827)	(230,664)
Issuance of corporate bond	804,590	-
Increase (decrease) in guarantee deposits	2	66
Payment of lease liabilities	(41,458)	(36,129)
Cash dividends paid	(812,801)	(813,042)
Capital increase by cash	450,544	-
Change in non-controlling interests	(133,734)	(204,685)
Net cash flows from (used in) financing activities	<u>812,197</u>	<u>(1,048,165)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(27,568)</u>	<u>(110,083)</u>
Net increase (decrease) in cash and cash equivalents	1,290,931	(549,778)
Cash and cash equivalents at beginning of period	3,874,953	4,424,731
Cash and cash equivalents at end of period	<u>\$ 5,165,884</u>	<u>3,874,953</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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

(1) Company history

Acter Group Corporation Limited (the “Company”) was incorporated on February 19, 1979, under the approval of the Ministry of Economic Affairs, R.O.C. The Company’s registered office address is located at 19F-1, No.201, Sec.2, Wenxin Road, Xitun District., Taichung City 40758, Taiwan (R.O.C.). The consolidated financial statements of the Company as of and for the year ended December 31, 2020 comprise the Company and its subsidiaries (together referred to as the “Group”). The Company is engaged in providing construction, design, and maintenance services related to air conditioners, environmental control services, clean room set-up, ice water machine trading, energy storing equipment trading, ventilation engineering, and energy technology services. The principal operating activities of the Group’s entities are described in Notes 4 (c). Acter’s common shares were publicly listed on the Taipei Exchange (“TPEX”) on November 10, 2010.

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

These consolidated financial statements were authorized for issue by the Board of Directors on February 25, 2021.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	<p>The amendments clarify that the ‘costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows:</p> <ul style="list-style-type: none"> ● the incremental costs – e.g. direct labor and materials; and ● an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. 	January 1, 2022

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.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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(4) Summary of significant accounting policies:

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

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

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”), and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		Notes
			December 31, 2020	December 31, 2019	
(1)The Company	Nova Technology Corp. (Nova Tech)	Wholesale of electronic and chemical equipment	62.19	62.19	
	Her Suo Engineering Co., Ltd. (Her Suo)	Construction and set-up of freezing equipment	100	100	
	Enrich Tech Co., Ltd. (Enrich Tech)	Comprehensive construction company	56.94	56.94	
	Sheng Huei International Co., Ltd. (SHI)	Investment holding company	100	100	
(2)Nova Tech	Winmax Technology Corp. (Winmax)	Design and manufacture of air containers and liquid containers	100	100	
	Winmega Technology Corp. (Winmega)	Wholesale of electronic and chemical engineering equipment	100	100	
	Suzhou Winmax Technology Corp. (Suzhou Winmax)	Design and manufacture of air containers and liquid containers	100	100	
	Nova tech Engineering & Construction Pte., Ltd. (NTEC Singapore)	Chemical supply system business	100	100	
(3)SHI	Acter Technology Integration Group Co., Ltd. (Acter China)	Construction and set-up of electronic equipment and air conditioners	86.66	86.66	Note 1
	New Point Group Ltd. (New Point)	Investment holding company and trading of equipment	100	100	
(4)Acter China	Shenzhen Dingmao Trade Co., Ltd. (Shenzhen Dingmao)	Electronic equipment and machinery trading	100	100	
	Sheng Huei (Shenzhen) Engineering Co., Ltd. (Sheng Huei Shenzhen)	Construction and set-up of electronic equipment and air conditioners	100	100	
	Acter International Ltd. (AIL)	Investment holding company and trading of clean rooms and air conditioners	100	100	
	Nova Technology Singapore Pte., Ltd. (NTS)	Investment holding company	100	100	
(5)NTS	Nova Technology Malaysia Sdn. Bhd. (NTM)	Investment holding company	100	100	
	PT. Novamex Indonesia (NMI)	Equipment trading and set-up	99	99	

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Name of investor	Name of subsidiary	Principal activity	Shareholding		Notes
			December 31, 2020	December 31, 2019	
	Acter Engineering Co., Ltd. (Acter Engineering)	Construction and setup of electronic equipment and air conditioners	-	-	Note 2
	Acter Technology Co., Ltd. (Acter Thailand)	Set-up of electronic protection systems and central air conditioners	49	49	Note 3
(6)AIL	PT. Novamex Indonesia (NMI)	Equipment trading and set-up	1	1	
	Sheng Huei Engineering Technology Co., Ltd. (Acter Vietnam)	Set-up of electronic protection systems and central air conditioners	100	100	
	Space Engineering Co., Ltd. (Space Thailand)	Investment holding company and trading of equipment	-	49	Note 4 and 6
(7)Space Thailand	Acter Thailand	Construction and set up of electronic equipment and air conditioner	-	49	Note 3
(8)New Point	Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd. (Fuyu)	Agent for electronic equipment importing and exporting	-	100	Note 5

Note 1: Sheng Huei (Suzhou) Engineering Co., Ltd. changed its name to Acter Technology Integration Group Co., Ltd. in July 2019.

Note 2: The ownership of Acter Engineering in NTS and SHI consisted of 99% and 1%, respectively. Acter Engineering had been liquidated in March 2019.

Note 3: NTS establish a new subsidiary Acter Thailand in October 2019. The ownership of Acter Thailand in NTS and Space Thailand consisted of 49% respectively.

Note 4: AIL established a new subsidiary Space Thailand in November 2019.

Note 5: Fuyu had been liquidated in December 2020.

Note 6: In 2020, the shareholders had gone through restructuring, resulting in the Group to lose control over Space Thailand. As a result, Space Thailand was not included in the consolidated financial statements and was classified as investments accounted for using equity method.

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

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of translation.

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

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

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation and are recognized in other comprehensive income.

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

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitment rather than for investment or other purpose, should be recognized as cash equivalents.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

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

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

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

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

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

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

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4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer ;

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and a equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less, the direct cost of issuing.

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3) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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(h) Inventories

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

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

(i) Non-current assets held for sale

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

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

Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

(j) Investment in associates

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

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

The consolidated financial statements include the Group's shares of profit or loss and other comprehensive income of those associates, after adjustments to align the accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

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Gains and Losses resulting from the transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate. When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of its associate.

(k) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset, less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

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

- 1) Buildings: 5~50 years
- 2) Other facilities: 3~9 years
- 3) The significant portion of plant and building consists of its main building and miscellaneous parts, which are estimated over their useful life within 5~50 years.
- 4) The significant portion of other facilities consists of transportation vehicles and others, which are estimated over their useful life within 3~9 years.

Depreciation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Lease

(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:

- 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
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset throughout the period of use only if either:
 - (1) the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - (2) the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

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(ii) As a lessee

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:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- 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:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

(Continued)

ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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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 financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of working office, staff dormitory and business 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. 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 Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(n) Intangible assets

(i) Recognition and measurement

Other intangible assets that are acquired by the Group and have finite useful life are measured at cost less accumulated amortization and any accumulated impairment losses.

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for computer software is 3 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For non-financial assets other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(p) Provisions

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

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(q) Revenue

(i) Revenue from contracts with customers

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

1) Equipment contracts and construction contracts

The Group is engaged in providing construction, design, and maintenance services related to air conditioners, environmental control services, clean room set-up, ice water machine trading, energy storing equipment trading, ventilation engineering, and energy technology services. Because its customer controls the asset as it is constructed, the Group recognizes revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract. The consideration promised in the contract includes those fixed amounts. The Group recognizes revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If the Group has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

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

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

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

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

2) Financing components

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

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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(ii) Contract costs

1) Incremental costs of obtaining a contract

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

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

2) Costs to fulfill a contract

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

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

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

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(s) Share-based payment

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

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

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

Grant date of a share-based payment award is the date wherein the chairman authorized the price of the new award.

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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(t) Income Taxes

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

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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(u) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding.

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

(v) Operating segments

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

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

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

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

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

(a) Revenue recognition

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

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(b) The loss allowance of trade receivable

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

(c) Accrual of construction contract losses

If the Group assesses that the contract cost that has been incurred is “unlikely to be recovered” then will make an accrual for the loss and recognize it as an expense immediately. If the completion of the contract is subject to the outcome of pending litigation or legislation, the construction contract losses will also be evaluated in accordance with IAS 37. The construction loss and provision are estimated for pending litigations that are likely to have adverse consequences for the Group and the loss could be estimated reasonably. However, due to the high uncertainty of the lawsuit itself, the final result or actual compensation amount may have a significant variance and the changes for accounting estimates will be made. For relevant information, please refers to note 9(e).

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

- Level 1: Public quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Petty cash and cash on hand	\$ 2,588	1,362
Checking and demand deposits	2,673,188	2,241,349
Time deposits	2,145,731	1,596,284
Cash equivalent - repurchased commercial paper	<u>344,377</u>	<u>35,958</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 5,165,884</u>	<u>3,874,953</u>

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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The above-mentioned repurchased rates for commercial paper as of December 31, 2020 and 2019 ranged between 0.26%~0.35% and 0.5%, respectively, with maturity dates from January 4, 2020 to February 3, 2021 and from January 2, 2020, respectively.

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

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

	December 31, 2020	December 31, 2019
Mandatorily measured at fair value through profit or loss:		
Non derivative financial assets		
Beneficiary securities - open-end funds	\$ <u>370,145</u>	<u>172,400</u>
Financial liabilities designated at fair value through profit or loss:		
Unsecured convertible corporate bonds-call and put provision	\$ <u>1,440</u>	<u>-</u>

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

	December 31, 2020	December 31, 2019
Equity investments at fair value through other comprehensive income		
Emerging stock	\$ 5,448	2,600
Unlisted stock	<u>129,646</u>	<u>127,400</u>
	<u>\$ 135,094</u>	<u>130,000</u>

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

No strategic investments were disposed as of December 31, 2020 and 2019, 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 financial assets were not pledged.

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The loss allowance provision from the other group of December 31, 2020 was determined as follows:

	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Aging days			
1 to 120 days	\$ 1,051	100%	1,051
121 to 180 days	9,424	100%	9,424
181 to 360 days	-	-	-
361 to 540 days	6,154	100%	6,154
More than 541 days	-	-	-
	\$ 16,629		16,629

The movement in the allowance for notes and trade receivables were as follows:

	2020	2019
Balance on January 1	\$ 157,122	195,727
Amounts written off	(600)	(15,315)
Impairment losses reversed	(50,470)	(18,651)
Foreign exchange gains/(losses)	901	(4,639)
Balance on December 31	\$ 106,953	157,122

- (i) Trade receivables includes retained construction receivable, which amounted to \$62,227 thousand and \$53,776 thousand as of December 31, 2020 and 2019, respectively.
- (ii) The notes and trade receivables were not pledged.

- (e) Other receivables

	December 31, 2020	December 31, 2019
Other accounts receivable	\$ 8,689	20,424

Please refer to note 6(y) for credit risk.

- (f) Inventories

	December 31, 2020	December 31, 2019
Finished goods and merchandise	\$ 73,375	8,182
Work in process and semi-finished goods	-	230,893
Raw materials	170,833	256,614
	244,208	495,689
Less: provision for inventory devaluation	(14,381)	(10,958)
	\$ 229,827	484,731

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For the years ended December 31, 2020 and 2019, the Group recognized the operating costs of \$3,246 thousand and \$(6,382) thousand, respectively, from the write-down (recovery) of inventory cost to net realizable value.

No inventories were pledged as collaterals.

