Stock Code: 5536

Acter Co. Ltd.

2018 Annual Report

<u>Notice to readers</u>

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System: http://mops.twse.com.tw

2018 annual report is available at: http://www.acter.com.tw

Printed on March 31, 2019

Spokesperson
Name : Tsao, Yun-Han
Title: Assistant Vice President
Tel: 886-4-2261-5288 ex.212
E-mail:angie@acter.com.tw

Deputy Spokesperson
Name : Huang, Tzu-Yen
Title: Section Manager
Tel: 886-4-2261-5288 ex.126
E-mail:vivian@acter.com.tw

Headquarters, Branches and Plant

Headquarters
Address: 19F.-1, No.201, Sec. 2, Wenxin Rd., Xitun Dist., Taichung City 407, Taiwan (R.O.C.)
Tel: 886-4-2261-5288

Stock Transfer Agent

Firm：KGI Securities Registry and Transfer Department
Address: 5F., No.2, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)
Tel: 886-2-2389-2999
Website: http://www.kgieworld.com.tw

Auditors

CPA Firm：KPMG
Auditors：Chang, Tzu-Hsin and Huang, Hai-Ning
Address：68F., No.7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)
Tel: 886-2-8101-6666
Website: http://www.kpmg.com.tw

Overseas Securities Exchange：None.

Corporate Website：http://www.acter.com.tw

Contents

I. Letter to Shareholders

i. Preface

Dear Shareholders,

Thanks to all shareholders' support and encouragement during the past year. In 2018, due to the management team's continuous improvement, self-discipline and positive attitude when facing the challenge, Acter's performance continued to hit a record high and achieved brilliant transcripts. This year, although the global economy tends to be conservative, Acter will continuously develop its business through its multi-industry, multi-regional and multi-skills strategic advantages in return for the support of shareholders. The business performance in the previous year as well as this year's operating prospects is detailed as follows:

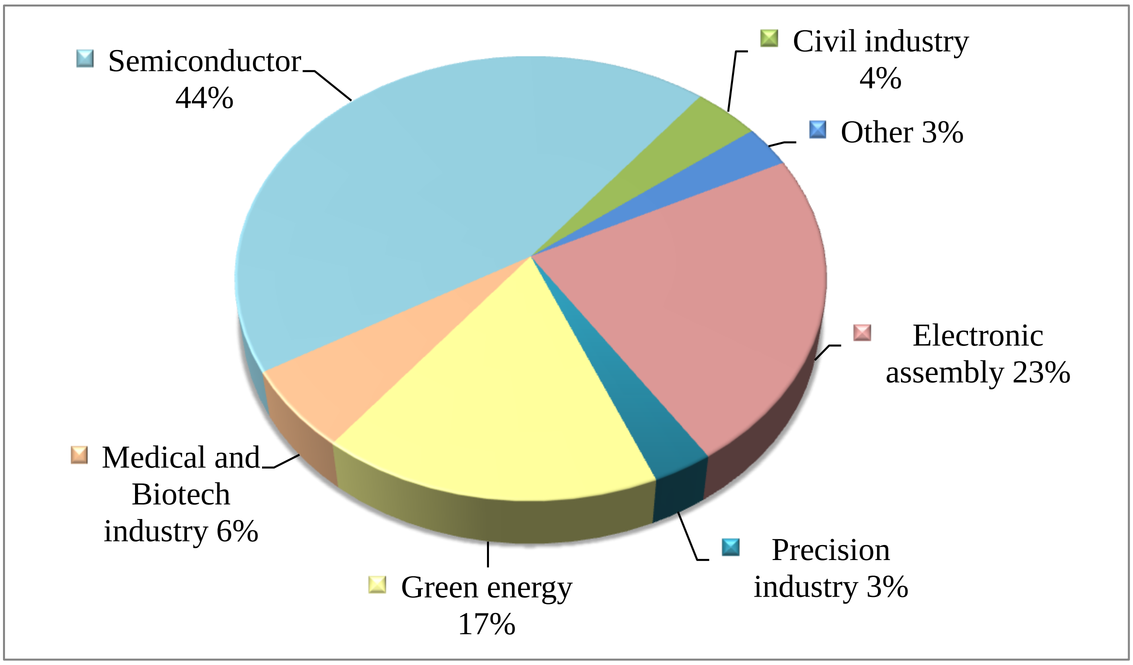
ii. Business Report

1. 2018 Business results

(1)Business plan implementation results

The expansions of China's semiconductor and photovoltaic industries have driven the development of upstream and downstream industries as well as peripheral industries, creating a good sales environment for Acter. The environment have benefited Acter and contributed to its overall revenue performance and growth, hitting a record-high. Consolidated revenue of 2018 achieves NTD 14.2 billion, 24.33% increase compared to last year. In terms of profitability, the net profit after tax reached NTD 1,048 million, attaining 24.56% growth compared to last year.

Ratios of engineering turnover by the type



Unit：In thousands of New Taiwan Dollars

Items	2018	2017	%
Operating revenue	14,220,653	11,437,682	24.3
Operating cost	11,684,474	9,393,813	24.4
Gross profit	2,536,179	2,043,869	24.1
Operating expenses	814,561	667,137	22.1
Operating income	1,721,618	1,376,732	25.1
Non-Operating income and expenses	117,428	(85,179)	(237.9)
Income before income taxes	1,839,046	1,291,553	42.4

(2)State of budget implementation

This item is not applicable since Acter has not disclosed any financial forecasts.

(3)Financial structure and profitability

Items			2018
Financial structure	Ratio of liabilities to assets (%)		54.31
	Ratio of long-term capital to fixed assets (%)		1,404.40
Solvency	Current ratio (%)		183.95
	Quick ratio (%)		150.24
Profitability	Return on total assets (%)		10.96
	Return on stockholders' equity (%)		25.39
	Ratio to issued capital (%)	Operating income	317.62
		Pre-tax income	339.29
	Profit ratio (%)		8.96
	Earnings per share ($)		19.52

(4)Research and development

The department in charge of technology, research, and development continued to develop different innovative techniques for different industries and projects taking advantage of value-added engineering in order to strengthen our competitive advantages. Descriptions are provided as follows:

A. Solvent Recycling Outsourcing Business

The Company cooperates with the overseas company and domestic universities and colleges to develop high purity distillation as the core technology, in order to realizing the high purity and reusing of chemicals.

B. Concentration Control System for Chemical Liquid

It is a composite application of on-line distillation equipment and high precision meter and the precision will be assured by erasing the errors results from temperature and measurement according to temperature characteristics and moving average for data processing method.

C. New Type Electronic-grade Chemicals Supply System

We adopt different design manners such as flow-line design for avoiding transporting with higher efficiency, controlling the cleanliness of cleaning area, utilizing vertical type auto titling cleaning design and new style cleaning nozzle for better cleaning effect, employing visual determination system to distinguish the cleaning effect within a bucket. Besides, we also design clean parameter to be editable and recordable for building up product tracing system.

D. Modular Design and Planning of Large Desalinators

Due to changes in climate and the environment, water shortages are occurring throughout the world. According to the predictions of the World Meteorological Organization, by 2050, 1 billion coastal and offshore residents will face water crisis. Our company started a partnership with a large overseas desalination engineering company and developed desalination technology at the lowest investment cost and unit price of water production.

E. Biotech Industry

The innovation, research, and development efforts in the implementation of biotech pharmaceutical projects were mainly reflected in the system impact assessment (SIA). Modern biotech pharmaceutical companies must comply with the PIC/S GMP requirements and GEP (Good Engineering Practice) is the cornerstone of PIC/S GMP while SIA is at the core of GEP.

The standard SIA operating procedure researched and developed by the Quality Control Department applies to projects during the design stage. Quality control engineers and system engineers apply the standard SIA operating procedure while performing internationally approved assessments of all systems involved in biotech pharmaceutical projects comprehensively. By successfully implementing the standard SIA operating procedure, it helps set a clear goal while biotech pharmaceutical projects are being qualified, which not only saves the manpower and time needed for a project but also perfects the qualification logic for biotech pharmaceutical projects.

We will proactively establish the standard operating procedures for critical component assessments (CCAs) of air-conditioning, water purification, distillation, steam purification, compressed air, partition, power, firefighting, drainage, and automatic control systems in order to more effectively, economically, and completely fulfill the needs of biotech pharmaceutical projects.

F. Development of developer recovery and reuse system

The development process is an important part of the semiconductor and photovoltaic process. The developer will contain a large amount of amine after used, if it flows to the wastewater treatment system, then it will cause the problem of ammonia nitrogen treatment.

G. Continued Developments in Respective Engineering Aspects

a. Electrical and mechanical engineering:
   - The BIM (Building Information Modeling) technology is employed to enhance technical capacity for space management, solve engineering pipeline construction collision problems, improve accuracy of construction, and reduce the loss of construction materials and manpower waste caused by repeated pipeline modifications. This will help improve project quality and achieve shorter construction period.
   - A research and development cooperation between the industry and universities was formed for the production of aseptic wet stencils. To reduce micro-contamination of clean production line products caused by large amounts of air outside the plant, high-tech facilities adopt wet template rinsing systems to remove or reduce damage. However, general wet template can easily cause a large amount of bacteria to breed and survive in an environment with high temperature and high humidity. The research and development of a rinsing mechanism for sterile wet template can simultaneously solve the problem of micro-molecular contamination on the product and reduce risks for operators.
   - Taking advantage of nigh-time off-peak hours to run the refrigerant compressor and produce ice. When the compressor is running and the brine water temperature is below 0℃, water inside the tank and container will experience phase changes and freeze in order to store lots of latent heat. The stored ice will then melt to release cold energy during the day when power utilization reaches the peak to satisfy the air-conditioning load demand and accomplish the goal of reducing the uptime of the compressor. By shifting air-conditioning power consumption from peak hours to off-peak ones, it successfully transfers peak air-conditioning load during the day and reduce electricity bills accordingly.

b. Special engineering: Taking advantage of air pressure differences between outdoors and indoors; the surrounding outdoor air will only flow toward the negative pressure area indoors because of the characteristic that air is flowing from a high pressure area to a lower one. Negative pressure is an important protection mechanism that blocks an area from an outside environment; it is often used as a means to control air dispersion as it helps ensure that air flows toward an anticipated direction. ACTER successfully applied the negative pressure technology to help hospitals configure isolated negative-pressure patient wards.

c. Bio-tech engineering: PIC/S GMP standards have more rigid requirements for clean rooms configured in pharmaceutical manufacturing facilities; they differ from existing cGMP standards in Taiwan the most in facilities and operations that help prevent against cross contamination.
d. Clean room engineering: ACTER helps businesses complete clean room engineering by controlling the temperature, humidity, airflow, air pressure, and particles of indoor air along with indoor illumination and dust-free building materials.
e. Ultra-high building engineering: Taking advantage of separation through the turn layer to successfully reduce the pressure resistance level of pipeline, increase operation stability and security, and significantly cut the overall engineering cost.
f. Livelihood engineering: Using air-conditioning waste heat and heat source from outdoor air as the hot water usage in life and achieving the reduction of equipment by eliminating the boiler system. In addition to assisting companies in reducing the equipment costs, it can also reduce fuel usage and lower CO2 emissions.
g. Manufacturing process engineering: It is merging cold source supply system through deeply understanding the manufacturing process system to effectively elevate the system utilization rate.
h. Green energy engineering: Selected systems with high performance and low energy-consumption and applied them in the production environment. Using methods such as installing variable-frequency drives and special insulation designs, the demand for electricity was reduced. Renewable energy is used to assist customers in achieving the effect of saving energy.
i. Construction automation: The adoption of steel reinforcement cages enhances structural accuracy as well as construction quality and shortens construction period.