(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 a selling price of \$74,250 thousand (taxed); therefore, entered into an agreement with a buyer at the end of December 2018. The property rights transfer registration was completed in March 2019 and recognized the gain on disposal of non-current assets held for sale \$19,515 thousand was recognized. The relevant price has been fully collected with the contract.

(h) Investment in equity-accounted investees

	December 31, 2020	December 31, 2019
Associates	<u>\$ 122,755</u>	<u>-</u>

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

	2020	2019
Profit attributable to the Group:		
Profit	\$ (999)	(61)
Other comprehensive income	-	-
Total comprehensive income	<u>\$ (999)</u>	<u>(61)</u>

On December 29, 2020, the Group purchased 3,125 thousand shares of Rayzher Industrial Co., Ltd. (Rayzher) from the former shareholders for \$112,500 thousand, which accounted for 25% of its outstanding shares. During 2020, the Group did not recognize any gains and losses from investing in Rayzher.

The cost of the Group's investment in Rayzher amounting to \$34,000 thousand exceeded the portion of its equity. The relevant follow up procedures are still in progress.

On December 10, 2020, the Group signed an investment agreement with Rayzher, wherein the Group promised would first acquire the shares from the former shareholders of Rayzher before December 31, 2020. Rayzher would then issue 8,500 thousand ordinary shares by cash, in which the Group promised to subscribe to 7,650 thousand shares, tentatively to be issued at a premium price of TWD 33 per share, before March 31, 2021. According to the investment agreement, if one party fails to fulfill the contractual commitment, the party will have to pay a penalty equals to 30% of the acquisition amount.

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In December 2020, the Group purchased 49% shares of the Daejin Road (Thailand) Co., Ltd. amounting to USD46 thousand and SGD64 thousand, which were classified as investment accounted for using equity method.

In December 2020, the Group purchased 49% shares of the DJR (Thailand) Co., Ltd. amounting to USD31 thousand and SGD43 thousand, where were classified as investment accounted for using equity method.

In 2020, the shareholder has gone through restructuring, resulting in the Group to lose its control over Space Thailand. As a result, Space Thailand was not included in the consolidated financial statements and was classified as investments accounted for using equity method.

In March 2019, the Group sold its 40% shares of Global OneSource Lite Sciences Company Ltd., and ceased the significant influence on the company, the disposal price was \$747 thousand. As of December 31, 2019, the price was received in full.

As of December 31, 2020 and 2019, the investment accounted for using equity method was not pledged.

(i) Significant subsidiaries of non-controlling interest

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

<u>Subsidiaries</u>	<u>Main Business Location/Registered Country</u>	<u>Percentage of non-controlling ownership</u>	
		<u>December 31, 2020</u>	<u>December 31, 2019</u>
Nova Tech	R.O.C.	37.81%	37.81%
Enrich Tech	R.O.C.	43.06%	43.06%
Acter China	China	13.34%	13.34%

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

(i) Information regarding of Nova Tech:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current assets	\$ 1,630,110	1,782,632
Non-current assets	1,816,662	1,536,730
Current liabilities	(828,512)	(807,470)
Non-current Liabilities	(290,054)	(265,131)
Net assets	<u>\$ 2,328,206</u>	<u>2,246,761</u>

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	<u>2020</u>	<u>2019</u>
Operating revenue	\$ <u>1,718,210</u>	<u>1,912,720</u>
Net income for the period	\$ 407,392	496,941
Other comprehensive income (loss)	13,332	(47,070)
Comprehensive income	\$ <u>420,724</u>	<u>449,871</u>
Cash flows from operating activities	\$ (31,466)	136,547
Cash flows from investing activities	160,203	223,676
Cash flows from financing activities	(44,735)	(561,028)
Net increase (decrease) in cash and cash equivalents	\$ <u>84,002</u>	<u>(200,805)</u>

(ii) Information regarding of Enrich Tech:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current assets	\$ 279,129	275,387
Non-current assets	4,368	9,129
Current liabilities	(111,573)	(149,829)
Non-current liabilities	(734)	(1,015)
Net assets	\$ <u>171,190</u>	<u>133,672</u>

	<u>2020</u>	<u>2019</u>
Operating revenue	\$ <u>374,138</u>	<u>289,698</u>
Net income (loss) for the period	\$ 37,518	(4,900)
Other comprehensive income	-	-
Comprehensive income	\$ <u>37,518</u>	<u>(4,900)</u>
Cash flows from operating activities	\$ 92,278	(47,526)
Cash flows from investing activities	(215)	(638)
Cash flows from financing activities	(27,539)	4,279
Net increase (decrease) in Cash and cash equivalents	\$ <u>64,524</u>	<u>(43,885)</u>

(v) Information regarding of Acter China:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current assets	\$ 2,110,116	1,855,538
Non-current assets	810,374	737,514
Current liabilities	(1,498,742)	(1,502,606)
Non-current Liabilities	(23,425)	(51,775)
Net assets	\$ <u>1,398,323</u>	<u>1,038,671</u>

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	<u>2020</u>	<u>2019</u>
Operating revenue	\$ <u>3,284,155</u>	<u>2,865,251</u>
Net income for the period	\$ 456,536	412,027
Other comprehensive (loss) income	(12,432)	4,140
Comprehensive income	\$ <u>444,104</u>	<u>416,167</u>
Cash flows from operating activities	\$ 471,095	190,936
Cash flows from investing activities	(87,753)	(97,836)
Cash flows from financing activities	(105,177)	(120,776)
Effect of exchange rate changes	9,269	(13,577)
Net increase (decrease) in cash and cash equivalents	\$ <u>287,434</u>	<u>(41,253)</u>

(j) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2020 and 2019, were as follows:

	<u>Land</u>	<u>Building and construction</u>	<u>Other facilities</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
Cost:					
Balance on January 1, 2020	\$ 176,502	283,148	137,523	-	597,173
Additions	-	19,441	9,984	-	29,425
Disposals	-	-	(2,977)	-	(2,977)
Effect of movements in exchange rates	-	2,319	813	-	3,132
Balance on December 31, 2020	\$ <u>176,502</u>	<u>304,908</u>	<u>145,343</u>	-	<u>626,753</u>
Balance on January 1, 2019	\$ 176,502	194,888	131,085	28,957	531,432
Additions	-	-	13,057	66,903	79,960
Disposals	-	-	(3,026)	-	(3,026)
Reclassification	-	95,801	-	(95,801)	-
Effect of movements in exchange rates	-	(7,541)	(3,593)	(59)	(11,193)
Balance on December 31, 2019	\$ <u>176,502</u>	<u>283,148</u>	<u>137,523</u>	-	<u>597,173</u>

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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	<u>Land</u>	<u>Building and construction</u>	<u>Other facilities</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
Depreciation:					
Balance on January 1, 2020	\$ -	45,152	88,149	-	133,301
Depreciation	-	11,406	17,213	-	28,619
Disposals	-	-	(2,732)	-	(2,732)
Effect of movements in exchange rates	-	533	630	-	1,163
Balance on December 31, 2020	<u>\$ -</u>	<u>57,091</u>	<u>103,260</u>	<u>-</u>	<u>160,351</u>
Balance on January 1, 2019	\$ -	39,077	75,127	-	114,204
Depreciation	-	7,265	18,036	-	25,301
Disposals	-	-	(2,787)	-	(2,787)
Effect of movements in exchange rates	-	(1,190)	(2,227)	-	(3,417)
Balance on December 31, 2019	<u>\$ -</u>	<u>45,152</u>	<u>88,149</u>	<u>-</u>	<u>133,301</u>
Carrying amounts:					
Balance on December 31, 2020	<u>\$ 176,502</u>	<u>247,817</u>	<u>42,083</u>	<u>-</u>	<u>466,402</u>
Balance on January 1, 2019	<u>\$ 176,502</u>	<u>155,811</u>	<u>55,958</u>	<u>28,957</u>	<u>417,228</u>
Balance on December 31, 2019	<u>\$ 176,502</u>	<u>237,996</u>	<u>49,374</u>	<u>-</u>	<u>463,872</u>

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

(k) Right-of-use assets

The Group leases many assets including land, buildings and construction and other facilities. Information about leases for which the Group as a lessee was presented below:

	<u>Land</u>	<u>Building and construction</u>	<u>Other facilities</u>	<u>Total</u>
Cost:				
Balance at January 1, 2020	\$ 31,769	86,356	57,291	175,416
Additions	-	19,204	18,606	37,810
Disposals	-	(5,572)	(7,825)	(13,397)
Effect of movements in exchange rates	377	107	372	856
Balance at December 31, 2020	<u>\$ 32,146</u>	<u>100,095</u>	<u>68,444</u>	<u>200,685</u>
Balance at January 1, 2019	\$ 33,028	68,533	42,628	144,189
Additions	-	29,822	15,698	45,520
Disposals	-	(11,227)	-	(11,227)
Effect of movements in exchange rates	(1,259)	(772)	(1,035)	(3,066)
Balance at December 31, 2019	<u>\$ 31,769</u>	<u>86,356</u>	<u>57,291</u>	<u>175,416</u>

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Building and construction</u>	<u>Other facilities</u>	<u>Total</u>
Accumulated depreciation:				
Balance at January 1, 2020	\$ 796	18,135	17,610	36,541
Depreciation	791	24,806	19,630	45,227
Disposals	-	(5,572)	(7,037)	(12,609)
Effect of movements in exchange rates	24	73	245	342
Balance at December 31, 2020	<u>\$ 1,611</u>	<u>37,442</u>	<u>30,448</u>	<u>69,501</u>
Balance at January 1, 2019	\$ -	-	-	-
Depreciation	826	21,776	17,960	40,562
Disposals	-	(3,307)	-	(3,307)
Effect of movements in exchange rates	(30)	(334)	(350)	(714)
Balance at December 31, 2019	<u>\$ 796</u>	<u>18,135</u>	<u>17,610</u>	<u>36,541</u>
Carrying amounts:				
Balance at December 31, 2020	<u>\$ 30,535</u>	<u>62,653</u>	<u>37,996</u>	<u>131,184</u>
Balance at January 1, 2019	<u>\$ 33,028</u>	<u>68,533</u>	<u>42,628</u>	<u>144,189</u>
Balance at December 31, 2019	<u>\$ 30,973</u>	<u>68,221</u>	<u>39,681</u>	<u>138,875</u>

(l) 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.

The movements in investment property for the Group were as follows:

	<u>Owned property</u>			
	<u>Land and improvement</u>	<u>Building and construction</u>	<u>Facilities</u>	<u>Total</u>
Cost:				
Balance on December 31, 2020 (Balance on January 1, 2020)	<u>\$ 139,922</u>	<u>111,777</u>	<u>86</u>	<u>251,785</u>
Balance on December 31, 2019 (Balance on January 1, 2019)	<u>\$ 139,922</u>	<u>111,777</u>	<u>86</u>	<u>251,785</u>
Depreciation:				
Balance on January 1, 2020	\$ -	10,947	71	11,018
Depreciation	-	2,487	-	2,487
Balance on December 31, 2020	<u>\$ -</u>	<u>13,434</u>	<u>71</u>	<u>13,505</u>
Balance on 1 January 2019	\$ -	8,460	71	8,531
Depreciation	-	2,487	-	2,487
Balance on December 31, 2019	<u>\$ -</u>	<u>10,947</u>	<u>71</u>	<u>11,018</u>
Carrying amounts:				
Balance on December 31, 2020	<u>\$ 139,922</u>	<u>98,343</u>	<u>15</u>	<u>238,280</u>
Balance on January 1, 2019	<u>\$ 139,922</u>	<u>103,317</u>	<u>15</u>	<u>243,254</u>
Balance on December 31, 2020	<u>\$ 139,922</u>	<u>100,830</u>	<u>15</u>	<u>240,767</u>
Fair value:				
Balance on December 31, 2020			<u>\$ 302,119</u>	
Balance on December 31, 2019			<u>\$ 314,327</u>	

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (i) The original recognition of investment property is measured at cost, and the subsequent measurement is also accounted for under cost model.
- (ii) The depreciation is calculated by its depreciable amount after the original recognition of investment property, and market value is used as the fair value to asset its impairment.
- (iii) The investment property is not pledged.

(m) Short-term loans

	December 31, 2020	December 31, 2019
Secured bank loans	\$ 346,892	116,609
Unsecured bank loans	319,978	20,000
	\$ 666,870	136,609
Unused facilities	\$ 6,508,574	5,908,253
Interest Rate	0.63%~2.6%	1.3%~2.15%

(n) Bonds payable

The details of unsecured convertible bonds were as follows:

	December 31, 2020
Total convertible corporate bonds issued	\$ 800,000
Unamortized discounted corporate bonds payable	(29,481)
Corporate bonds issued balance at year-end	\$ 770,519
Embedded derivative-call and put options, included in financial liabilities at fair value through profit or loss	\$ 1,440
Equity component-conversion options, included in capital surplus-stock options	\$ 33,697
	2020
Embedded derivative-call and put rights, included in financial liabilities at fair value through profit or loss	\$ 240
Finance cost	\$ 826

On November 27, 2020, the Group issued 8,000 unsecured 3-year convertible bonds, which are paid quarterly without any effective interest rate.

The conversion price was set at \$196.4 at the time of issue. When the common shares qualify for conversion price adjustment in accordance to the terms of issue, such adjustment will be made based on a formula in accordance with the terms of issue. There are no reset terms for this bond.

Beginning from three month after the issue date (February 28, 2021) until forty days before maturity (October 18, 2023), if the closing price of the Group's common shares on the Taipei Exchange is higher than 130% of the conversion price for thirty consecutive trading days or when the outstanding convertible bonds are less than 10% of the initial issued bonds, the Group may redeem the remaining bonds at their face value by cash in five trading days after the redemption date.

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Bondholders are entitled to exercise the put option beginning from the put date (November 27, 2022) with an exercise price at 100% of the face value of the bonds. Upon receipt of a sell request, the Group shall pay the amount to the bondholders by cash within five trading days of the put date.

(o) Lease liabilities

	December 31, 2020	December 31, 2019
Current	<u>\$ 41,401</u>	<u>35,299</u>
Non-current financial assets	<u>\$ 64,348</u>	<u>74,965</u>

For the maturity analysis, please refer to note 6(y).

The amounts recognized in profit or loss was as follows:

	2020	2019
Interest on lease liabilities	<u>\$ 2,573</u>	<u>2,756</u>
Expenses relating to short-term leases	<u>\$ 51,309</u>	<u>38,534</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 5,017</u>	<u>4,024</u>

The amounts recognized in the statement of cash flows for the Group was as follows:

	2020	2019
Total cash outflow for leases	<u>\$ 100,357</u>	<u>81,443</u>

(i) Real estate leases

As of December 31, 2020, 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 also leases working offices, staff dormitory and business 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.

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Provisions

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

	<u>2020</u>	<u>2019</u>
Balance on January 1	\$ 322,699	352,256
Provisions made during the period	44,703	184,418
Provisions used and reversed during the period	(98,042)	(205,832)
Effect of movements in exchange rates	<u>1,412</u>	<u>(8,143)</u>
Balance on December 31	<u>\$ 270,772</u>	<u>322,699</u>

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

(q) Employee benefits

(i) Defined benefit plans

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligation	\$ 84,207	82,095
Fair value of plan assets	<u>(24,999)</u>	<u>(22,226)</u>
Net defined benefit liabilities	<u>\$ 59,208</u>	<u>59,869</u>

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

1) Composition of plan assets

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

The Group's labor pension reserve account balance in the Bank of Taiwan amounted to \$24,999 thousand as of December 31, 2020. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Movement in present value of the defined benefit obligations

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

	<u>2020</u>	<u>2019</u>
Balance, January 1	\$ 82,095	69,171
Service cost and interest for the period	2,606	951
Remeasurements of the net defined benefit liability (asset)		
– Actuarial loss (gain) arising from changes in financial assumptions	(1,673)	9,739
– Actuarial loss arising from changes in experience adjustments	1,197	2,234
Benefits paid by the plan	(18)	-
Balance, December 31	<u>\$ 84,207</u>	<u>82,095</u>

3) Movement in fair value of defined benefit plan assets

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

	<u>2020</u>	<u>2019</u>
Balance, January 1	\$ 22,226	19,330
Contributions made	1,907	1,944
Interest revenue	261	279
Remeasurements of the net defined benefit liability		
– Return on plan assets (excluding the interest revenue)	605	673
Balance, December 31	<u>\$ 24,999</u>	<u>22,226</u>

4) Expenses recognized in profit or loss

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

	<u>2020</u>	<u>2019</u>
Net interest cost of net defined benefit liability	<u>\$ 2,345</u>	<u>672</u>
Operating cost	\$ 201	160
Operating expense	<u>2,144</u>	<u>512</u>
	<u>\$ 2,345</u>	<u>672</u>

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

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

	<u>2020</u>	<u>2019</u>
The Company	\$ (577)	(7,716)
Non-controlling interests	1,196	(3,584)
Recognition for the period	<u>\$ 619</u>	<u>(11,300)</u>

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6) Actuarial assumptions

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

	December 31, 2020	December 31, 2019
Discount rate	0.75%~7.75%	1.125 %
Increases in future salary rate	3.00%~8.00%	3.00%~4.25%

The Group is expected to make a contribution payment of \$1,866 thousand to the defined benefit plans for the one-year period after the reporting date.

The weighted – average duration of the defined benefit plans is 15.39 to 23.84 years.

7) Sensitivity analysis

	<u>The impact on defined benefit obligation</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2020		
Discount rate	\$ (3,329)	3,505
Future salary increase (decrease)	3,397	(3,236)
<u>The impact on defined benefit obligation</u>		
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2019		
Discount rate	\$ (3,026)	3,159
Future salary increase (decrease)	3,028	(2,920)

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

There were no changes in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

The Company, Her Suo, Nova Tech, Enrich Tech and Winmega, contribute an amount at the rates of 6% of their employee's monthly wages to the Labor Pension personal account with the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. The Group's offshore subsidiaries contribute their pensions to their respective local social insurance agency in accordance with the provisions of their local acts. The Group's contributions to the Bureau of the Labor Insurance or other local social insurance agency for the Group's employee pension benefits require no further additional payment of legal or constructive obligations.

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019, the Group set aside \$23,927 thousand and \$23,885 thousand, respectively, of the pension costs under the defined contribution plan.

(r) Income taxes

(i) Income tax expense

The amount of income tax expense for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current income tax expense:		
Current period	\$ 466,018	435,003
Prior years income tax adjustment	<u>(26,010)</u>	<u>(14,127)</u>
	<u>440,008</u>	<u>420,876</u>
Deferred tax expense:		
Origination and reversal of temporary differences	59,577	168,977
Changes in deductible temporary difference without recognition	(5,275)	7,562
Recognition of previously unrecognized loss carry forward	<u>983</u>	<u>(7,233)</u>
	<u>55,285</u>	<u>169,306</u>
Income tax expense	<u>\$ 495,293</u>	<u>590,182</u>

The amount of tax income expense (benefit) recognized in other comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Items that will be reclassified subsequently to profit or loss:		
Foreign currency translation differences – foreign operations	<u>\$ (809)</u>	<u>(24,349)</u>

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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Reconciliation of income tax expense (benefit) and income before tax were as follows:

	<u>2020</u>	<u>2019</u>
Profit before tax	\$ <u>1,694,106</u>	<u>1,866,466</u>
Tax rate according to the Group's location	\$ 338,821	373,293
Effect of difference in tax rate of foreign jurisdiction	265,141	298,512
Adjustment in tax rate	(1,452)	-
Effect on income tax due to adjust tax law	(90,592)	(78,132)
Prior years income tax adjustment	(26,010)	(14,127)
Others	4,062	4,024
Unrecognized loss carry forward	983	(7,233)
Changes in unrecognized temporary difference	(5,275)	7,562
Surtax on undistributed earnings	<u>9,615</u>	<u>6,283</u>
Total	<u>\$ 495,293</u>	<u>590,182</u>

(ii) Deferred tax asset and liability

1) Unrecognized deferred tax asset

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deductible temporary difference	\$ 3,883	9,158
Loss carry forward	<u>5,294</u>	<u>4,311</u>
	<u>\$ 9,177</u>	<u>13,469</u>

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

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As of December 31, 2020, the subsidiaries' estimated unused carry-forwards were as follows:

Company Name	Year of Occurrence	Unused amount	Expiry Year	Note
NTS	2017	\$ 4,819	-	Assessed amount
NTS	2018	1,272	-	Assessed amount
NTS	2020	809	-	Estimated filing amount
NTM	2012	1,021	-	Assessed amount
NTM	2013	707	-	Assessed amount
NTM	2014	3,423	-	Assessed amount
NTM	2015	3,936	-	Assessed amount
NTM	2016	2,895	-	Assessed amount
NTM	2017	546	-	Assessed amount
NTM	2018	431	-	Assessed amount
NTM	2020	166	-	Estimated filing amount
NTEC	2020	4,373	-	Estimated filing amount
		<u>\$ 24,398</u>		

2) Recognized deferred tax asset and liabilities

Deferred tax assets:

	January 1, 2019	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2019	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2020
Warranty cost	\$ 52,924	(1,213)	-	51,711	(8,491)	-	43,220
Estimated construction loss	1,972	16,323	-	18,295	(2,558)	-	15,737
Loss carry forward	163	110	-	273	(273)	-	-
Allowance for decline in realizable value of inventory	1,889	(70)	-	1,819	370	-	2,189
Excessive provision of bad debt	52,933	(19,352)	-	33,581	(10,164)	-	23,417
Construction cost	18,537	(7,331)	-	11,206	17,525	-	28,731
Exchange of unrealized Profits and losses	617	(44)	-	573	4,077	-	4,650
Foreign currency translation differences for foreign operations	14,088	-	24,349	38,437	-	809	39,246
Unrealized loss and others	9,538	8,561	-	18,099	7,168	-	25,267
	<u>\$ 152,661</u>	<u>(3,016)</u>	<u>24,349</u>	<u>173,994</u>	<u>7,654</u>	<u>809</u>	<u>182,457</u>

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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Deferred tax liabilities:

	<u>January 1, 2019</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31, 2019</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31, 2020</u>
Gains on investment in foreign equity- accounted investee	\$ 423,685	168,227	-	591,912	63,478	-	655,390
Others	<u>4,466</u>	<u>(1,937)</u>	<u>-</u>	<u>2,529</u>	<u>(539)</u>	<u>-</u>	<u>1,990</u>
	<u>\$ 428,151</u>	<u>166,290</u>	<u>-</u>	<u>594,441</u>	<u>62,939</u>	<u>-</u>	<u>657,380</u>

(iii) Assessment of tax

The income tax returns of the Company, Her Suo, Nova Tech, Enrich Tech and Winmega, have been assessed by the tax authorities through year 2018.