2. Summary of business plan for 2019

(1)Business strategy

This year, Acter has set up its growth goals for various divisions and subsidiaries and implemented action plans for each unit. It also implemented the following business policies:

A. Strengthen corporate governance and enhance enterprise culture
B. Rooting deeply in this industry and continuing to carry out a diverse, multi-project integrated engineering service
C. Maintain constant contact with current customers from mainland China and Southeast Asia, develop new customers, create multi-regional business, and improve investment efficiency
D. Cooperate with international partners and continuously expand the scope of its professional service in biological, pharmaceutical, medical industries and desalination, and deepening of the professional technical capabilities such as green energy and environmental protection.
E. Combine the professional manufacturing processes of gas and chemical supply systems in the treatment of liquid waste and solvent waste to create a new generation

engineering integration technology and Earth-friendly technology

F. Recruiting more diverse talents and actively training management teams

(2)Expected sales volume and basis for estimates

Acter is a professional manufacturer that applies system integration. For over 40 years, it has provided services which cover cleanrooms, air conditioning, electrical machinery, chemical engineering as well as control and instrument, equipment installation, etc., with the support of its strong and reliable multi-disciplinary and elite engineering team. Aside from its strength and advantage, Acter aims to keep pace with the request of customers. It caters to the needs of clients through constant communication and by establishing brand value and competitive advantage via innovative technology and high quality services.

In addition to serving its existing customers, Acter is aggressively expanding its domestic and overseas markets by identifying new industries and new customers, and satisfying the demand for a cross-disciplinary project service with integration system. As for internal operations, managing the company’s integral resources is vital in providing the best and efficient solutions for customers.

3. Future development strategies

The company is deeply committed to every project which represents and embodies Acter. It has been a long time since the company focused on the improvement and development of engineering technology. Currently, it has become a diversified engineering technology company through horizontal integration and continuous development. The content of service and professional engineering method were improved to keep pace with progress. It has continued to expand its service stations given the increasing demand of customers. In order to approach its customers and provide real-time service, Acter service stations are situated all over Taiwan, Mainland China and Southeast Asia. In the future, it aims to continuously offer the best solutions and service to its customers. The company’s future development strategies include:

(1)Focus on diverse application of its core technology

(2)Initiate projects that offer professional advantages and building a comprehensive marketing service system

(3)Gain foothold in Chinese and Southeast Asian markets while expanding its vision to include international markets

(4)Develop an environmental, energy-saving, and green system in fulfillment of its duty as a global citizen

(5)Integrate a diversified technology and pursue an innovative engineering method that expands versatile application of its core competence

(6)Continuing to root deeply in the technology, biotechnology, livelihood, petrochemical, and other industries

4. Major production and sales policies

Acter provides rapid and flexible integration of services specializing in engineering and technology. It is a comprehensive turnkey service company that handles design and planning, construction, engineering supervision, maintenance after completion and transfer. Acter applies multi-sector, multi-job, and multi-talent strategies that enables it to provide a professional and holistic factory planning approach for customers through its knowledge and capabilities. Acter services offer horizontal integration and sustainable intensification of industry value-chain across various technologies that impact people's livelihood, biotechnology, green energy and the medical field as well as the photovoltaic industry, semiconductor industry, biotechnology industry, energy industry, energy engineering, railway stations, high-end housing, hotels, electromechanical solutions for air conditioning systems, biopharmaceutical, medical institutes, etc.

With respect to its manufacturing-retail policy, the company shall utilize its advantage, while considering the needs of its customers in order to maintain existing clients, acquire new ones, and enter new industries. It also aims to meet environmental requirements through energy saving and carbon reduction measures in the biopharmaceutical industry and other businesses in order to maintain business volume and achieve stable growth and profit. With regard to engineering, the company shall continuously improve and manage all kinds of projects in order to create value and provide comprehensive solutions for its customers. As for financial considerations, it shall apply proper financial risk control strategies in handling customers and accelerate the collection rate of accounts receivable.

5. Effect of the external competitive environment, legal and regulatory environment, and overall business environment

Large-scale construction suppliers offered turnkey solutions that enabled them to gain control of the electricity and machine engineering market, which led to greater competition in the electricity, machine and cleanroom engineering industry. Acter is committed to creating valuable projects and reduces the financial burden of its clients through innovative technologies and special engineering methods. In addition, it reduces overhead expense and engineering construction risks. It also forms a stable and cooperative relationship with suppliers for effective cost control and improvement of price competition in construction engineering. Meanwhile, it develops related business of energy-saving which will not only provide better services for its customers but also contribute to the overall environment.

As far as the regulatory environment is concerned, the company periodically reviews changes made to laws and regulations to ensure compliance with requirements of the competent authority and adheres to its belief of legitimate management. Generally speaking, changes to the regulatory environment will not have a major impact on the company.

In the business environment, global growth is expected to slow to 2.9% in 2019 according to the World Bank’s global outlook. Growth in China is expected to slow to 6.2% and Indonesia’s growth is expected to hold steady at 5.2%. In addition, due to the increasing of US-China trade war and China's requirements of environmental protection, many manufacturers of Taiwan have begun to consider about homecoming investments or construction of new plants in Southeast Asia. As Acter's business covers multiple industries, except for the semiconductor industry and the photovoltaic panel industry, other industries also have considerable demand for plant and capital expenditures. In general, although the global economy tends to be conservative, Acter will continuously focus on cross-strait and international economic issues while maintaining its professional capabilities through its multi-industry, multi-regional and multi-skills strategic advantages and actively expanding its Chinese and Southeast Asian markets in search of new clients in order to achieve better growth and development.

6. Corporate Social Responsibility

There is no end for pursuing corporate sustainability and fulfilling corporate social responsibilities. Becoming stronger and more sophisticated will make a company more competent, complete and being able to contribute to shareholders, employees, society and environment. Creating a platform for the youth is to reach our goal of “becoming better” than "being good". Starting from design with “Protecting the Earth, Reducing Energy Consumption” as the appeals, striving to reduce operating costs for industries, raising efficiency, and enhancing the overall competitiveness of the industries; meanwhile, raising energy usage efficiency, reduce waste, decrease the burden of the Earth, and guard our living environment. From needs assessment survey, concept design, benefit analysis, spatial planning, material evaluation, valuation, lean engineering, system debugging, and operations to concern, we implement each at every one of the steps so as to achieve the demands and targets and to fulfill the duty as a global citizen, providing the optimum balance for the teams, customers, environment, and suppliers, and doing meaningful work.

In addition, the company is dedicated to managing and promoting its corporate culture. It initiates industry-university cooperative research projects to cultivate young talents and provide opportunities for students. It also introduces a mentoring program that trains newcomers in the academe, creating opportunities for growth. The company also utilizes professional and core skills to design projects that help conserve energy. It uses high-efficiency equipment for the benefit of its clients. It also participates in socially relevant activities such as emergency support and campaign to encourage reading which can benefit society and the community while enabling the company to achieve sustainable development.

As Acter promotes engineering safety in accordance with government regulations, every project adheres to standard operating procedures. The company requires its working partner to conform to Acter standards to ensure safety management and zero accident at the construction site. It holds daily toolbox meetings before work begins and strictly implements security measures at the construction site. It conducts random inspection of safety equipment and practices to ensure smooth and safe completion of projects.

Whatever we take from the society shall be used for the society: We plant the trees, hope for next generation can get the shade. With our core competence, Acter is doing our best to care for the society and sow the seeds for future generations. Acter encourages our staffs to join the line to do something that is really meaningful. This will surely continue generation after generation and we will become better year after another year.

It deeply appreciates the support of shareholders. Acter hopes to create greater value for the entire organization and its shareholders.

Sincerely yours,

Chairman**:** Liang, Chin-Li

Lai, Ming-Kun

General Manager:

Wang, Chun-Sheng

Accounting Supervisor：Tsao, Yun-Han

II. Company Profile

i. Date of Incorporation: February 19, 1979

ii. Company History

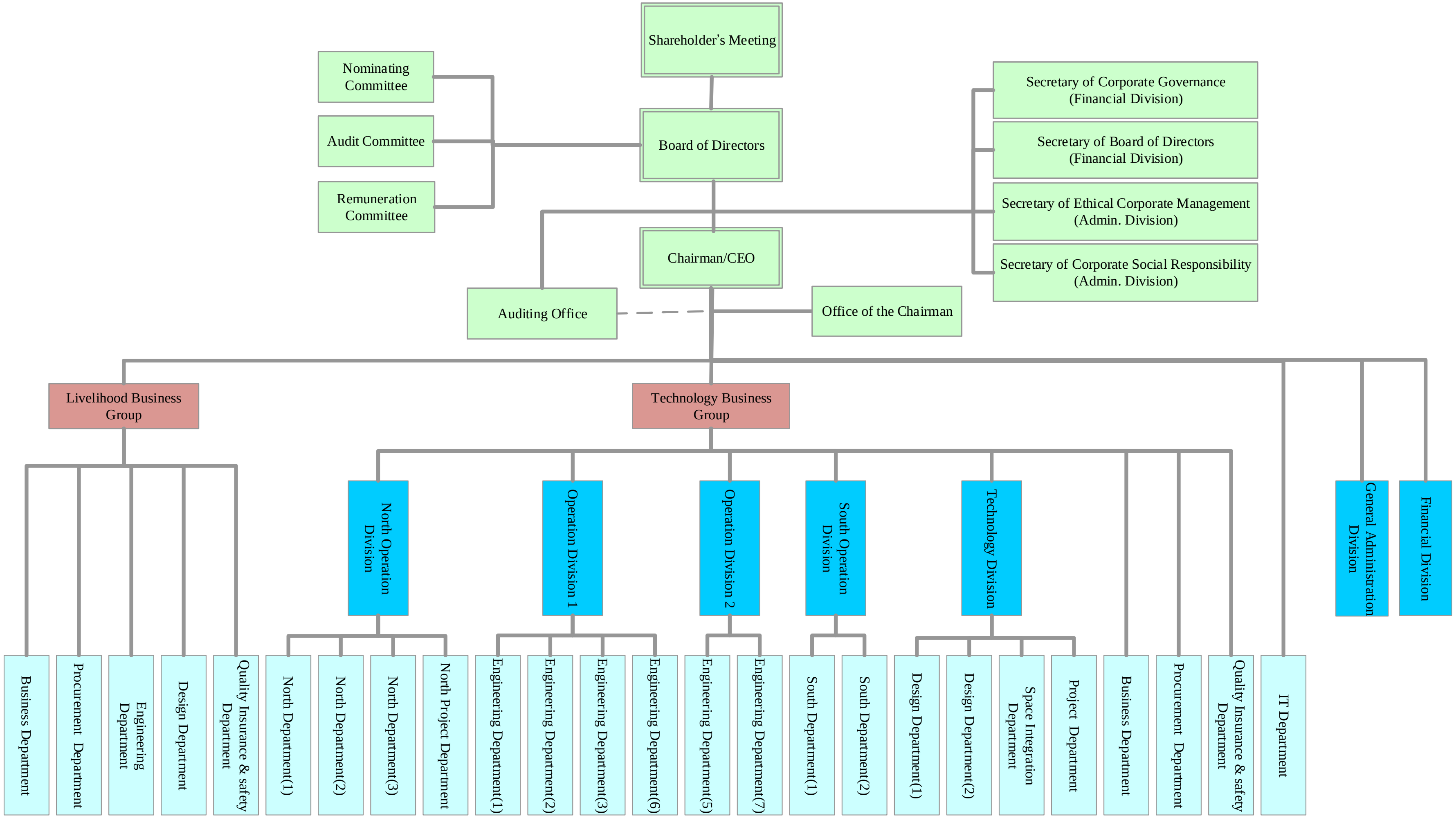
Year	Milestones
1979	1. Acter Co., Ltd. was established on Taiyuan North Road, Taichung City, Taiwan with a paid-in capital of NT$ 10 million.
1992	1. Increased paid-in capital to NT$20 million.
1993	1. Increased paid-in capital to NT$50 million.
1999	1. Received ISO 9001 certification.
2002	1. Changed to the shareholding system. 2. Increased paid-in capital to NT$100 million. 3. A branch office in Kaohsiung was established.
2003	1. Sheng Huei Engineering (Suzhou) Co., Ltd was established in Suzhou, China. 2. The office was moved to Zhongming S. Rd., Taichung City, Taiwan.
2004	1. Increased paid-in capital to NT$200 million. 2. Acquired Her Suo Engineering Co., LTD.
2005	1. Sheng Huei (Shenzhen) Engineering Co., Ltd was established in Shenzhen, China. 2. Increased paid-in capital to NT$230 million.
2006	1. Increased paid-in capital to NT$260 million. 2. A branch office in Taipei was established. 3. Acter Trading Co., Ltd was established.
2008	1. Increased authorized capital to NT$720 million.(Paid-in Capital was NT$260 million) 2. Acquired Sheng Huei Engineering Technology Co., Ltd (Vietnam). 3. Suzhou Ding-Mao Engineering Co., Ltd. and Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd were established.
2009	1. Acquired Nova Technology Corp. by issuing 6,655,065 shares. 2. Increased paid-in capital to NT$351,550,650. 3. The application for initial public offering was approved by FSC. 4. The application for the GTSM registration and trading was approved by Gre Tai Securities Market. 5. Acquired Nova Technology Singapore Pte., Ltd.
2010	1. Increased paid-in capital to NT$415,358,190. 2. Listed on Gre Tai Securities Market (Code-5536).
2011	1. Jointly invested SCEC International (HK) Company, Limited with Sumitomo Chemical Engineering Singapore Pte. Ltd. and indirectly invested SCEC (Shanghai) CORP. 2. Increased paid-in capital to NT$461,358,190. 3. Sheng Huei (Suzhou) Engineering Co., Ltd. increased capital of US$3 million.
2012	1. Nova Technology Malaysia Sdn. Bhd. and Shenzhen Dingmao Trade Co., Ltd. were established.
2013	1. SCEC (Suzhou) Corp. and Pt.Novamex Indonesia were established. 2. Suzhou Ding-Mao Engineering Co., Ltd. and Acter Trading Co., Ltd were liquidated.
2014	1. Increased holding of SCEC (Shanghai) CORP. and it becomes the subsidiary of the company since 2014. 2. Enrich Tech Co., Ltd, Winmega Technology CORP. and Acter Engineering Co., Ltd. were established. 3. Invested Global One Source Life Sciences Co. Ltd.
2015	1. Issued 480,000 shares of New Restricted Employee shares and increased paid-in capital to NT$466,158,190.
2016	1. Issued 720,000 shares of New Restricted Employee shares and canceled 99,000 shares that fail to meet the vesting conditions. Therefore, paid-in capital changed to NT$472,368,190. 2. Suzhou Winmax Technology Corp. and Novatech Engineering & Construction Pte. Ltd. were established. 3. Subsidiary Nova Technology Corp.' application for initial public offering and being listed on

Year	Milestones
	an emerging stock market were approved. 4. The office was moved to Sec. 2, Wenxin Rd., Taichung City, Taiwan.
2017	1. Canceled 84,000 shares of New Restricted Employee shares that fail to meet the vesting conditions. Therefore, paid-in capital changed to NT$471,528,190. 2. Subsidiary Nova Technology Corp. was approved for being listed on over-the-counter market. 3. SCEC (Shanghai) Corp. and SCEC (Suzhou) Corp. were liquidated and canceled.
2018	1. Canceled 23,000 shares of New Restricted Employee shares that fail to meet the vesting conditions and issued dividends stocks for 7,072,923 new shares. Therefore, paid-in capital changed to NT$542,027,420.
2019	1. Disposed whole shares of Global One Source Life Sciences Co. Ltd. 2. Acter Engineering Co., Ltd. was liquidated.

III. Corporate Governance Report

i. Organization

1. Organization Chart



2. Major Corporate Functions

Department	Functions
Office of the Chairman	1. Integration of Group Business and Market Development. 2. Plans, co-ordinates and executes assigned projects.
Auditing Office	1. Conducts inspection and evaluates internal controls within various departments. 2. Assists subsidiaries with internal audit tasks. 3. Evaluates the robustness of internal control systems and related policies. Determines whether the internal control systems continue to be effective, and assesses the progress made by each department, while offering suggestions to improve the company's operations. 4. Risk management.
Livelihood Business Group	1. Develops construction services and equipment related to living spaces
Livelihood Business Group Engineering Department	1. Provides construction services needed for the creation of domestic living spaces, from planning, design, work supervision, to turnkey solutions. 2. Responsible for the development and auditing of a Quality Center, and ongoing improvements to the ISO 9000 quality management system. 3. Responsible for the development and auditing of a Work Safety and Environmental Protection Center, and ongoing improvements to the ISO14001/OHSAS18001 system.
Livelihood Business Group Business Department	1. Responsible for marketing, customer development, and business promotion in relation to the construction of domestic living spaces. 2. Creates and maintains customer data. 3. Resolves customer complaints. 4. Develops and distributes construction facilities.
Livelihood Business Group Design Department	1. Develops engineering methods. 2. Designs, plans, and produces charts on the piping, wiring, and air conditioning of domestic living spaces, and designs electromechanical engineering projects.
Livelihood Business Group Procurement Department	1. Responsible for the purchasing and warehousing of materials, equipment and tools for the Livelihood Business Group. 2. Develops a robust supplier system that facilitates order tracking and strategic purchases.
Livelihood Business Group Quality Insurance & safety Department	1. Enhances employees' safety and health within the company; implements an OHSAS 18001-compliant occupational health and safety system. 2. Improves environmental management within the company; implements an ISO 14001-compliant environmental management system. 3. Responsible for the development and auditing of a Quality Center, and ongoing improvements to the ISO 9000 quality management system.
Technology Business Group	1. Provides construction services equipment related to the technology industries.
Technology Business Group North Operation Division, Operation Division 1, Operation Division 2 and South Operation Division	1. Constructs cleanrooms for local high-tech industry; provides construction services for electromechanical engineering projects such as planning, design, supervision and turnkey solutions. 2. Constructs cleanrooms for local biotech industry; provides construction services for electromechanical engineering projects such as planning, design, supervision and turnkey solutions. 3. Implementation of a GMP document management system.
Technology Business Group Technology Division	1. Develops engineering methods. 2. Designs, plans, and produces charts on the layout of industrial cleanrooms, and designs electromechanical engineering projects.

Department	Functions
Technology Business Group Business Department	1. Responsible for marketing, customer development, and business promotion of local industry construction projects. 2. Creates and maintains customer data. 3. Resolves customer complaints. 4. Develops and distributes construction facilities.
Technology Business Group Procurement Department	1. Responsible for the purchasing and warehousing of materials, equipment, and tools related to the Technology Business Group. Develops a robust supplier system that facilitates order tracking and strategic purchasing. 2. Handles processes such as import, export, and bonded warehouses.
Technology Business Group Quality Insurance & safety Department	1. Enhances employees' safety and health within the company; implements an OHSAS 18001-compliant occupational health and safety system. 2. Improves environmental management within the company; implements an ISO 14001-compliant environmental management system. 3. Responsible for the development and auditing of a Quality Center, and ongoing improvements to the ISO 9000 quality management system.
IT Department	1. Development and management of information systems and networks. 2. Responsible for the development, maintenance and security management of various information systems and databases. 3. Software access control and maintenance.
Financial Division	1. Board Secretary. 2. Investor Relationship. 3. Bookkeeping, cost analysis, financial statement analysis. 4. Supervision and management of subsidiary's financial matters. 5. Management of the activities for acquiring or disposing of assets, engaging in derivatives transactions, extending loans to others and granting endorsements or guarantees for others. 6. Supervision and management of subsidiary's processes for making changes in accounting policies and estimates. 7. Financial analysis and planning. 8. Funding. 9. Customer credit assessment. 10. Regulatory reporting, announcements and share administration. 11. Budget control.
General Administration Division	1. Human resources management. 2. Employee training management and planning. 3. Document management. 4. Administrative work for construction projects. 5. General affairs. 6. Legal affairs management.

ii. Directors and Management Team

1. Directors

March 31, 2019

Title	Nationality / Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives or Directors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Taiwan	Liang, Chin-Li	Male	May 30, 2018	3	Dec. 30, 2005	1,711,688	3.63	2,082,566	3.84	56,838	0.10	0	0.00	• EMBA, National Chiao Tung University • Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech	• CEO, Acter Co., Ltd. • Chairman, Her Suo Eng., Co., Ltd. • Chairman, Nova Technology Corp. • Chairman, Sheng Huei (Suzhou) Engineering Co., Ltd. • Chairman, Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd. • Director, Sheng Huei (Shenzhen) Engineering Co., Ltd. • Director, Shenzhen Dingmao Trade Co., Ltd. • Legal Representative, Sheng Huei International Co., Ltd. • Legal Representative, Acter International Limited • Legal Representative, New Point Group Limited • Director, Nova Technology Singapore Pte., Ltd. • Director, Nova Technology Malaysia Sdn. Bhd. • Supervisor, Winmax Technology Corp. • Director and CEO, Enrich	None	None	None

Title	Nationality / Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives or Directors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
																Tech Co., Ltd. • Chairman, Winmega Technology Corp. • Supervisor, Suzhou Winmax Technology Corp. • Director, Novatech Engineering & Construction Pte. Ltd. • Director, Sheng Huei Engineering Technology Co., Ltd.			
Director	Taiwan	Yang, Jung-Tang	Male	May 30, 2018	3	Feb. 19, 1979	865,495	1.84	1,005,330	1.85	0	0.00	0	0.00	• EMBA, Tunghai University • Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech	• Chairman, Xiang-Hui Development Co., Ltd. • Chairman, Johnwell Co., Ltd. • Supervisor, Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd. • Director, Sheng Huei International Co., Ltd. • Director, Acter International Limited • Director, New Point Group Limited • Director, Nova Technology Malaysia Sdn. Bhd. • Director, Season Arts Education Foundation. • Supervisor, Suzuka Chemical Co., Ltd.	None	None	None

Title	Nationality / Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives or Directors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director (Note1)	Taiwan	Kao, Hsin-Ming	Female	May 30, 2018	3	June 16, 2009	1,156,662	2.45	1,286,176	2.37	0	0.00	0	0.00	• EMBA-International Business Management, National Taiwan University • Section Manager, Electronics Research & Service Organization (ERSO)	• Chairman and CEO, Marketech International Corp. • Chairman, Macrotec Technology Corp. • Chairman, Chi Hsuan Investments Corp. • Chairman, Hua Hsuan Technology Corp. • Director, WT Microelectronics Co., Ltd. • Supervisor, Probeleader Co., Ltd.	None	None	None
Director	Taiwan	Hu, Tai-Tsen	Male	May 30, 2018	3	June 16, 2009	601,401	1.28	1,251,618	2.31	20,935	0.04	0	0.00	• EMBA, Tunghai University • Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech • Honorary Member, The Phi Tau Phi Scholastic Honor Society of the Republic of China • Lecturer, Department of Electrical Engineering, National Chin-Yi University of Technology • Executive Director. Taiwan Refrigerator and Air-Conditioning Association of Republic of China • Jury for Technical Examination of	• Director, Sheng Huei International Co., Ltd. • Director, Acter International Limited • Director, New Point Group Limited • Director, Lishan Hotel Corporation	None	None	None

Title	Nationality / Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives or Directors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
															Refrigeration and Air Conditioning Repair Technician by the Ministry of Internal Affairs				
Independent Director	Taiwan	Yeh, Hui-Hsin	Female	May 30, 2018	3	May 11, 2010	3,000	0.01	3,450	0.01	0	0.00	0	0.00	• Bachelor Degree in Accounting, Tunghai University • Partner CPA, Ernst & Young Global Limited	• Representative, Wei Chin CPAs & Co. • Independent Director, Partner Tech. Corp. • Supersivor, Hyweb Technology Co., Ltd. • Independent Director, Data Image Corporation	None	None	None
Independent Director	Taiwan	Yang, Qian	Male	May 30, 2018	3	May 28, 2015	0	0.00	0	0.00	0	0.00	0	0.00	• Doctor of Computer Science, Washington University, USA • Master of Computer Science, Georgia Institute of Technology, USA • Master of Management Science, National Chiao Tung University • Bachelor of Electronics Engineering, National Chiao Tung University • Professor and Dean, Institute of Business and Management, National Chiao Tung University • Consultant, Chairman Office, Hon Hai Precision Inc. Co., Ltd. • Member, Endowment Fund Committee, National Chiao Tung	• Honorary Professor, Institute of Business and Management, National Chiao Tung University • Member, Employee Complaint Deliberation Committee, Industrial Technology Research Institute • Supervisor, Chia Chang Co., Ltd. • Independent Director, ASPEED Technology Inc. • Independent Director, Associated Industries China, Inc.	None	None	None

Title	Nationality / Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives or Directors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
															University ● Member, Operation Fund Committee, National Chiao Tung University				
Independent Director	Taiwan	Wang, Mao-Rong	Male	May 30, 2018	3	May 28, 2015	3,000	0.01	3,450	0.01	2,300	0.00	0	0.00	● Master, Institute of Management of Technology, National Chiao Tung University ● Refrigerating Air-conditioning Division, College of Mechanical & Electrical Engineering, National Taipei University of Technology ● Consultant of Energy-saving Department and Senior Manager, Delta Electronics, Inc. ● Industrial Technology Research Institute Laboratory Director and Promotion Manager ● Great United Technicians Firm, Person in Charge ● Top 10 Outstanding Engineer Award (Year 1996) ● Refrigeration and air-conditioning engineer (Senior Examinations)	● Person in Charge, MJ Energy Master ● Director, J-POWER SYSTEM ENGINEERING CO., LTD. ● Director, Compresses Air Energy Saving Co., Ltd. ● Supervisor, Jesus International Investment Co., Ltd.	None	None	None

Note1: Director Kao, Hsin-Ming resigned on Oct. 01, 2018. Information about her experience (education) and other position is consistent with the 2017 annual report. Numbers of shareholding is according to the register of shareholders on Mar. 31, 2019.

2. Major shareholders of the institutional shareholders：Not applicable

3. Professional qualifications and independence analysis of directors

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note1)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Liang, Chin-Li	None	✓	✓	None	None	None	✓	✓	✓	✓	✓	✓	✓	None
Yang, Jung-Tang	None	✓	✓	✓	None	None	✓	None	None	✓	✓	✓	✓	None
Hu, Tai-Tsen	None	✓	✓	✓	None	None	✓	✓	✓	✓	✓	✓	✓	None
Yeh, Hui-Hsin	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Yang, Qian	✓	None	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Wang, Mao-Rong	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

Note1: Please tick the corresponding boxes that apply to the directors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.

7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the Remuneration Committee who exercises powers pursuant to Article 7 of the “Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx“.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

4. Management Team

March 31, 2019

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
CEO (Note1)	Taiwan	Liang, Chin-Li	Male	Jul. 01, 2011	2,082,566	3.84	56,838	0.10	0	0.00	• EMBA, National Chiao Tung University • Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech	• Chairman, Her Suo Eng., Co., Ltd. • Chairman, Nova Technology Corp. • Chairman, Sheng Huei (Suzhou) Engineering Co., Ltd. • Chairman, Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd. • Director, Sheng Huei (Shenzhen) Engineering Co., Ltd. • Director, Shenzhen Dingmao Trade Co., Ltd. • Legal Representative, Sheng Huei International Co., Ltd. • Legal Representative, Acter International Limited • Legal Representative, New Point Group Limited • Director, Nova Technology Singapore Pte., Ltd. • Director, Nova Technology Malaysia Sdn. Bhd. • Supervisor, Winmax Technology Corp. • Director and CEO, Enrich Tech Co., Ltd.	None	None	None

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
												• Chairman, Winmega Technology Corp. • Supervisor, Suzhou Winmax Technology Corp. • Director, Novatech Engineering & Construction Pte. Ltd. • Director, Sheng Huei Engineering Technology Co., Ltd.			
President (Note1)	Taiwan	Lai, Ming-Kun	Male	Sep. 24, 2009	156,978	0.29	33,719	0.06	0	0.00	• EMBA, National Taiwan University of Science and Technology • Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech • Vice President, Hao-Han Chung-Hsiao Engineering Co., Ltd.	• Supervisor, Sheng Huei (Suzhou) Engineering Co., Ltd.	None	None	None
President (Note1)	Taiwan	Wang, Chun-Sheng	Male	Sep. 24, 2009	37,772	0.07	0	0.00	0	0.00	• EMBA, Feng Chia University • Department of Electrical Engineering, Taipei Tech • Engineer, San-Chun Engineering Limited	• Director, Enrich Tech Co., Ltd.	None	None	None
Senior Vice President (Note2)	Taiwan	Chang, Ching-Chuan	Male	Sep. 24, 2009	115,651	0.21	0	0.00	0	0.00	• Master Degree in High Technology Electrical and Mechanical Environmental Control, National Chin-Yi University of Technology • Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech • Section Manager, Gongshan Air-conditioning and Refrigerating Co., Ltd. • Assistant Vice President, Chin Chan Air-conditioning Co., Ltd.	• Director, Nova Technology Malaysia Sdn. Bhd.	None	None	None

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Vice President (Note3)	Taiwan	Chen, Cheng-Zhang	Male	Feb. 20, 2017	0	0.00	0	0.00	0	0.00	• Ph.D., Department of Physics at National Tsing Hua University • Assistant Vice President of Admin. Department, Fu-Tsu Construction Co., Ltd. • Director of Engineering, Powerchip Technology Corporation • Manager, Large unified technology co., Ltd • Senior Engineer, Mosel Vitelic Inc. • Deputy manager, Union Optronics Corp. • Deputy chief engineer, Tah Chung Steel Corp.	None	None	None	None
Vice President (Note4)	Taiwan	Chang, Ri-Dong	Male	Nov. 20, 2014	83,294	0.15	16,191	0.03	0	0.00	• Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech • Assistant Vice President, Chin Chan Air-conditioning Co., Ltd.	• Director, Her Suo Eng., Co., Ltd.	None	None	None
Vice President (Note5)	Taiwan	Wang, Jin-Cyuan	Male	Apr. 1, 2018	16,750	0.03	0	0.00	0	0.00	• Master Degree in Mechanical Engineering, National Yunlin University of Science and Technology • Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech • Deputy manager, New Fab Planning and Engineering Division, TSMC • Factory Manager, TSMC Solar Ltd.	None	None	None	None