(s) Capital and other equity

(i) Issuance of common stock

As of December 31, 2020 and 2019, the authorized common stock was \$720,000, while the issued common stock amounted to \$541,868 thousand for both years, with a par value of \$10 per share.

(ii) Issuance of ordinary shares

A resolution was passed during the board meeting held on September 14, 2020 for the issuance of 3,000 new ordinary shares for cash, at a par value of \$10 per share, amounting to \$30,000 thousand, with the tentative issuing prices of \$168 per share. The actual issuing prices were determined by the chairman and lead securities underwriter based on the market condition. The capital increase became effective with the registration of Letter No. 1090371590 issued by the Financial Supervisory Commission on October 30, 2020.

On December 7, 2020, the chairman determined the issue price of \$166 per share. As of December 31, 2020, the amount of \$450,544 thousand that had been received in advance had been recognized as advance receipts. The relevant statutory registration procedures have yet to be completed.

On May 9, 2019, the Company's Board of Directors approved to write off the restricted stock to employees of 16,000 shares with the record date of capital reduction on May 31, 2019. The Company had finished the capital reduction registration.

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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(iii) Capital surplus

The components of the capital surplus were as follows:

	December 31, 2020	December 31, 2019
From issuance of common stock	\$ 946,809	946,809
Difference between the consideration and the carrying amount of subsidiaries acquired or disposed	43,991	43,991
Changes in ownership interest in subsidiaries	381,801	382,069
From issuance of restricted stocks for employees	19,250	19,250
Cash capital increase reserved for employee subscription	12,162	-
Equity component of convertible bonds recognized in stock option	33,697	-
	\$ 1,437,710	1,392,119

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

(iv) Retained earnings

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

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distribute.

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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2) Special reserve

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

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

As of December 31, 2020 and 2019, the Company's balance of special reserve were \$129,186 thousand and \$68,809 thousand.

3) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2019 and 2018 had been approved during the board meeting on February 27, 2020, as well as the shareholders' meeting on May 29, 2019, respectively. The relevant dividend distributions to shareholders were as follows:

	2019	2018
	Total amount	Total amount
Dividends distributed to ordinary shareholders		
Cash	\$ <u><u>812,801</u></u>	<u><u>813,042</u></u>

The amounts of cash dividends on the appropriations of earnings for 2020 had been approved during the board meeting on February 25, 2021. The relevant dividend distributions to shareholders were as follows:

	2020
	Total amount
Dividends distributed to ordinary shareholders	
Cash	\$ <u><u>686,241</u></u>

(Continued)

ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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(v) Other equity interest (net of tax)

	Foreign currency translation differences for foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Other Equity- Unearned employee benefit	Total
Balance, January 1, 2020	\$ (123,035)	(6,150)	-	(129,185)
Foreign currency translation differences (net of tax)	(13,124)	-	-	(13,124)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	2,848	-	2,848
Balance, December 31, 2020	<u>\$ (136,159)</u>	<u>(3,302)</u>	<u>-</u>	<u>(139,461)</u>
Balance, January 1, 2019	\$ (63,237)	(5,573)	(776)	(69,586)
Foreign currency translation differences (net of tax)	(59,798)	-	-	(59,798)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(577)	-	(577)
Unearned employee benefit	-	-	776	776
Balance, December 31, 2019	<u>\$ (123,035)</u>	<u>(6,150)</u>	<u>-</u>	<u>(129,185)</u>

(t) Share-based payment

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

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

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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The relevant information of restricted stock to employee is as follows:

Unit: In thousand shares	2019
Balance, beginning of the period	291
Granted	-
Vested	(275)
Forfeited	(16)
Balance, end of the period	-

The Company has two share-based payment trade as of 2020 and 2019 :

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Equity-settled</u>	<u>Equity-settled</u>
	<u>Cash capital increase reserved for employee subscription</u>	<u>Restricted stock to employee</u>
Grant date	2020.12.7	2016.1.11
Grant (Unit : In thousand shares)	450	720
Contractual life	0.0603 years	2016.1.11~2019.1.11
Object of grant	The Company's employees who have formal employment relationship with the Company and employees of controlling company or affiliated company who meet certain conditions	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	Immediately vested	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:

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

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

	<u>2020</u>	<u>2019</u>
	<u>Cash capital increase reserved for employee subscription</u>	<u>Restricted stock to employee</u>
Fair value at grant date	27.0259	74.1
Stock price at grant date	193	80
Exercise price	166	-
Expected price volatility (%)	23.6%	0.46%
Life of option (year)	0.0603	3
Expected price volatility (%)	-	2.52%
Risk-free rate (%)	0.1080%	1.13%

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

- (ii) Relevant information on restricted stock to employee:

Information on restricted stock to employee was as follows:

	<u>2019</u>	
	<u>Weighted-Average Exercise Price</u>	<u>Number of Exercisable Shares</u>
(Expressed in thousand unit)		
Balance, beginning of the period	\$ -	291
Vested	-	(275)
Forfeited	-	(16)
Balance, end of period		<u>-</u>
	December 31, 2019	

Weighted-average remaining contractual life -

(Continued)

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

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

	<u>2020</u>	<u>2019</u>
Expenses resulting from issuance of restricted stock to employees	\$ -	(504)
Cash capital increase reserved for employee subscription	<u>12,162</u>	<u>-</u>
	<u>\$ 12,162</u>	<u>(504)</u>

(u) Earnings per share

1. Basic earnings per share

The following are the details on the calculation of basic earnings per share as of December 31, 2020 and 2019 based on the profit attributable to the ordinary shareholders of the Company amounting to \$970,082 thousand and \$1,036,094 thousand, and the weighted average numbers of ordinary shares outstanding of 54,187 thousand and 54,074 thousand, respectively:

1) Profit attributable to ordinary shareholders of the Company

	<u>2020</u>	<u>2019</u>
Profit attributable to ordinary shareholders of the Company	<u>\$ 970,082</u>	<u>1,036,094</u>

2) Weighted average number of ordinary shares

	<u>2020</u>	<u>2019</u>
Weighted average number of ordinary shares at December 31	<u>\$ 54,187</u>	<u>54,074</u>

2. Diluted earnings per share

The following are the details on the calculation of diluted earnings per share as of December 31, 2020 and 2019 based on the profit attributable to ordinary shareholders of the Company amounting to \$970,935 thousand and \$1,036,094 thousand, and the weighted average number of ordinary shares outstanding after adjusting the effects of all dilutive potential ordinary shares of 58,650 thousand and 54,694 thousand, respectively:

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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1) Profit attributable to ordinary shareholders of the Company (diluted)

	<u>2020</u>	<u>2019</u>
Profit of the Company for the year (basic)	\$ 970,082	1,036,094
Effect of dilutive potential ordinary shares		
Interest expense on convertible bonds, net of tax	<u>853</u>	<u>-</u>
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 970,935</u>	<u>1,036,094</u>

2) Weighted average number of ordinary shares (diluted)

	<u>2020</u>	<u>2019</u>
Weighted average number of ordinary shares (basic)	54,187	54,074
Effect of dilutive potential ordinary shares		
Effect of conversion of convertible bonds	4,073	-
Effect of employee share bonus	390	500
Effect of restricted employee shares unvested	<u>-</u>	<u>120</u>
Weighted average number of ordinary shares (diluted) at December 31	<u>58,650</u>	<u>54,694</u>

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2020</u>	<u>2019</u>
Primary geographical markets		
Taiwan	\$ 6,001,765	4,706,681
Mainland China	7,046,527	7,179,749
Other countries	<u>928,718</u>	<u>788,456</u>
	<u>\$ 13,977,010</u>	<u>12,674,886</u>
Major products		
Cleanroom electromechanical integration engineering	\$ 8,237,650	6,495,238
Water gasification supply integration engineering	3,730,872	4,264,513
Consumer industry electromechanical integration engineering	916,409	704,451
Biomedical integration engineering	686,914	596,403
High-tech equipment and materials sales and services	<u>405,165</u>	<u>614,281</u>
	<u>\$ 13,977,010</u>	<u>12,674,886</u>

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balances

	December 31, 2020	December 31, 2019
Trade receivables	\$ 4,037,234	3,637,989
Less: allowance for impairment	<u>(106,953)</u>	<u>(157,122)</u>
	<u>\$ 3,930,281</u>	<u>3,480,867</u>
Contract assets-Construction and equipment	\$ 2,986,173	1,547,000
Less: allowance for impairment	<u>(50,923)</u>	<u>(50,231)</u>
	<u>\$ 2,935,250</u>	<u>1,496,769</u>
Contract liabilities-Construction and equipment	<u>\$ 1,761,020</u>	<u>1,224,181</u>

For details on trade receivables and allowance for impairment, please refer to note 6(d).

The amount of revenue recognized for the year ended December 31, 2020 and 2019 that was included in the contract liability balance at the beginning of the period were \$1,184,964 thousand and \$1,350,007 thousand, respectively.

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

The contract liabilities primarily relate to the advance consideration received from customers for construction contract for which revenue is recognized progressively during the construction period.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no major changes in 2020 and 2019.

(iii) Transaction price allocated to the remaining performance obligations

As of December 31, 2020 and 2019, the aggregated amount of the transaction price from construction contracts allocated to the remaining performance obligation from construction contract were \$9,332,316 thousand and \$7,243,253 thousand, respectively. The Group will recognize revenue gradually over time as the consideration is completed, which is expected to occur over the next 12 to 36 months.

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

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

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(w) Remuneration to employees and directors

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

For the years ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to \$60,000 thousand and \$79,943 thousand, and its directors' and supervisors' remuneration amounting to \$28,000 thousand and \$39,972 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were recognized under operating costs or operating expenses during 2020 and 2019. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2020 and 2019.

(x) Non-operating income and expenses

(i) Finance costs

	<u>2020</u>	<u>2019</u>
Interest expense – bank loans	\$ 3,769	2,498
Interest expense – lease liabilities	2,573	2,756
Interest expense – bonds	826	-
	<u>\$ 7,168</u>	<u>5,254</u>

(ii) Interest revenue

	<u>2020</u>	<u>2019</u>
Interest income from bank deposits	\$ 30,065	38,541
Other interest income	1,609	1,884
	<u>\$ 31,674</u>	<u>40,425</u>

(iii) Other revenue

	<u>2020</u>	<u>2019</u>
Rental income	\$ 1,658	1,935
Government subsidy income and others	23,386	19,792
	<u>\$ 25,044</u>	<u>21,727</u>

(Continued)

ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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(iv) Other income and losses

	<u>2020</u>	<u>2019</u>
Exchange (loss) gain on foreign currency	\$ (57,329)	4,402
Loss on disposals of property, plant and equipment	(217)	(142)
Gain on disposal of non-current assets held for sale	-	19,515
Gain on disposal of investment	35	611
Net gain on financial assets at fair value through profit or loss	2,244	6,645
Net loss on financial liability at fair value through profit or loss	(240)	-
Others	-	86
	<u>\$ (55,507)</u>	<u>31,117</u>

(y) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

As of December 31, 2020 and 2019, concentration of credit risk deriving from the Group's top customer did not constitute more than 16% and 19%, respectively, of the Group's receivables while those deriving from the Group's other top four customers did not constitute more than 23% and 17%, respectively, of the Group's receivables.

3) Receivables

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

Other financial assets measured 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).

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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The loss allowance provisions were determined as follows:

	<u>Other receivables</u>	<u>Other financial assets (guarantee deposits paid)</u>
Balance on January 1, 2020	\$ -	21,576
Foreign exchange losses	-	256
Balance on December 31, 2020	<u>\$ -</u>	<u>21,832</u>
Balance on January 1, 2019	\$ 17,612	22,431
Amount written off	(17,583)	-
Foreign exchange losses	(29)	(855)
Balance on December 31, 2019	<u>\$ -</u>	<u>21,576</u>

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5years</u>	<u>More than 5 years</u>
December 31, 2020						
Non-derivative financial liabilities						
Secured bank loans	\$ 346,892	346,996	346,996	-	-	-
Non-secured bank loans	319,978	320,020	320,020	-	-	-
Notes payable	95,853	95,853	95,853	-	-	-
Accounts payable (including related parties)	3,537,200	3,537,200	3,187,030	191,768	137,731	20,671
Bonds payable	770,519	800,000	-	-	800,000	-
Accrued salaries and bonuses	323,816	323,816	323,816	-	-	-
Other accrued expenses	317,477	317,477	306,594	-	-	10,883
Leases liabilities (including current and non-current)	105,749	108,025	43,044	29,206	30,070	5,705
	<u>\$ 5,817,484</u>	<u>5,849,387</u>	<u>4,623,353</u>	<u>220,974</u>	<u>967,801</u>	<u>37,259</u>
December 31, 2019						
Non-derivative financial liabilities						
Secured bank loans	\$ 20,000	20,002	20,002	-	-	-
Non-secured bank loans	116,609	116,722	116,722	-	-	-
Notes payable	63,637	63,637	63,637	-	-	-
Accounts payable (including related parties)	3,110,702	3,110,702	2,819,069	168,467	101,259	21,907
Accrued salaries and bonuses	341,137	341,137	341,137	-	-	-
Other accrued expenses	282,048	282,048	271,292	-	-	10,756
Leases liabilities (including current and non-current)	110,264	113,799	36,934	32,097	32,841	11,927
	<u>\$ 4,044,397</u>	<u>4,048,047</u>	<u>3,668,793</u>	<u>200,564</u>	<u>134,100</u>	<u>44,590</u>

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

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(iii) Currency risk

1) Exposure to currency risk

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

	December 31, 2020			December 31, 2019		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 70,969	28.515	2,023,681	57,965	30.203	1,750,717
CNY	777,094	4.3664	3,393,103	732,007	4.3152	3,158,756
SGD	3,301	21.4616	70,845	4,347	22.3114	96,977
JPY	52,471	0.2750	14,430	113,561	0.2723	30,923
<u>Non-Monetary</u>						
USD	16,816	28.515	479,508	754	30.203	22,773
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	17,479	28.515	498,414	5,718	30.203	172,711
CNY	421,250	4.3664	1,839,346	282,477	4.3152	1,218,946
SGD	126	21.4616	2,704	274	22.3114	6,118
JPY	32,470	0.2750	8,929	142,912	0.2723	38,915

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade receivables, other receivables, financial assets at fair value through other comprehensive income, loans, trade payables and other payables that are denominated in foreign currency. A 1% of appreciation or depreciation of the TWD against the USD, CNY, SGD and JPY as of December 31, 2020 and 2019 would have increased or decreased the before-tax net income by \$31,527 thousand and \$36,007 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses of monetary items

As the Group transacts in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the year ended December 31, 2020 and 2019, the foreign exchange gains or losses, including both realized and unrealized, amounted to \$(57,329) thousand and \$4,402 thousand, respectively.

(iv) Interest rate analysis

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

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

If the interest rate increases/decreases by 1%, the Group's net income will decrease/increase by \$6,669 thousand and \$1,366 thousand for the year ended December 31, 2020 and 2019, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's borrowing in variable rates.

(v) Other market price risk

For the years ended December 31, 2020 and 2019, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	For the years ended December 31,			
	2020		2019	
	Other comprehensive income before tax	Net income before tax	Other comprehensive income before tax	Net income before tax
Prices of securities at the reporting date				
Increasing 3%	\$ 4,053	11,104	3,900	5,172
Decreasing 3%	\$ (4,053)	(11,104)	(3,900)	(5,172)

(vi) Fair value of financial instruments

1) The kinds of financial instruments and fair value

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value and lease liabilities, disclosure of fair value information is not required:

	December 31, 2020				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 370,145	370,145	-	-	370,145
Financial assets at fair value through other comprehensive income					
Emerging stock	5,448	5,448	-	-	5,448
Unlisted stock	129,646	-	-	129,646	129,646
Subtotal	135,094	5,448	-	129,646	135,094

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		December 31, 2020				
		Book value	Fair Value			Total
		Level 1	Level 2	Level 3	Total	
Financial assets measured at amortized cost						
Cash and cash equivalents	5,165,884	-	-	-	-	
Contract assets	2,935,250	-	-	-	-	
Notes receivable	197,443	-	-	-	-	
Trade receivables	3,930,281	-	-	-	-	
Other receivables	8,689	-	-	-	-	
Other financial assets	297,554	-	-	-	-	
Subtotal	<u>12,535,101</u>	-	-	-	-	
Total	<u>\$ 13,040,340</u>	<u>375,593</u>	<u>-</u>	<u>129,646</u>	<u>505,239</u>	
Financial liability at fair value through profit or loss						
	\$ 1,440	-	1,440	-	1,440	
Financial liabilities at amortized cost						
Short-term loans	\$ 666,870	-	-	-	-	
Notes payable	95,853	-	-	-	-	
Trade payables (including related parties)	3,537,200	-	-	-	-	
Accrued salaries and bonuses	323,816	-	-	-	-	
Other accrued expenses	317,477	-	-	-	-	
Bonds payable	770,519	-	918,240	-	918,240	
Lease liabilities (including current and non-current)	105,749	-	-	-	-	
Subtotal	<u>5,817,484</u>	-	<u>918,240</u>	-	<u>918,240</u>	
Total	<u>\$ 5,818,924</u>	<u>-</u>	<u>919,680</u>	<u>-</u>	<u>919,680</u>	
		December 31, 2019				
		Book value	Fair Value			Total
		Level 1	Level 2	Level 3	Total	
Financial assets at fair value through profit or loss						
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 172,400	172,400	-	-	172,400	
Financial assets at fair value through other comprehensive income						
Emerging stock	2,600	2,600	-	-	2,600	
Unlisted stock	127,400	-	-	127,400	127,400	
Subtotal	<u>130,000</u>	<u>2,600</u>	<u>-</u>	<u>127,400</u>	<u>130,000</u>	
Financial assets measured at amortized cost						
Cash and cash equivalents	3,874,953	-	-	-	-	
Contract assets	1,496,769	-	-	-	-	
Notes receivable	453,149	-	-	-	-	
Trade receivables	3,480,867	-	-	-	-	
Other receivables	20,424	-	-	-	-	
Other financial assets	390,060	-	-	-	-	
Subtotal	<u>9,716,222</u>	-	-	-	-	
Total	<u>\$ 10,018,622</u>	<u>175,000</u>	<u>-</u>	<u>127,400</u>	<u>302,400</u>	

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	December 31, 2019				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
Short-term loans	\$ 136,609	-	-	-	-
Notes payable	63,637	-	-	-	-
Trade payables (including related parties)	3,110,702	-	-	-	-
Accrued salaries and bonuses	341,137	-	-	-	-
Other accrued expenses	282,048	-	-	-	-
Lease liabilities (including current and non-current)	110,264	-	-	-	-
Total	<u>\$ 4,044,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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) Valuation techniques for 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 classified by their category, and the attributes of their fair value are as follows if such financial instruments are traded in active markets: beneficiary securities— open end fund and emerging stock, whose fair value was determined based on market quoted prices.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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When the financial instrument of the Group is not traded in an active market, its fair value is determined as follows:

- The fair value is determined based on the ratio of the quoted market price of the comparative listed company and its book value per share. Also, the fair value is discounted for its lack of liquidity in the market.

4) Transfers between Level 1 and Level 2

There were no transfers from one level to another for the year ended December 31, 2020 and 2019.

5) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
Opening balance, January 1, 2020	\$ 127,400
Purchased	2,246
Ending Balance, December 31, 2020	\$ 129,646
Opening balance, January 1, 2019	\$ -
Purchased	127,400
Ending Balance, December 31, 2019	\$ 127,400

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include "fair value through other comprehensive income – equity investments".

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income - equity investments without an active market	Market Approach	<ul style="list-style-type: none"> ◆ P/E multiplier (As of December 31, 2020 and 2019 were 15.81 and 20.62, respectively) ◆ Discount for lack of marketability (As of December 31, 2020 and 2019 were both 30%) 	<ul style="list-style-type: none"> ◆ The higher the price-equity ratio, the higher the fair value. ◆ The higher the discount for lack of marketability, The lower the fair value.
Financial assets at fair value through other comprehensive income - equity investments without an active market	Net asset value method	<ul style="list-style-type: none"> ◆ Discount for lack of marketability (As of December 31, 2020 was 30%) 	<ul style="list-style-type: none"> ◆ The higher the discount for lack of marketability, The lower the fair value.

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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- 7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions by 10% to reflect reasonably possible alternative assumptions would have the following effects:

	<u>Inputs</u>	<u>Increase or decrease</u>	<u>Effects of changes in fair value on other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2020				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	P/E ratio	10 %	12,740	(12,740)
Equity investments without an active market	Discount for lack of marketability	10 %	18,521	(18,521)
December 31, 2019				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	P/E ratio	10 %	12,740	(12,740)
Equity investments without an active market	Discount for lack of marketability	10 %	18,200	(18,200)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique.

(z) Financial risk management

(i) Overview

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

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

(Continued)

ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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This note discloses the exposure risk information, and the Group's objectives, policies and procedures of measuring and managing risks. For more quantitative disclosure information, please refer to notes of the financial statements.

(ii) Risk management framework

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

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

(iii) Credit risk

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

1) Accounts receivable and other receivable

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

2) Investment

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

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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3) Guarantee

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

(iv) Liquidity risk

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

(v) Market risk

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

1) Currency risk

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

2) Interest rate risk

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

3) Other market price risk

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

(aa) Capital management

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

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

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

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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The Company's debt to capital ratios at the balance sheet date were as follows:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 8,820,115	6,444,038
Less: cash and cash equivalents	(5,165,884)	(3,874,953)
Net debt	3,654,231	2,569,085
Total equity	5,146,146	4,503,583
Total capital	\$ 8,800,377	7,072,668
Debt to capital ratio	41.52%	36.32%

The management believes that there were no changes in the Group's approach to capital management for the year ended December 31, 2020.