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Assistant Vice President	Taiwan	Li, Po-Sheng	Male	Sep. 24, 2009	401,154	0.74	702	0.00	0	0.00	• Department of Refrigerating and Air-conditioning, Fu-Hwa Senior High School • Vice Section Manager, Gongshan Air-conditioning and Refrigerating Co., Ltd.	None	None	None	None
Assistant Vice President (Note6)	Taiwan	Cheng, Chieh-Chung	Male	Nov. 01, 2013	55,750	0.01	0	0.00	0	0.00	• Master of Engineering Chemical, Stevens Institute of Technology • Manager, TSMC Solar Ltd.	None	None	None	None
Assistant Vice President of Financial Division (Note7)	Taiwan	Tsao, Yun-Han	Female	Sep. 24, 2009	111,024	0.20	13,077	0.02	0	0.00	• Master Degree in Accounting and Information Technology, National Chung Cheng University • Audit Officer, Forhouse Corporation	• Supervisor, Enrich Tech Co., Ltd. • Supervisor, Pt. Novamex Indonesia	None	None	None
Assistant Vice President (Note8)	Taiwan	Lee, Ming-Chih	Male	Sep. 28, 2018	29,900	0.06	0	0.00	0	0.00	• Master Degree in Refrigeration, Air Conditioning and Energy Engineering, National Chin-Yi University of Technology • Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech • Technician for freezing & air condition engineering • Assistant Vice President, Chin Chan Air-conditioning Co., Ltd.	None	None	None	None
Assistant Vice President (Note8)	Taiwan	Chen, Yuan-Pi	Male	Sep. 28, 2018	20,450	0.04	316	0.00	0	0.00	• EMBA, Feng Chia University • Department of Electrical Engineering - Refrigerating and Air-conditioning, Taipei Tech	None	None	None	None
Assistant Vice President (Note8)	Taiwan	Yang, Hui-Bao	Female	Sep. 28, 2018	22,350	0.04	0	0.00	0	0.00	• Master Degree in Business & Management, National Chiao Tung University	None	None	None	None

Note1: Vice President Lai, Ming-Kun and Assistant Vice President Wang, Chun-Sheng were promoted to be the Company's President on Sep. 28, 2018, while CEO Liang, Chin-Li dismissed of his concurrent position as President at the same day.

Note2: Senior Vice President Chang, Ching-Chuan retired on Sep. 25, 2018. Numbers of shareholding is according to the register of shareholders on Mar. 31, 2019. Information about his experience (education) is consistent with the 2017 annual report.
Note3: Vice President Chen, Cheng-Zhang resigned on Apr. 30, 2018. Numbers of shareholding is according to the register of shareholders on Mar. 31, 2019. Information about his experience (education) is consistent with the 2017 annual report.
Note4: Assistant Vice President Chang, Ri-Dong was promoted to be Vice President on Sep. 28, 2018.
Note5: Assistant Vice President Wang, Jin-Cyuan was newly appointed on Apr. 1, 2018 and then he was promoted to be Vice President on Sep. 28, 2018.
Note6: Assistant Vice President Cheng, Chieh-Chung resigned on Sep. 28, 2018. Numbers of shareholding is according to the register of shareholders on Mar. 31, 2019. Information about his experience (education) is consistent with the 2017 annual report.
Note7: Financial manager Tsao, Yun-Han was promoted to be Assistant Vice President of Financial Division on Sep. 28, 2018.
Note8: Assistant Vice President Lee, Ming-Chih, Chen, Yuan-Pi and Yang, Hui-Bao were newly appointed on Sep 28, 2018.

iii. Remuneration of Directors, Supervisors, President, and Vice President

1. Remuneration of Directors

Unit: NT$ thousand, Thousand Shares

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income(%)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)		Compensation paid to directors from an invested company other than the company's subsidiary
		(A) (Note 2)		(B) (Note 2 & Note 3)		(C) (Note 2 & Note 4)		(D) (Note 2)				(E) (Note 2)		(F) (Note 2 & Note 3)		(G) (Note 2)						
		The company	(Note 1)	The company	(Note 1)	The company	(Note 1)	The company	(Note 1)	The company	(Note 1)	The company	(Note 1)	The company	(Note 1)	The company		(Note 1)		The company	(Note 1)	
																Cash	Stock	Cash	Stock			
Chairman	Liang, Chin-Li	70	430	0	0	19,466	19,466	90	516	1.87	1.91	10,454	10,454	108	108	4,000	0	4,000	0	3.26	3.30	None
Director	Yang, Jung-Tang	70	70	0	0	7,786	7,786	78	78	0.76	0.76	0	0	0	0	0	0	0	0	0.76	0.76	None
Director (Note 5)	Kao, Hsin-Ming	0	0	0	0	5,840	5,840	60	60	0.56	0.56	0	0	0	0	0	0	0	0	0.56	0.56	None
Director	Hu, Tai-Tsen	0	0	0	0	7,786	7,786	84	84	0.75	0.75	0	0	0	0	0	0	0	0	0.75	0.75	None
Independent Director	Yeh, Hui-Hsin	740	740	0	0	0	0	90	90	0.08	0.08	0	0	0	0	0	0	0	0	0.08	0.08	None
Independent Director	Yang, Qian	740	740	0	0	0	0	72	72	0.08	0.08	0	0	0	0	0	0	0	0	0.08	0.08	None
Independent Director	Wang, Mao-Rong	740	740	0	0	0	0	90	90	0.08	0.08	0	0	0	0	0	0	0	0	0.08	0.08	None
In addition to the disclosure of the table above, there are remunerations to the directors provided service (e.g. serve as independent consultant rather than employee) in the most recent year for all companies : NT$ 3,266 thousands																						

Note1: Refers to all companies in the consolidated financial statements
Note2: (A)Base Compensation (B)Severance Pay (C)Compensation to Directors (D)Allowances (E)Salary, Bonuses, and Allowances (F)Severance Pay (G)Employee Compensation.

Note3: Includes the amount of contribution and the actual amount of payments. Among them, the amount of contribution for individual account of labor pension is NT$ 108 thousand, while the actual amount of payments is NT$ 0.
Note4: Board of directors resolved on Feb. 26, 2019 that the appropriated directors' remuneration were NT$ 40,878,647.
Note5: Director Kao, Hsin-Ming resigned on Oct. 01, 2018.

2. Remuneration of Supervisors：Not applicable

3. Compensation of President and Vice President

Unit: NT$ thousand, Thousand Shares

Title	Name	Salary(A)		Severance Pay (B) (Note1)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income(%)		Compensation paid to the president and vice president from an invested company other than the company's subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
CEO (Note2)	Liang, Chin-Li	20,345	20,851	2,470	2,470	21,864	21,864	11,800	0	11,800	0	5.38	5.43	None
President (Note2)	Lai, Ming-Kun													
President (Note2)	Wang, Chun-Sheng													
Senior Vice President (Note3)	Chang, Ching-Chuan													
Vice President (Note4)	Chen, Cheng-Zhang													
Vice President (Note5)	Chang, Ri-Dong													
Vice President (Note6)	Wang, Jin-Cyuan													

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT$ 2,000,000	Chen, Cheng-Zhang	Chen, Cheng-Zhang
NT$2,000,000 ~ NT$5,000,000	Wang, Jin-Cyuan	Wang, Jin-Cyuan
NT$5,000,000 ~ NT$10,000,000	Wang, Chun-Sheng, Chang, Ri-Dong	Wang, Chun-Sheng, Chang, Ri-Dong
NT$10,000,000 ~ NT$15,000,000	Liang, Chin-Li, Lai, Ming-Kun, Chang, Ching-Chuan	Liang, Chin-Li, Lai, Ming-Kun, Chang, Ching-Chuan
NT$15,000,000 ~ NT$30,000,000	None	None
NT$30,000,000 ~ NT$50,000,000	None	None
NT$50,000,000 ~ NT$100,000,000	None	None
Over NT$100,000,000	None	None
Total	7	7

Note1: Includes the amount of contribution and the actual amount of payments. Among them, the amount of contribution for individual account of labor pension is NT$ 758 thousand, while

the actual amount of payments made by the pension account held with the Bank of Taiwan is NT$ 1,712 thousand.

Note2: Vice President Lai, Ming-Kun and Assistant Vice President Wang, Chun-Sheng were promoted to be the Company's President on Sep. 28, 2018, while CEO Liang, Chin-Li dismissed of his concurrent position as President at the same day.

Note3: Senior Vice President Chang, Ching-Chuan retired on Sep. 25, 2018.

Note4: Vice President Chen, Cheng-Zhang resigned on Apr. 30, 2018.

Note5: Assistant Vice President Chang, Ri-Dong was promoted to be Vice President on Sep. 28, 2018.

Note6: Assistant Vice President Wang, Jin-Cyuan was newly appointed on Apr. 1, 2018 and then he was promoted to be Vice President on Sep. 28, 2018.

4. Employee Compensation Granted to Management Team

Unit: NT$ thousand

	Title	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income（%）
Executive Officers	Chairman/CEO	Liang, Chin-Li	0	16,300	16,300	1.55%
	President	Lai, Ming-Kun				
	President	Wang, Chun-Sheng				
	Vice President	Chang, Ri-Dong				
	Vice President	Wang, Jin-Cyuan				
	Assistant Vice President	Li, Po-Sheng				
	Assistant Vice President	Lee, Ming-Chih				
	Assistant Vice President	Chen, Yuan-Pi				
	Assistant Vice President	Yang, Hui-Bao				
	Assistant Vice President/Principal Financial/Accounting Officer	Tsao, Yun-Han				

5. Comparison of Remuneration for Directors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Presidents and Vice Presidents

(1)The ratio of total remuneration paid by the company and by all companies included in the consolidated financial statements for the most recent two fiscal years to directors, presidents and vice presidents of the Company, to the net income.

Unit：NT$ thousand

Title	2017				2018			
	Total Remuneration paid to directors, presidents and vice presidents		Ratio of total remuneration paid to directors, presidents and vice presidents to net income (%)		Total Remuneration paid to directors, presidents and vice presidents		Ratio of total remuneration paid to directors, presidents and vice presidents to net income (%)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Directors CEO Presidents Senior Vice Presidents Vice Presidents	71,677	73,016	8.51	8.67	99,611	104,445	9.50	9.96

(2)The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance and future risk exposure.

A. Directors

Remuneration for directors shall be determined according to the company's "Regulations governing remuneration paid to directors and functional committee." Remuneration for directors includes the transportation and attendance fare for directors attending the board meetings, attendance fare for members of functional committee attending the committee, executive business expense, and the annual remuneration for directors in accordance with the Articles of Incorporation. According to Article 26-1 of the Articles of Incorporation, when distributing the surplus profits for each fiscal year, the company shall first offset its losses of previous years and set not more than five percent of the profit before tax excluding the amount of employees' and directors' compensation as compensation to directors. Remuneration for individual director is based on the evaluation of the board of directors. Directors whose evaluation results reach a certain standard shall be paid by the company's "Regulations governing remuneration paid to directors and functional committee.” On the other hand, independent directors receive a fixed amount of remuneration per month and do not participate in the distribution of annual remuneration for directors. If an independent director is appointed as a member of any functional committee by the board of directors of the company, he/she will receive additional remuneration paid to members of functional committee. The compensation to directors is measured based on the company’s business performance, the extent of personal goal achievement rate, contribution made to the company, future risk, and the market averages and shall be approved by Remuneration Committee and Board of directors.