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

The Group's financing activities which did not affect the current cash flow in the years ended December 31, 2020 and 2019, were as follows:

	January 1,2020	Cash flows	Non-cash changes		December 31,2020
			Foreign exchange movement	Increase/ Decrease	
Short-term borrowings	\$ 136,609	545,054	(14,793)	-	666,870
Lease liabilities	110,264	(41,458)	284	36,659	105,749
Bonds payable	-	804,590	-	(34,071)	770,519
Total liabilities from financing activities	\$ 246,873	1,308,186	(14,509)	2,588	1,543,138

	January 1,2019	Cash flows	Non-cash changes		December 31,2019
			Foreign exchange movement	Increase/ Decrease	
Short-term borrowings	\$ 135,278	5,625	(4,294)	-	136,609
Lease liabilities	111,162	(36,129)	(1,339)	36,570	110,264
Total liabilities from financing activities	\$ 246,440	(30,504)	(5,633)	36,570	246,873

(Continued)

ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

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

(b) Other related party transactions

Construction cost, and related assets and liabilities:

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

	<u>Purchases</u>		<u>Payables to Related Parties</u>	
	<u>2020</u>	<u>2019</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Entity under the key management's control	\$ <u>2,066</u>	<u>1,092</u>	<u>654</u>	<u>313</u>

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

(c) Key management personnel compensation

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 81,261	93,675
Post-employment benefits	405	432
Share based payments	<u>3,135</u>	<u>363</u>
	<u>\$ 84,801</u>	<u>94,470</u>

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

(8) Pledged assets:

The Group's pledged assets were as follows:

<u>Asset</u>	<u>Purpose of pledge</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other financial assets – current:			
Demand deposit and time deposit	Construction contract fulfillment and warranty guarantee	\$ 60,246	273,864
Other financial assets – non-current:			
Time deposit	Warranty guarantee	<u>509</u>	<u>507</u>
		<u>\$ 60,755</u>	<u>274,371</u>

(Continued)

ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Commitments and contingencies:

Significant commitments and contingencies for the Group as of December 31, 2020, and 2019 were as follows:

- (a) Fulfillment and warranty guarantee (excluding related parties) for engaging in construction contracts amounted to \$789,274 thousand and \$1,374,175 thousand, respectively.
- (b) The amounts pledged to the bank for engaging in construction contracts amounted to \$1,669,789 thousand and \$2,171,709 thousand, respectively.
- (c) Contract fulfillment guarantee and warranty guarantee (excluding related parties) for the competitive corporations amounted to \$348,000 thousand and \$361,642 thousand, respectively.
- (d) For already-signed but not-yet-finished significant construction contracts, please refer to note 6(v).
- (e) The Company's subsidiary, Nova Tech entered into an agreement with Jing He Science Co., Ltd. (Jing He) for the construction and expansion of a new factory and gas factory, respectively, wherein Nova Tech is responsible for the installation process of the pipelines, as well as for purchasing the related equipment according to the design layout and purchase order provided by Jing He. However, Jing He made certain changes to its layout plan, which in turn, requires extra work; and for this reason, Nova Tech requested Jing He for an additional payment, in which Jing He argued that the contract is a lump-sum contract; therefore, refused to make any additional payment. Furthermore, it unilaterally terminated the agreement prior to the completion of the construction. Nova Tech then filed a lawsuit to the District Court against Jing He, demanding the amount of the contract to be paid in full. Nova Tech has also engaged a lawyer to defend its case. On the other hand, the District Court appointed Taiwan Association of Construction and Development, as well as Taiwan Professional Electrical Engineers Association, to estimate the value of the completed part of the new factory building, with both parties providing supplementary opinions for the preliminary valuation. The District Court has also appointed Taiwan Construction Research Institute (TCRI) to estimate the value of the expansion of the gas factory, wherein the estimated result turned out to be the same as that of which conducted by Nova Tech. As of the issuance date of this financial statements, the Court's decision has yet to be made, wherein it included the compensation amount of the damage resulting in a recognition of allowance for impairment incurred from the construction cost by Nova Tech in accordance with the related accounting standards. Nova Tech has estimated the maximum loss incurred from this lawsuit to be \$70,000 thousand. On February 5, 2018, Jing He had partially paid the amount of \$10,500 thousand (including interest) for the said construction.

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

A resolution was passed during the board meeting held on September 14, 2020 for the issuance of 3,000 thousand new ordinary shares for cash, with par value of \$10 per share, amounting to \$30,000 thousand. As of January 4, 2021, all funds for the issued ordinary shares had been received, with January 4, 2021 set as the date of capital increase.

(12) Other:

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

By function	2020			2019		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Employee benefit						
Salary	669,884	495,781	1,165,665	645,707	468,040	1,113,747
Labor, health and social insurance	52,814	30,836	83,650	45,229	45,094	90,323
Pension	18,703	7,569	26,272	17,661	6,896	24,557
Other	18,197	22,696	40,893	13,964	25,020	38,984
Depreciation	14,444	59,402	73,846	13,465	52,398	65,863
Amortization	142	9,760	9,902	270	6,949	7,219

Note: Depreciation for investment property for the year ended December 31, 2020 and 2019 each amounted to \$2,487 thousand, recognized as non operating expense.

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures: None

(a) Information on significant transactions:

The follows were the information on significant transactions required by the Regulations Governing the Preparation of Financial Reports by Securities Issuers, of the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance (note 1)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Loss Allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	SHI	NMI	Other receivables due from related parties	Yes	187,725	-	-	-	Short-term financing	-	Operating capital	-	-	-	1,788,741 (note 4)	1,788,741 (note 4)
1	SHI	AIL	Other receivables due from related parties	Yes	169,985	-	-	-	Short-term financing	-	Operating capital	-	-	-	1,788,741 (note 4)	1,788,741 (note 4)
1	SHI	Acter Thailand	Other receivables due from related parties	Yes	24,944	-	-	-	Short-term financing	-	Operating capital	-	-	-	794,996 (note 4)	1,788,741 (note 4)
2	New point	NMI	Other receivables due from related parties	Yes	19,749	-	-	-	Short-term financing	-	Operating capital	-	-	-	315,005 (note 4)	315,005 (note 4)
3	AIL	Acter Vietnam	Other receivables due from related parties	Yes	175,656	171,090	114,060	1.02	Short-term financing	-	Operating capital	-	-	-	1,018,560 (note 5)	1,018,560 (note 5)
3	AIL	NMI	Other receivables due from related parties	Yes	45,054	42,773	42,773	3.03	Short-term financing	-	Operating capital	-	-	-	1,018,560 (note 5)	1,018,560 (note 5)
3	AIL	Acter Thailand	Other receivables due from related parties	Yes	18,816	18,816	18,816	1.55	Short-term financing	-	Operating capital	-	-	-	40,742 (note 5)	40,742 (note 5)
4	Acter China	Shenzhen Dingmao	Other receivables due from related parties	Yes	105,199	104,794	-	-	Short-term financing	-	Operating capital	-	-	-	559,329 (note 5)	559,329 (note 5)
4	Acter China	Sheng Huei Shenzhen	Other receivables due from related parties	Yes	105,199	104,794	6,550	1.50	Short-term financing	-	Operating capital	-	-	-	559,329 (note 5)	559,329 (note 5)
4	Acter China	Acter Vietnam	Other receivables due from related parties	Yes	88,286	87,945	29,315	1.00	Short-term financing	-	Operating capital	-	-	-	559,329 (note 5)	559,329 (note 5)
4	Acter China	Acter Thailand	Other receivables due from related parties	Yes	29,429	29,315	-	-	Short-term financing	-	Operating capital	-	-	-	559,329 (note 5)	559,329 (note 5)

Note 1. The ending balance was the used credit line approved by the Board of Directors for the year ended December 31, 2020.

Note 2. The limited amount and the total amount available for lending purpose shall not exceed 40% of the Company's net worth.

Note 3. The net worth was audited by a Certified Public Accountant.

Note 4. The total amounts available for loan to other parties shall not exceed 90% of the offshore subsidiaries' net worth. The total amount and maximum amount available loan to short term financing needs and loan to single party shall not exceed 40% of the foreign subsidiaries' net worth respectively; and the maximum amount to directly or indirectly wholly owned foreign subsidiaries for short term financing needs is not limited to 40% of the foreign subsidiaries' net worth; however, the total maximum amount for lending shall not exceed 90% of the net worth of each foreign subsidiary.

Note 5. Both the total amount and the maximum amount available for lending purpose and short-term financing needs, respectively, shall not exceed 40% of Acter China and its subsidiaries' net worth; and the maximum amount to directly or indirectly wholly owned subsidiaries outside Taiwan (must be within the scope of the consolidated financial statements of Acter China) for short-term financing needs is not limited to 40% of the net worth of each foreign subsidiary; however, the total amount and maximum amount for lending shall not exceed 1000% of the net worth of each foreign subsidiary.

Note 6. The transaction had been eliminated upon consolidation.

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
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(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (note 14)										
0	The Company	NMI	2	25,730,730 (note 3 and 4)	9,200	-	-	-	- %	41,169,168 (note 3 and 4)	Y	N	N
0	The Company	Acter Vietnam	2	25,730,730 (note 3 and 4)	103,324	99,803	52,716	-	1.94 %	41,169,168 (note 3 and 4)	Y	N	N
0	The Company	Her Suo	2	25,730,730 (note 3 and 4)	289,708	187,438	187,438	-	3.64 %	41,169,168 (note 3 and 4)	Y	N	N
0	The Company	AIL	2	25,730,730 (note 3 and 4)	460,976	456,240	347,240	-	8.87 %	41,169,168 (note 3 and 4)	Y	N	N
0	The Company	Acter China, Sheng Huei Shenzhen and Shenzhen Dingmao	2	25,730,730 (note 3 and 4)	182,298	57,030	-	-	1.11 %	41,169,168 (note 3 and 4)	Y	N	Y
0	The Company	Acter China and Sheng Huei Shenzhen	2	25,730,730 (note 3 and 4)	472,213	170,290	14,201	-	3.31 %	41,169,168 (note 3 and 4)	Y	N	Y
0	The Company	Acter China	2	25,730,730 (note 3 and 4)	311,892	261,984	13,325	-	5.09 %	41,169,168 (note 3 and 4)	Y	N	Y
0	The Company	Enrich Tech	2	25,730,730 (note 3 and 4)	1,170,250	865,750	615,750	-	16.82 %	41,169,168 (note 3 and 4)	Y	N	N
1	Her Suo	Nova Tech	4	7,521,240 (note 6 and 8)	41,601	41,601	41,601	-	16.59 %	8,774,780 (note 6 and 8)	N	N	N
1	Her Suo	Chung Hsiang Engineering	5	7,521,240 (note 6)	348,000	348,000	348,000	-	138.81 %	8,774,780 (note 6)	N	N	N
1	Her Suo	The Company	3	7,521,240 (note 6)	78,000	78,000	78,000	-	31.11 %	8,774,780 (note 6)	N	Y	N
2	Nova Tech	Suzhou Winmax	2	4,656,412 (note 9)	9,299	-	-	-	- %	6,984,618 (note 9)	N	N	Y
2	Nova Tech	Winmax and Suzhou Winmax	2	4,656,412 (note 9)	720,942	633,128	121,180	-	27.19 %	6,984,618 (note 9)	N	N	Y
2	Nova Tech	Winmax	2	4,656,412 (note 9)	757,249	652,384	519,412	-	28.02 %	6,984,618 (note 9)	N	N	Y
2	Nova Tech	The Company	3	4,656,412 (note 9)	289,800	289,800	289,800	-	12.45 %	6,984,618 (note 9)	N	Y	N
2	Nova Tech	Sheng Huei Shenzhen	5	4,656,412 (note 9)	189,115	189,115	189,115	-	8.12 %	6,984,618 (note 9)	N	N	Y
3	Acter China	Acter Vietnam	2	8,389,938 (note 12)	980,645	980,645	980,645	-	70.13 %	11,186,584 (note 12)	N	N	N
3	Acter China	AIL	2	8,389,938 (note 12)	254,755	253,773	253,773	-	18.15 %	11,186,584 (note 12)	N	N	N
3	Acter China	Sheng Huei Shenzhen	2	8,389,938 (note 12)	131,499	130,992	-	-	9.37 %	11,186,584 (note 12)	N	N	Y
3	Acter China	Shenzhen Dingmao	2	8,389,938 (note 12)	577,337	537,367	430,844	-	38.43 %	11,186,584 (note 12)	N	N	Y
3	Acter China	Versum Material	5	8,389,938 (note 12)	13,731	-	-	-	- %	11,186,584 (note 12)	N	N	Y
4	Sheng Huei Shenzhen	Acter China	3	3,734,100 (note 12)	195,682	140,109	140,109	-	56.28 %	4,480,920 (note 12)	N	N	Y
5	Winmax	Nova Tech	3	3,654,729 (note 10)	224,529	165,162	165,162	-	13.56 %	6,091,215 (note 10)	N	N	N
5	Winmax	Suzhou Winmax	4	3,654,729 (note 10)	87,666	87,328	-	-	7.17 %	6,091,215 (note 10)	N	N	Y
6	Fuyu	Acter China	4	- (note 13)	35,098	-	-	-	- %	- (note 13)	N	N	Y
7	Shenzhen Dingmao	Acter China	3	1,369,560 (note 12)	43,833	43,664	43,664	-	47.82 %	1,643,472 (note 12)	N	N	Y
8	Enrich Tech	The Company	3	5,135,700 (note 6)	30,804	30,804	30,804	-	17.99 %	5,991,650 (note 6)	N	Y	N
9	Suzhou Winmax	Winmax	4	7,320,670 (note 11)	587,390	-	-	-	- %	7,320,670 (note 11)	N	N	Y

Note 1. The total amount of endorsements and guarantees provided by the Company to other entities, who need to fulfill their contractual obligation by providing mutual endorsements and guarantees for peer in order to undertake a construction project, shall not exceed 500% of the Company's net worth, and the maximum amount for single party shall not exceed 300% of the Company's net worth.