B. Presidents and Vice Presidents

The compensation for presidents and vice presidents includes salary, bonus, employee compensation and compensation received for being the director or supervisor of the subsidiary. Among them, salary and bonus are measured based on the position degree, responsibility of each individual role, contribution made to the company, and the market averages; employee compensation is approved by Remuneration Committee and Board of directors, while compensation received for being the director or supervisor of the subsidiary is determined according to the company's “Regulations governing the representative of a juristic person director or supervisor appointed to the group companies.”

iv. Implementation of Corporate Governance

1. Board of Directors

A total of 8(A) meetings of the board of directors were held in 2018. The attendance of director was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) 【B/A】	Remarks
Chairman	Liang, Chin-Li	8	0	100%	Was re-elected on May 30, 2018
Director	Hu, Tai-Tsen	8	0	100%	Was re-elected on May 30, 2018
Director	Kao, Hsin-Ming	5	0	83%	Was re-elected on May 30, 2018 and resigned on Oct. 01, 2018. A total of 6 board meetings were held during active duty. Therefore, attendance rate is 83%.
Director	Yang, Jung-Tang	7	1	88%	Was re-elected on May 30, 2018
Independent Director	Yeh, Hui-Hsin	8	0	100%	Was re-elected on May 30, 2018
Independent Director	Yang, Qian	7	1	88%	Was re-elected on May 30, 2018
Independent Director	Wang, Mao-Rong	8	0	100%	Was re-elected on May 30, 2018

Other mentionable items:

1. If there are any of the following circumstances applies, the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion should be specified:
   (1)Circumstances referred to in Article 14-3 of Securities and Exchange Act.
   (2)Resolutions of the directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing.

Board Meetings	Major resolutions	Circumstances referred to in Article 14-3 of Securities and Exchange Act	Resolutions objected to by independent directors or subject to qualified opinion
Feb. 23, 2018	1. Approved to issue new share through capitalization of earnings.	✓	None
	2. Resolved to approve the evaluation of qualification and independence, and remuneration of the Certified Public Accountants.	✓	None
	3. Approved to amend the company's "Procedures for Acquisition and Disposal of Assets," "Procedures for Endorsements and Guarantees," and "Procedures for Loaning of Company Funds."	✓	None
	4. Approved to release shares of Sheng Huei (Suzhou) Engineering Co., Ltd. to its employees.	✓	None
	5. Resolved to approve the distribution of 2017 employees and directors compensation.	✓	None
	6. Resolved to approve the company's 2018 remuneration for executives.	✓	None

	Independent directors’ opinion: For proposal number 5: If the Chairman is an interested party in relation to this proposal, then it is not appropriate to authorize the Chairman to determine all related matters. Independent directors have no opinions for other proposals.		
	Company’s response to independent directors’ opinion: Revised the explanation from “It is proposed that the Chairman be authorized to determine the record date and all related matters” to “It is proposed that the Chairman be authorized to determine the record date” after discussion by all attending directors and independent directors.		
	Resolved: Revised according to the opinion of the independent director and approved by all attending directors and independent directors without objection.		
May 30, 2018	1. Resolved to approve the appointment of the Remuneration Committee members.	✓	None
	2. Resolved to approve the appointment of the Nominating Committee members.	✓	None
	Independent directors’ opinion: None.		
	Company’s response to independent directors’ opinion: None.		
	Resolved: Approved by all attending directors and independent directors without objection.		

2. If there is Directors’ avoidance of motions in conflict of interest, the Directors’ names, contents of motions, causes for avoidance and voting should be specified:

Directors’ names	Contents of motions	Causes for avoidance	Resolved
Liang, Chin-Li	To release shares of Sheng Huei (Suzhou) Engineering Co., Ltd. to its employees.	He concurrently served as the subsidiary’s CEO.	Revised according to the opinion of the independent director and approved by all attending directors and independent directors without objection.
Liang, Chin-Li	The company's 2018 remuneration for executives.	He concurrently served as the Company’s chief officers.	Approved by all attending directors and independent directors without objection.
Wang, Mao-Rong Yeh, Hui-Hsin Yang, Qian (Authorize Yeh, Hui-Hsin to attend as proxy)	The appointment of the Remuneration Committee members.	They are about to be appointed as the member of Remuneration Committee.	Approved by all attending directors without objection.
Liang, Chin-Li Yang, Jung-Tang Wang, Mao-Rong Yeh, Hui-Hsin Yang, Qian (Authorize Yeh, Hui-Hsin to attend as proxy)	The appointment of the Nominating Committee members.	They are about to be appointed as the member of Nominating Committee.	Approved by all attending directors without objection.

3. Measures taken to strengthen the functionality of the Board:
In addition to implementing the “Board of Directors Meeting Rules” in accordance with the “Regulations Governing Procedure for Board of Directors Meetings of Public Companies,” the company also has an independent director system to complement its board. Independent directors perform their roles in accordance with the relevant laws and instructions of the competent authority, and serve both executive and supervisory purposes.

(1)Board structure

The board is comprised of members from a variety of backgrounds, who have been chosen based on the development needs of the company. All directors and independent directors have the academic background and experience necessary to enable the board's decision and supervisory capacity. “Directors Election

Procedures” that stipulate a cumulative voting system and nomination system for director and independent director elections. Shareholders who hold above a certain number of shares are given the right to nominate candidates. The nomination process is fair and transparent; it increases minority shareholders' chances to participate, protects the interests of investors, and prevents the nomination from becoming monopolized or excessive. Furthermore, a set of by-election procedures was also introduced to avoid disruption to the company's business operations if some or all directors and independent directors are dismissed. To ensure the independence of the board, the company has rules that each director and independent director are required to exercise their authorities independently. The company also establishes a performance evaluation system for the board of directors in order to improve the operation efficiency and enhance the board functions. According to the “Self-Evaluation of the Board of Director,” the company not only conducts internal evaluation of the board and self-evaluation by the board members of themselves once a year but also commissions an external evaluation institution or panel of external experts and scholars to conduct external evaluation of the board at least every three years. Information such as directors' shareholding positions, transfer restrictions, and collateralized shares are fully disclosed on the Market Observation Post System, which investors are welcome to make inquiries on.

(2)The independent director system

The company has clearly outlined the availability, eligibility, and authorities of its independent directors in the “Articles of Incorporation” and “Independent Director Authorities and Responsibilities.” Currently, the company has established three independent director positions with the power to be involved in decision making and to express opinions according to the Securities and Exchange Act.

(3)Establishment of an Audit Committee

The company established an Audit Committee, which replaced supervisors according to Article 14-4 of the Securities and Exchange Act. The committee is composed of three independent directors. All of them are chosen from persons with sufficient financial knowledge or business experience. “Audit Committee Charter” outlines the level of independence expected from Audit Committee and the role they play in the company's operations. Audit Committee ensures that the company's internal control system is effective implemented and financial statements are properly prepared.

The company has created a mailbox exclusively for communication with Audit Committee on its website (under the "Investors" section), which enables investors, stakeholders and employees to communicate with Audit Committee directly by e-mail.

(4)Establishment of a Remuneration Committee

The company established the “Remuneration Committee Charter” in accordance with Article 14-6 of the Securities and Exchange Act and completed the recruitment of committee members. The Committee evaluates matters relating to the compensation of the directors and managerial officers of the company in a professional and objective way, and submits recommendations to the board of directors for its reference in decision making.

(5)Establishment of Nominating Committee

The company established the “Nominating Committee Charter” and set up the Nominating Committee to ensure the soundness of the board and strengthen the management mechanism. The 1st Nominating Committee is composed of five directors selected by the board of directors and including three independent directors. The duties of the committee are finding, reviewing, and nominating candidates for directors, evaluating the performance of the board and so on….

(6)Improving information transparency

Financial information, resolutions on material issues, board meeting participation, and director ongoing education information are published on the Market Observation Post System as required by law. The company's financial and business performance is also made accessible to the public on its website.

4. Independent directors’ attendance of board in 2018 was as follows:

	Yeh, Hui-Hsin	Yang, Qian	Wang, Mao-Rong
First Meeting	Attendance in Person	Attendance in Person	Attendance in Person
Second Meeting	Attendance in Person	Attendance in Person	Attendance in Person
Third Meeting	Attendance in Person	Attendance in Person	Attendance in Person
Fourth Meeting	Attendance in Person	Attendance by Proxy	Attendance in Person

Fifth Meeting	Attendance in Person	Attendance in Person	Attendance in Person
Sixth Meeting	Attendance in Person	Attendance in Person	Attendance in Person
Seventh Meeting	Attendance in Person	Attendance in Person	Attendance in Person
Eighth Meeting	Attendance in Person	Attendance by videoconference	Attendance in Person

5. In 2019, 2 board meetings were held up to March 31 and all directors and independent directors attended in person.

2. Audit Committee

A total of 7 (A) Audit Committee meetings were held in 2018. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%)【B/A】	Remarks
Independent Director	Yeh, Hui-Hsin	7	0	100%	Was re-elected on May 30, 2018
Independent Director	Yang, Qian	7	0	100%	Was re-elected on May 30, 2018
Independent Director	Wang, Mao-Rong	7	0	100%	Was re-elected on May 30, 2018

Other mentionable items:

1. The main work of the Audit Committee is to review the following matters:
   (1) Annual and semi-annual financial reports.
   (2) The adoption of or amendments to the internal control system and assessment of the effectiveness of the internal control system.
   (3) The procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
   (4) Matters in which a director is an interested party.
   (5) Asset transactions or derivatives trading of a material nature.
   (6) Loans of funds, endorsements, or provision of guarantees of a material nature.
   (7) The offering, issuance, or private placement of equity-type securities.
   (8) The hiring or dismissal of a certified public accountant, or their compensation.
   (9) The appointment or discharge of a financial, accounting, or internal audit officer.
   (10) Other material matters as may be required by the company or by the competent authority.
2. If there are any of the following circumstances applies, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company’s response to the Audit Committee’s opinion should be specified:
   (1) Circumstances referred to in Article 14-5 of the Securities and Exchange Act.
   (2) Resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors.

Audit Committee Meetings	Major resolutions	Circumstances referred to in Article 14-5 of the Securities and Exchange Act	Resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors
Feb. 23, 2018	1. Resolved to approve the company's 2017 business report and financial statements.	✓	None
	2. Approved to issue new share through capitalization of earnings.	✓	None

	3. Resolved to approve the company's 2017 statement of internal control system.	✓	None
	4. Resolved to approve the evaluation of qualification and independence, and remuneration of the Certified Public Accountants.	✓	None
	5. Approved to amend the company's "Procedures for Acquisition and Disposal of Assets," "Procedures for Endorsements and Guarantees," and "Procedures for Loaning of Company Funds."	✓	None
	6. Approved to release shares of Sheng Huei (Suzhou) Engineering Co., Ltd. to its employees.	✓	None
	Resolutions of the Audit Committee: Approved by all attending members without objection.		
	Company's response to the Audit Committee's opinion: None.		
Aug. 09, 2018	1. Resolved to approve the company's consolidated financial statements for the first half of 2017.	✓	None
	Resolutions of the Audit Committee: Approved by all attending members without objection.		
	Company's response to the Audit Committee's opinion: None.		

3. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.
4. Communications between the independent directors, the Company's chief internal auditor and CPAs (shall include the material items, methods and results of audits of corporate finance or operations, etc.)
   CPAs and internal auditors report to the independent directors the results of the annual or semi-annual audited (reviewed) financial statements, or the functioning of internal controls through the Audit Committee meetings. In the meetings, independent directors are given sufficient opportunities to communicate with the CPAs and internal auditors face by face, which provide independent directors with sufficient overview of the company's operations and helps them to supervise appropriately. In addition to holding Audit Committee meetings quarterly, the independent directors also maintain regular e-mail contact with the CPAs and internal auditors in order to stay informed of the company's operations. Results of communication between the independent directors, the internal auditors and the CPAs in 2018 are listed in the table below and have been revealed on the company's website.
   (1) Communications between the independent directors and the internal auditors

Date of Audit Committee Meeting	Communication matters	Execution results
Feb. 23, 2018	• Internal audit activities report (2017/10~2017/12) • 2017 Statement of the internal control system	No comments
May 10, 2018	• Internal audit activities report (2018/01~2018/03)	No comments
Aug. 09, 2018	• Internal audit activities report (2018/04~2018/06)	No comments
Nov. 09, 2018	• Internal audit activities report (2018/07~2018/09) • 2019 Annual audit plans	No comments

   (2) Communications between the independent directors and the CPAs

Date of Audit Committee Meeting	Communication matters	Execution results
Feb. 23, 2018 (KAM Meeting)	• 2017 Key Audit Matters of the financial report	No comments
Feb. 23, 2018	• 2017 Annual audited financial statements	No comments
Aug. 09, 2018	• 2018 Semi-annual reviewed financial statements	No comments

3. Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		The company has established "Corporate Governance Practical Rules" based on the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies. These practices are being implemented in compliance with laws with information properly disclosed in the best interests of investors, stakeholders and employees.	None
2. Shareholding structure & shareholders' rights (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		(1) The company has appointed a spokesperson and a deputy spokesperson to handle shareholders' suggestions, doubts and disputes according to the "Corporate Governance Practical Rules." (2) The company's major shareholders are mostly comprised of the management team and long-term shareholders. The company constantly monitors shareholding positions of its directors and major shareholders. Changes in shareholding positions among directors, managers and shareholders with more than a 10% holding are reported regularly to the competent authority. (3) The company and each of its affiliated enterprises operate independently from each other. The subsidiaries are governed by the internal control system and the "Subsidiary Management Policy." (4) The company has established "Procedures for Handling Material Inside Information and Avoiding Insiders Trading" to avoid insiders trading with undisclosed information and revealed the procedures on the company's website. In 2017, the company introduced the integrity standards into the E-learning system and included it as the annual required course since 2018 to enhance the attentions of all the employees constantly. Contents of the course include the company's internal rules about prohibiting insiders trading, employee ethical	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			business guidelines and so on. In 2018, 279 employees completed the training and the participation ratio is 100%. As for directors of the company, they irregularly participate in external training courses such as corporate governance and insider trading policies organized by external organizations. Besides, the company also provides information of insiders trading, including laws and regulations and case analysis to its insiders by E-mail at least once a year. Information of 2018 has been sent on Sep. 7.	
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		(1) The company has established "Corporate Governance Practical Rules" to formulate the diversification of the Board members and revealed it on the company's website and MOPS. In addition, the company has set up the Nominating Committee. Members of the committee will find, review, and nominate candidates based on standards of independence and a diversified background covering the expertise, skills, experience, gender, etc. According to paragraph 3 of article 20 of the Company's "Corporate Governance Practical Rules," all members of the board shall have the knowledge, skills, and experience necessary to perform their duties and the diversity representation of the Board. Furthermore regard for the benefits of diversity of the Board. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities: 1. Ability to make operational judgments. 2. Ability to perform accounting and financial analysis. 3. Ability to conduct management administration. 4. Ability to conduct crisis management. 5. Knowledge of the industry. 6. An international market perspective. 7. Ability to lead. 8. Ability to make policy decisions.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?			Currently, the company sets a phased goal to increase the number of female directors. It is hoped that directors of each gender can reach more than one-quarter of the board in next board. The board is comprised of members from a variety of backgrounds, genders and skills. Members have been chosen based on the development needs of the company. All directors have the academic background and experience necessary to enable the board's decision and supervisory capacity. Please refer to <Table 1> on page 43 for the diversity of each board member and page 13~17 for their experience and education. (2) The company has established the “Nominating Committee Charter” after approval by the board on Feb. 23, 2018 and set up the Nominating Committee on May 30, 2018. The Committee is composed of three independent directors (Yang, Qian, Yeh, Hui-Hsin, Wang, Mao-Rong) and two directors (Liang, Chin-Li, Yang, Jung-Tang.) It shall convene at least once a year, and may call a meeting at its discretion whenever necessary. The duties of the Committee are shown as follows and members of the Committee perform their business according to the duties. 1. Laying down the standards of independence and a diversified background covering the expertise, skills, experience, gender, etc. of members of the board, and finding, reviewing, and nominating candidates for directors based on such standards. 2. Establishing and developing the organizational structure of the board and each committee, and evaluating the performance of the board, each committee, and each director and the independence of the independent directors. 3. Establishing and reviewing on a regular basis programs for director continuing education and the succession plans of directors. 4. Establishing corporate governance guidelines of the Company. A total of 1 meeting was held in 2018 and no one was absent. The meeting	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?			resolved to approve the 2019 programs for director continuing education. (3) The Board has approved to establish the company's "Self-Evaluation of the Board of Director" about the members of the Board to assess their entire operations on Feb. 26, 2015. The company conducts internal evaluation at the end of each year through questionnaire and also conducts external evaluation at least every three years according to Article 3. Results of the evaluation will serve as a reference for the selection or nomination of directors by the company. The criteria for evaluating the performance of the board of directors, which should cover, at a minimum, the following five aspects and subject to regular reviews of the Nominating Committee: 1. Participation in the operation of the company; 2. Improvement of the quality of the board of directors' decision making; 3. Composition and structure of the board of directors; 4. Election and continuing education of the directors; 5. Internal control. The criteria for evaluating the performance of the board members on themselves, should cover, at a minimum, the following six aspects: 1. Familiarity with the goals and missions of the company; 2. Awareness of the duties of a director; 3. Participation in the operation of the company; 4. Management of internal relationship and communication; 5. The director's professionalism and continuing education; 6. Internal control. After all questionnaires are completed, the Financial Division will then collect it and calculate the score. The internal evaluation of the Board in 2018 has been conducted. The average score of the entire Board and individual member of Board is 100 (Total score is 100), respectively. It shows good performances for the entire Board and individual member of Board and there is no need to improve. The result of the internal evaluation has been reported to the Board	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			meeting on Feb. 26, 2019 and has been revealed on the website of the company. The external evaluation has been conducted by the risk advisor of KPMG in 2018. It is confirmed that the whole conducting evaluations team have no financial interest and business relations with the company, and they do not violate the requirement of professional and independence. The external evaluation process has combined three approaches, including the data analysis, questionnaires and interviews etc. The items from nine dimensions applied to evaluate the board of directors included the structure of a functioning board of directors, efficient operations of the board of directors, professional development and advanced training, provisions of the enterprise, execution of the responsibilities and obligations, management of the leadership team, creation of the company culture, stakeholder communications and performance evaluation etc. The items from six dimensions applied to evaluate directors included the control of company goals and missions, awareness of role and responsibilities as the director, business development and capability upgrade, execution of the responsibilities and obligations, involvement of business operations and internal management of relationships and communications etc. The items from seven dimensions applied to evaluate the Audit Committee included the structure of a functioning Audit Committee, efficient operations of the Audit Committee, professional development and advanced training, execution of the responsibilities and obligations, the establishment of the appeal channel, relationship with the board of directors and performance evaluation etc. The items from six dimensions applied to evaluate the Remuneration Committee included the structure of a functioning Remuneration Committee, efficient operations of the Remuneration Committee, professional development and advanced training, execution of the responsibilities and obligations, the establishment of the complaints pipeline, relationship with the board of directors and performance evaluation etc.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company regularly evaluate the independence of CPAs?			All the evaluation processes were completed with the evaluation report available by Feb. 2, 2018. The results of overall evaluation were between good to excellent. But some dimensions were identified that still have room to improve, such as professional development and advanced training, stakeholder communications, and so on. In terms of professional development and advanced training, the company has drawn up the 2019 programs for director continuing education and arranges courses according to the functional requirements of the directors. For stakeholder communications, the company participates in or holds at least 2 investor's conferences each year and increases the communication channel with interested parties. The result of the external evaluation has been reported to the Board meeting on Feb. 23, 2018 and has been revealed on the website of the company. (4) The company obtains the declaration of Independence from CPA Firm and the Board of the company regulates the independence of the certified accountant assigned to do the appraisal according to No. 10. Integrity, Objectivity and Independence, The Norm of Professional Ethics for Certified Public Accountants of the People's Republic of China, which stipulates (a) whether the certified accountant, the spouse, minor children or others hold 1% of shares; (b) whether the certified accountant is the spouse or has relations up to the second degree of consanguinity with other directors; (c) whether the certified accountant is the relative of someone holding a post with significant impact such as a manager or financial and accounting supervisors; (d) whether the certified accountant takes a rigid and serious attitude towards his/her performance of his/her professional service; (e) whether the certified accountant received any gift with considerable values from directors, managers; (f) whether a collaborative practicing accountant quited within one year and took charge of the directors, supervisors manger and post with significant impact on auditing cases of audited clients. It is confirmed by the Board on Feb. 23, 2018 that the certified accountant has no other financial interest and business relations in	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			addition to governing auditing certification and cost of tax, and the family members of the certified accountant do not violate the requirement of independence meeting with the standard of independence on evaluation. In the case of meeting with all requirements mentioned above that is qualified certified accountant for governing auditing and certification for the company.	
4. Whether TWSE Listed Companies & GTSM Companies set up and dedicated (part-time) cooperate governance unit or person in charge of cooperate governance affairs (including but not limited to providing the essential materials to directors and supervisors for implementation of duties, relevant affairs of directors' meeting and shareholders' meeting according to the law, handling company registration and amendment registration and preparing proceedings of directors' meeting and shareholders' meeting) ?	✓		The company has deployed an adequate number of corporate governance personnel, appointed a chief corporate governance officer as the most senior officer to be in charge of corporate governance affairs and designated Chairman and Board of Directors to be in charge of supervision after approval by the board in 2019. The chief corporate governance officer shall be the managerial officers of the company and is a qualified practice-eligible lawyer or accountant or have been in a managerial position at least three years in a securities, financial, or futures related institution or a public company in handling legal affairs, financial affairs, stock affairs, or corporate governance affairs. Information and education about the chief corporate governance officer has been revealed on MOPS. The corporate governance units perform its business according to their duties. In 2019, the main duties and business execution of the corporate governance unit are shown as follows. (1) Furnishing information required for business execution by directors and arranging continuing education for directors. (2) Updating the developments of laws and regulations relating to the operation of the company in order to assist directors with legal compliance. (3) Plans to scheme proper corporate system as well as organizational frame to accelerating the independency of Board of Directors, transparency of company and compliance of decree. (4) Before directors' meeting, it will inquiry the opinion of every director to scheme and formulate agenda, inform to all directors for attendance at least 7 days prior to the meeting, and provide sufficient meeting materials for directors' understanding about the content of relevant proposal as well as complete	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			meeting minutes within 20 days after the board meetings. (5) Registers date of shareholders' meeting every year according to the deadline of law, produces and declares meeting notice, handbook for agenda and proceeding by deadline, and handles amendment registration after revision of Article of Incorporation or re-election of directors. (6) Improves relevant information of corporate governance in compliance with the indicator of corporate governance evaluation system.	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders(e.g., including but not limited to shareholders, employees, customers and suppliers, etc.), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		(1) The company set up stakeholder zones official sites including employee zone, client alone, supplier zone, investor's zone, service zone and environmental safety and health zone with respective specific contact windows respectively by category of stakeholder. (2) The company has a spokesperson, a deputy spokesperson and a contact mailbox in place to facilitate communication with shareholders. (3) The company has established different kinds of meetings to encourage an open exchange of opinions between employees and management. An employee mailbox and whistle-blower system has also been made available on the company's website (under the HR section), through which employees may reflect their opinions and offer suggestions. (4) The company has a contact mailbox and an Audit Committee's mailbox to serve as a means of communication with stakeholders.	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company designates KGI Securities Registry and Transfer Department to deal with shareholder affairs.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the company have other information	✓		(1) The company has an official website (http://www.acter.com.tw) that regularly updates the company's financial performance and discloses corporate governance information. (2) The company has appointed dedicated personnel to gather and disclose	None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</td><td></td><td></td><td>information in a timely and appropriate manner.
A. The company has implemented a spokesperson and a deputy spokesperson system, and disclosed their names and contact methods on the company's website.
B. Information on investor seminars is disclosed on the company's website as it becomes available.
C. The Company has already set up its English website to keep foreign investors informed of its financial and business standings.</td><td></td></tr>
<tr><td colspan="5">8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?
Below is a summary of steps taken by the management to ensure sound corporate governance:
(1) The company has a set of work rules in place that protect employees' interests. Under these rules, employees, irrespective of rank, gender or nationality, are provided with benefits such as insurance, training, health checkups and retirement plans superior to legal requirements. In addition, the company's Employee Welfare Committee introduces welfare packages that aim to create a harmonious workplace and to enrich employees' lifestyles. The company is ISO 14001:2015 and OHSAS 18001:2007-certified for the purpose of ensuring proper management over workplace safety and health. It has a Quality Insurance & safety Department that is dedicated to promoting and supervising workplace safety; meanwhile, an employee opinion mailbox has been made available on the company's website (under the HR section) to facilitate direct communication between employees and the company.
(2) Investor relations, supplier relations and stakeholders' rights: as part of its goal of information transparency, the company discloses financial and business information in a timely and appropriate manner in compliance with related laws. It has contact windows and mailboxes that investors, suppliers and stakeholders can use to leave messages and give opinions. Apart from making regular financial and business disclosures, the company has also created a corporate governance section on its website in both Chinese and English, so as to protect the interests of local and foreign investors.
The company establishes trade arrangements and issues purchase orders to suppliers in compliance with the principle of equality. These agreements clearly outline the rights and obligations between the two parties, and work to secure both parties' legal interests.
(3) Status of the Continuing Education of Directors: all directors of the company have completed the mandatory courses stipulated under “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies.” For status of the continuing education of directors in 2018, please refer to page 77 of the annual report.
(4) Risk management policy and risk assessment standards: the company is focused on its primary business. It has risk management guidelines and policies in place to avoid or minimize risks that may jeopardize the company's interests, while in the meantime ensure employees' safety. All major operating policies, investments, asset</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
acquisitions and disposals, corporate guarantees and endorsements are subjected to thorough analysis before they are proposed for the board's resolution. The Auditing Office develops annual audit plans based on assessed risks and executes accordingly as a means of risk supervision. (5) Customer policy: The company has a Business Department and an Engineering Department responsible for engaging customers in timely communications, responding to customization needs, providing excellent services and resolving any issues that might arise. Besides, the General Administration Division conducts customer satisfaction survey from time to time and keeps all channels open for bilateral communication with customers. (6) Insurance against directors' liabilities: the company has taken out liabilities insurance for its directors. Information about the insured amount, coverage and premium rate has been reported in the Board meeting on Feb. 26, 2019. (7) Succession planning and execution of board members and key management levels of the company: At present, the succession planning of the company is under way, and presidents of the company and its subsidiaries are the successor of the chairman, who shall cultivate succession ability through experience in operating the company or its subsidiaries. The operating directors of each company of the group agree with the company's culture and their values are consistent with those of the company. They have already served the group for a certain period of time. They have gained recognition for their integrity, customer service and operating ability. At present, the successors are already members of the board of directors of each company. They are expected to learn about the operations of the board of directors in the next 8-10 years and take over from the board of directors in the future 10-15 years. The succession of senior executives in the company is mainly hierarchical, so it does not only focus on a few high-level executives. First, the departmental executives must have agents and prepare them as successors to the senior executives of each department. Subsequently, there will be an agent system for the executives of divisions and staff. Through work rotation training and functional development, mentorship, education, training, self-study, teaching and work experience, and the company's existing performance appraisal system, the company's future successors are assessed and cultivated for the company's future development. The company recruits excellent talents, internally and externally to increase the width and depth of the company's successors.				
9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange The company is ranked in top 5% in 5th Corporate Governance Evaluation of Listed Companies. The company reviews items not achieving evaluation standard every year after the result of evaluation be announced, makes adjustment and improvement successively and carries out step by step. In the perspective of information disclosure, apart from adjust, update annual report and disclosed content on the website, the company also participates investor conferences, in light of making the information more transparent and reducing the issue of information asymmetry. In terms of system, the company has set up the Nominating Committee in 2018. As for indicators that are not achieved, the company will review and discuss continuously.				