Note 2. The maximum amount of endorsements and guarantees provided by the Company to other third parties (excluded in the consolidated financial statements) for the purpose of not undertaking a construction project, shall not exceed 10% of the Company's net worth; and the maximum amount of endorsements and guarantees provided by the Company to other third parties (excluded in the consolidated financial statements) that have ordinary business relationship with the Company shall not exceed the amount of their business transactions, which have the highest amount of the latest purchase or sales amount within the previous year, and the total amount, shall not exceed 20% of the Company's net worth.

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Notes to the Consolidated Financial Statements

- Note 3. The total amount of endorsements and guarantees provided by the Company to subsidiaries who the Company, directly and indirectly, holds more than 50% of their voting shares, shall not exceed 800% of the Company's net worth. Also, the maximum amount for single subsidiary shall not exceed 500% of the Company's net worth.
- Note 4. The total amount of endorsements and guarantees provided by the Company to its subsidiaries, who need to fulfill their contractual obligation by providing mutual endorsements and guarantees for peer in order to undertake a construction project, or inter the parent company and subsidiaries, or to a subsidiary who the parent company owns, directly and indirectly, 100% of its voting shares, shall not exceed 800% of the Company's net worth. Also, the maximum amount for single party shall not exceed 500% of the Company's net worth.
- Note 5. The amount of business transaction amount refers to the highest amount of the latest purchase or sales amount was audited by a Certified Public Accountant.
- Note 6. The total amount of endorsements and guarantees provided by Her Suo and Enrich Tech shall not exceed 3500% of each company's net worth. Also, the maximum amount for single party shall not exceed 3000% of each company's net worth.
- Note 7. The net worth was audited by a Certified Public Accountant.
- Note 8. According to the first paragraph of Article 13 of "Procedure for Loaning of Funds and Endorsements and Guarantees" issued by the Company, the Company had proposed an improvement plan for the amount of endorsements and/or guarantees for the endorsement guarantee object that did not comply with the regulations.
- Note 9. The total amount of endorsements and guarantees provided by Nova Tech to other parties, fulfillment of contractual obligation by providing mutual endorsements and/or guarantees for peer in order to undertake a construction project, shall not exceed 300% of the company's net worth. Also, the maximum amount for single party shall not exceed 200% of the company's net worth. In addition to the above, the total amount of endorsements and guarantees provided by Nova Tech to other entries shall not exceed 300% of the company's net worth. Also, the maximum amount for single party shall not exceed 200% of the company's net worth. The maximum amount of endorsements and guarantees provided by Nova Tech to other entities that have ordinary business relationship shall not exceed the highest amount of the latest purchase or sales amount that the two parties can reasonably estimate within the past one year or the next one year.
- Note 10. The total amount of endorsements and guarantees provided by Winmax to other entities shall not exceed 500% of the company's net worth and the maximum amount for single party amount shall not exceed 300% of the company's net worth. The maximum amount of endorsements and guarantees provided by Winmax to other parties that have ordinary business relationship shall not exceed the amount of business transaction amount. The amount of business transaction amount refers to the highest amount of the latest purchase or sales amount that the two parties can reasonably estimate within the past one year or the next one year.
- Note 11. The total amount of endorsements and guarantees provided by Suzhou Winmax to its parent company, or to a subsidiary who the parent company owns, directly and indirectly, 100% of its voting shares, shall not exceed 3500% of the company's net worth; as well as to any single party, shall not exceed 3500% of the company's net worth. In addition, the total amount of endorsements and guarantees provided by Suzhou Winmax to other parties shall not exceed 500% of the company's net worth and to any individual entity, shall not exceed 300% of the company's net worth.
- Note 12. The total amount of endorsements and guarantees provided by Acter China to other entities shall not exceed 800% of the company's net worth. Also, the maximum amount shall not exceed 600% of the company's net worth. The total amount of endorsements and guarantees provided by the subsidiaries of Acter China to other parties shall not exceed 1800% of the company's net worth. Also, the maximum amount shall not exceed 1500% of each company's net worth. The maximum amount of endorsements and guarantees provided by Acter China to other entities that have ordinary business relationship shall not exceed the amount of business transaction amount. The amount of business transaction amount refers to the highest amount of the latest purchase or sales amount within the past one year.
- Note 13. The total amount of endorsements and guarantees provided by Fuyu to other entities shall not exceed 800% of the company's net worth. Also, the maximum amount for single parties shall not exceed 600% of the company's net worth. The maximum amount of endorsements and guarantees provided by Fuyu to other parties that have ordinary business relationship shall not exceed the amount of business transaction amount. The amount of business transaction amount refers to the highest amount of the latest purchase or sales amount within the past one year.
- Note 14. Relationship with the Company:
1. Ordinary business relationship.
 2. Subsidiary which owned more than 50% by the guarantor.
 3. An investee owned more than 50% in total by both the guarantor and its subsidiary.
 4. An investee owned more than 90% by the guarantor or its subsidiary.
 5. Fulfillment of contractual obligation by providing mutual endorsements and/or guarantees for peer or joint builders in order to undertake a construction project.

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars/Shares)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Highest	Note	
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		balance during the year
The Company	Allianz Global Investors All Seasons Harvest Fund (Accumulated)	-	Current financial assets at fair value through profit or loss	799	10,806	- %	10,806	- %	
The Company	Nomura EMD & High Yield Bond Portfolio	-	Current financial assets at fair value through profit or loss	832	10,401	- %	10,401	- %	
The Company	FSITC US Top 100 Bond Fund (Accumulated)	-	Current financial assets at fair value through profit or loss	46	14,487	- %	14,487	- %	
					<u>35,694</u>		<u>35,694</u>		
The Company	Holy Stone Healthcare Co., Ltd.	-	Non-current investments in equity instruments measured at fair value through other comprehensive income	250	5,448	0.20 %	5,448	0.20 %	
The Company	Waste Recovery Technology Inc.	-	Non-current investments in equity instruments measured at fair value through other comprehensive income	1,560	127,400	9.77 %	127,400	9.77 %	
					<u>132,848</u>		<u>132,848</u>		
Nova Tech	Pine Bridge Preferred Securities Income fund USD A	-	Current financial assets at fair value through profit or loss	18	6,459	- %	6,459	- %	
Nova Tech	Chailease Holding Company Limited Class A Preferred Shares	-	Current financial assets at fair value through profit or loss	200	19,920	- %	19,920	- %	
					<u>26,379</u>		<u>26,379</u>		
Her Suo	UPAMC James Bond Money Market Fund	-	Current financial assets at fair value through profit or loss	1,484	25,000	- %	25,000	- %	
Her Suo	Taishin Ta-Chong Money Market Fund	-	Current financial assets at fair value through profit or loss	1,746	25,000	- %	25,000	- %	
Her Suo	FSITC Money Market Fund	-	Current financial assets at fair value through profit or loss	139	25,000	- %	25,000	- %	
Her Suo	Fuh Hwa Money Market	-	Current financial assets at fair value through profit or loss	688	10,000	- %	10,000	- %	
Her Suo	Mega Diamond Money Market Fund	-	Current financial assets at fair value through profit or loss	2,372	30,000	- %	30,000	- %	
Her Suo	Jih Sun Money Market Fund	-	Current financial assets at fair value through profit or loss	1,672	25,000	- %	25,000	- %	
Her Suo	Franklin Templeton Sinoam Money Market	-	Current financial assets at fair value through profit or loss	2,397	25,000	- %	25,000	- %	
Her Suo	DFE DWS Taiwan Money Market	-	Current financial assets at fair value through profit or loss	2,120	25,000	- %	25,000	- %	
Her Suo	Yuanta De-Li Money Market Fund	-	Current financial assets at fair value through profit or loss	1,521	25,000	- %	25,000	- %	
					<u>215,000</u>		<u>215,000</u>		
Her Suo	Hsinchu Golf Country Club Co., Ltd.	-	Non-current investments in equity instruments measured at fair value through other comprehensive income	0.002	2,246	- %	2,246	- %	
SHI	JPMorgan Funds-Emerging Markets Debt Fund A (mth)-USD	-	Current financial assets at fair value through profit or loss	1	529	- %	529	- %	
SHI	Allianz Global Investors Fund—Allianz Global Multi-Asset Credit AT-USD	-	Current financial assets at fair value through profit or loss	45	14,374	- %	14,374	- %	

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest balance during the year	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
SHI	RED ARC TERM LIQUIDITY FUND-185A3USD	-	Current financial assets at fair value through profit or loss	19	57,030	- %	57,030	- %	
					71,933		71,933		
AIL	JPMorgan Funds – US Aggregate Bond Fund A (moth) – USD	-	Current financial assets at fair value through profit or loss	3	1,023	- %	1,023	- %	
Winmega	Franklin Templeton Sinoam Money Market Fund	-	Current financial assets at fair value through profit or loss	1,929	20,116	- %	20,116	- %	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Nova Tech	Ordinary Shares	Investments accounted for using equity method	Former Shareholder of Rayzher		-	-	3,125	112,500	-	-	-	-	3,125	112,500

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Enrich Tech	Be owned 56.94% by the Company	Sales	154,871	3 %	Depend on individual contract	Depend on individual contract	No significant difference	40,822	3%	Note
The Company	Her Suo	Be owned 100% by the Company	Purchases	114,300	3 %	Depend on individual contract	Depend on individual contract	No significant difference	(513)	-%	Note
Nova Tech	Winmax	Be owned 100% by Nova Tech	Purchases	342,228	27 %	Depend on individual contract	Depend on individual contract	No significant difference	-	-%	Note

Note: The transactions have been eliminated upon consolidation.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (ix) Trading in derivative instruments: None.
- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Enrich Tech	1	Construction revenue	154,871	Same with the third parties	1.1%
1	Nova Tech	Winmax	3	Construction cost	342,228	Same with the third parties	2.4%

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 1: Accounts which exceed 1% of the total assets from the balance sheets and total operating revenue from the statements of comprehensive income should be disclosed.

Note 2: The transactions have been eliminated upon consolidation.

Note 3: The number filled in as follows:

- 1) 0 represents the Company.
- 2) Subsidiaries are sorted in a numerical order starting from 1.

Note 4: Transactions labeled as follows:

- 1) 1 represents the transactions from parent company to subsidiaries.
- 2) 2 represents the transactions from subsidiaries to parent company.
- 3) 3 represents the transactions between subsidiaries.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars/Shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Highest balance during the year	Net income (losses) of investee	Share of profits of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	Nova Tech	Hsinchu	Wholesale of electronic and chemical equipment	141,364	141,364	21,098	62.19 %	1,447,799	62.19 %	407,392	253,338	Note2
The Company	Her Suo	Hsinchu	Construction and set up of freezing equipment	60,000	60,000	10,000	100 %	250,708	100 %	55,919	55,919	Note2
The Company	Enrich Tech	Taichung	Comprehensive construction company	68,841	68,841	5,694	56.94 %	101,516	56.94 %	37,518	20,208	Note2
The Company	SHI	Samoa	Investment holding company	129,126	129,126	4,205	100 %	1,987,490	100 %	398,139	398,139	Note2
Nova Tech	Winmega	Hsinchu	Wholesale of electronic and chemical engineering equipment	15,000	15,000	3,000	100 %	109,870	100 %	43,323	43,323	Note2
Nova Tech	NTEC	Singapore	Chemical supply system business	24,179	24,179	1,000	100.00 %	55,051	100 %	(3,523)	(3,523)	Note2
Nova Tech	Rayzher	Taoyuan	Piping engineering, installation cable and automatic control equipment, etc.	112,500	-	3,125	25 %	112,500	25 %	-	-	
SHI	New Point	Seychelles	Investment holding company and trading of equipment	6,110	6,110	200	100 %	350,005	100 %	1,889	1,889	Note2
Acter China	AIL	Hong Kong	Investment holding company and trading of clean rooms and air conditioners	99,994	69,678	25,327	100 %	101,856	100 %	25,416	25,416	Note2
Acter China	NTS	Singapore	Investment holding company	80,000	80,000	3,376	100 %	81,202	100 %	20,964	20,964	Note2
NTS	NTM	Malaysia	Investment holding company	26,780	26,780	2,600	100 %	3,071	100 %	(166)	(166)	Note2
NTS	NMI	Indonesia	Equipment trading and set-up	14,816	14,816	495	99 %	55,088	99 %	25,605	25,349	Note2
NTS	Acter Thailand	Thailand	Set up of electronic protection systems and central air conditioners	14,428	15,076	147	49 %	11,260	49 %	(4,640)	(2,273)	
NTS	DJR	Thailand	Investment holding company	908	-	13	25 %	913	25 %	-	-	
NTS	Daejin Road	Thailand	Investment holding company	1,371	-	13	25 %	1,379	25 %	-	-	
AIL	NMI	Indonesia	Equipment trading and set-up	150	150	5	1 %	556	1 %	25,605	256	Note2
AIL	Acter Vietnam	Vietnam	Set up of electronic protection systems and central air conditioners	48,238	48,238	Note1	100 %	110,757	100 %	18,801	18,801	Note2
AIL	Space Thailand	Thailand	Investment holding company and trading of equipment	7,308	7,400	74	49 %	5,775	49 %	(2,039)	(999)	
AIL	DJR	Thailand	Investment holding company	871	-	12	24 %	871	24 %	-	-	
AIL	Daejin Road	Thailand	Investment holding company	1,317	-	12	24 %	1,317	24 %	-	-	

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Highest balance during the year	Net income (losses) of investee	Share of profits of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value				
Space Thailand	Acter Thailand	Thailand	Construction and set up of electronic equipment and air conditioner	14,428	15,076	147	49 %	11,260	49 %	(4,640)	(2,273)	Note2

Note 1: Limited company.

Note 2: The transactions have been eliminated upon consolidation.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of surplus capital	Method of investment (note 11)	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Highest balance during the year	Investment income (losses) (note 8)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Winmax	Design and manufacture of air containers and liquid containers	151,426 (Note 1)	1	9,635	-	-	9,635	336,313	62.19%	62.19%	209,153	757,625	621,053
Acter China	Construction and set-up of electronic equipment and air conditioners	284,355 (Note 2)	2	106,177	-	-	106,177	456,536	86.66%	86.66%	395,648	1,211,828	154,384 (Note 4)
Shenzhen Dingmao	Electronic equipment and machinery trading	22,984	3	-	-	-	-	13,198	86.66%	86.66%	11,438	79,126	-
Sheng Hwei Shenzhen	Construction and set-up electronic equipment and air conditioners	172,877 (Note 3)	3	15,980	-	-	15,980	50,939	86.66%	86.66%	44,146	215,739	55,876 (Note 4)
Fuyu (liquidated)	Agent for electronic equipment importing and exporting	6,110	2	6,110	-	-	6,110	(829)	-%	-%	(829)	- (Note 11)	-
Suzhou Winmax	Design and manufacture of air containers and liquid containers	32,478	1	32,478	-	-	32,478	57,971	62.19%	62.19%	36,052	130,078	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020 (Note 7)	Investment Amounts Authorized by Investment Commission, MOEA (note 5 and 7)	Upper Limit on Investment (note 6)
193,372 (USD6,238 thousand)	670,967 (USD21,222 thousand)	3,087,688

Note 1: The total amount of capital included the capital increase incurred from retained earnings of USD4,590 thousand in 2007 and 2012.

Note 2: The total amount of capital included the capital increase incurred from retained earnings of USD4,537 thousand in 2006, 2007, 2010, 2011 and 2019.

Note 3: The total amount of capital included the capital increase incurred from retained earnings of USD4,830 thousand in 2009, 2010 and 2011.

Note 4: The amounts of cash dividends distributed to the Company and SHI were \$78,958 thousand (USD2,616 thousand) and CNY27,822 thousand, respectively.

Note 5: The accumulated investment in Mainland China included through Nova Tech amounting to \$183,904 thousand (USD5,890 thousand) was authorized by the Investment Commission. However, the remittance from Winmax to Nova Tech amounting to \$621,053 thousand (USD20,362 thousand) and the remittance from Acter China to the Company amounting to \$78,958 thousand (USD2,616 thousand) were not included in the accumulated investment amounts.

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 6: According to the “Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China” issued by the Investment Commission on August 29, 2008, the maximum amount on investment in Mainland China shall not exceed 60% of the Company’s net worth.

Note 7: All foreign currency amounts were translated at the exchange rates and authorized by the Investment Commission.

Note 8: The amount was recognized based on the audited financial statements.

Note 9: GLOBAL Biotech had been liquidated in January 2018. However, the accumulated investment in Mainland China amounting to \$165 thousand (USD5 thousand) has yet to be remitted to the Company.

Note 10: SCEC Shanghai had been liquidated in October 2017. However, the accumulated investment in Mainland China amounting to \$22,827 thousand (USD783 thousand) has yet to be remitted to the Company.

Note 11: Fuyu had been liquidated in December 2020. However, the accumulated investment in Mainland China amounting to \$6,110 thousand (USD200 thousand) has yet to be remitted to the Company.

Note 12: Ways to invest in Mainland China:

- (1) Direct investment in Mainland China.
- (2) Indirect investment in Mainland China through a foreign company.
- (3) Investment in Mainland China through an existing company in Mainland China.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, were disclosed in “the Information on significant transactions”.

(d) Major shareholders:

As of December 31, 2020, there were no shareholders holding more than 5% of the shares.

(14) Segment information:

(a) General information

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

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

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

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

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

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ACTER GROUP CORPORATION LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

<u>2020</u>	<u>Taiwan</u>	<u>Mainland China</u>	<u>Other Asian</u>	<u>Adjustments and eliminations</u>	<u>Total</u>
Revenue:					
Revenue from external customers	\$ 7,145,323	5,999,403	832,284	-	13,977,010
Intersegment revenues	311,014	512,320	-	(823,334)	-
Interest revenue	3,675	22,169	10,681	(4,851)	31,674
Total revenue	\$ 7,460,012	6,533,892	842,965	(828,185)	14,008,684
Interest expense	(3,207)	(1,861)	(6,950)	4,850	(7,168)
Depreciation and amortization	(37,445)	(43,959)	(4,831)	-	(86,235)
Share of gain (loss) of associates accounted for using equity method	1,161,687	110,518	437,675	(1,710,879)	(999)
Reportable segment profit or loss	351,546	803,611	44,811	(1,155)	1,198,813
Asset:					
Investment accounted for using equity method	5,492,338	523,302	1,752,819	(7,645,704)	122,755
Capital expenditures of noncurrent assets	7,484	29,046	1,188	-	37,718
Reportable segment asset	12,894,445	6,393,717	3,644,775	(7,814,342)	15,118,595
Reportable segment liability	4,888,328	3,227,747	873,075	(169,035)	8,820,115
<u>2019</u>	<u>Taiwan</u>	<u>Mainland China</u>	<u>Other Asian</u>	<u>Adjustments and eliminations</u>	<u>Total</u>
Revenue:					
Revenue from external customers	\$ 5,759,215	6,280,535	635,136	-	12,674,886
Intersegment revenues	187,956	257,316	-	(445,272)	-
Interest revenue	6,301	24,898	18,251	(9,025)	40,425
Total revenue	\$ 5,953,472	6,562,749	653,387	(454,297)	12,715,311
Interest expense	(996)	(7,532)	(5,860)	9,134	(5,254)
Depreciation and amortization	(35,015)	(36,310)	(4,244)	-	(75,569)
Share of gain (loss) of associates accounted for using equity method	1,289,764	136,327	608,747	(2,034,899)	(61)
Reportable segment profit or loss	323,894	847,428	106,006	(1,044)	1,276,284
Asset:					
Investment accounted for using equity method	4,844,558	3,450,511	1,585,675	(9,880,744)	-
Capital expenditures of noncurrent assets	10,215	8,868	2,165	-	21,248
Reportable segment asset	10,750,055	10,035,474	2,757,892	(11,550,341)	11,993,080
Reportable segment liability	3,532,311	3,984,057	384,806	(1,457,136)	6,444,038

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(c) Information about the products and services

Revenue from external customers was as follows:

	<u>2020</u>	<u>2019</u>
Cleanroom electromechanical integration engineering	\$ 8,237,650	6,495,238
Water gasification supply integration engineering	3,730,872	4,264,513
Consumer industry electromechanical integration engineering	916,409	704,451
Biomedical integration engineering	686,914	596,403
High-tech equipment and materials sales and services	<u>405,165</u>	<u>614,281</u>
	<u>\$ 13,977,010</u>	<u>12,674,886</u>

(d) Geographical information

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

<u>Area</u>	<u>2020</u>	<u>2019</u>
Revenue from external customers:		
Taiwan	\$ 6,001,765	4,706,681
Mainland China	7,046,527	7,179,749
Other countries	<u>928,718</u>	<u>788,456</u>
	<u>\$ 13,977,010</u>	<u>12,674,886</u>

<u>Area</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-current assets:		
Taiwan	\$ 576,904	586,539
Mainland China	278,504	270,875
Other countries	<u>4,431</u>	<u>6,525</u>
	<u>\$ 859,839</u>	<u>863,939</u>

Non-current assets include property, plant and equipment, right-of-use assets, investment property, intangible assets and other assets.

(e) Information on significant customers

As of December 31, 2020 and 2019, none of the sales to the Group's external single customer exceeds 10% of the total revenue.