<Table 1>

Item / Name	Gender	The term of independent director	Employee of the company	Age			Experience			Ability			
				Under 60 years old	61~69 years old	Over 70 years old	management administration	accounting	Industry experience	Knowledge of the industry	Knowledge of accounting	Ability to lead and make policy decisions	Ability to conduct management administration
Liang, Chin-Li	Male	–	✓	✓	–	–	✓	✓	✓	✓	✓	✓	✓
Yang, Jung-Tang	Male	–	–	–	✓	–	✓	✓	✓	✓	✓	✓	✓
Hu, Tai-Tsen	Male	–	–	–	✓	–	✓	–	✓	✓	–	✓	✓
Yeh, Hui-Hsin (Independent director)	Female	4	–	✓	–	–	✓	✓	–	✓	✓	✓	✓
Wang, Mao-Rong (Independent director)	Male	4	–	–	✓	–	✓	–	✓	✓	–	✓	✓
Yang, Qian (Independent director)	Male	4	–	–	–	✓	✓	–	–	✓	–	✓	✓

4. Composition, Responsibilities and Operations of Remuneration Committee

(1)Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independent Criteria(Note 1)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remark
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, CPA, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Yang, Qian	✓	None	None	✓	✓	✓	✓	✓	✓	✓	✓	2	None
Independent Director	Yeh, Hui-Hsin	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	None
Independent Director	Wang, Mao-Rong	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	None

Note1: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of affiliated companies. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary;.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not a person of any conditions defined in Article 30 of the Company Law.

(2)Attendance of Members at Remuneration Committee Meetings

A. There are three members in the Remuneration Committee.

B. The tenure of the 4nd Remuneration Committee is from May 30, 2018 to May 29, 2021. A total of 2(A) meetings of the Remuneration Committee were held in 2018. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By proxy	Attendance Rate in Person(%)(B/A)	Remark
Convener	Yang, Qian	2	0	100%	Appointed on May 30, 2018
Member	Yeh, Hui-Hsin	2	0	100%	Appointed on May 30, 2018
Member	Wang, Mao-Rong	2	0	100%	Appointed on May 30, 2018

Other matters to be disclosed：

1. If the board of directors declines to adopt, or modifies a recommendation of the Remuneration Committee, the date of the Board of Directors meeting, term, content of motions, board resolution results and Company handling of Remuneration Committee opinions shall be specified. (If the compensation approved by the Board of Directors exceeds that proposed by the Remuneration Committee, the circumstances and cause of the difference shall be specified): None.
2. Resolutions of the Remuneration Committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members’ opinions and the response to members’ opinion should be specified: None.
3. The main duties of the Remuneration Committee are shown as follows.
   (1) Periodically reviewing the “Remuneration Committee Charter” and making recommendations for amendments.
   (2) Establishing and periodically reviewing the annual and long-term performance goals for the directors and managerial officers of the company and the policies, systems, standards, and structure for their compensation.
   (3) Periodically assessing the degree to which performance goals for the directors and managerial officers of the company have been achieved, and setting the types and amounts of their individual compensation.
4. Resolutions of the Remuneration Committee in 2018 are shown as follows.

Date	Major resolutions	Resolutions of the Remuneration Committee	Company’s response to the Remuneration Committee’s opinion
Feb. 23, 2018	1.Approved to amend the company's "Remuneration Committee Charter."	Approved by all attending members without objection.	No comments
	2.Approved to amend the company's "Regulations governing remuneration paid to directors."		
	3.Resolved to approve the distribution of 2017 employees and directors compensation.		
	4.Resolved to approve the company's 2018 remuneration for executives.		
Nov. 09, 2018	1.Resolved to approve the company's 2018 remuneration policy to directors and employees.	Approved by all attending members without objection.	No comments
	2.Resolved to approve the company's 2018 compensation policy for executives.		

5. Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Corporate Governance Implementation (1) Does the company declare its corporate social responsibility policy and examine the results of the implementation? (2) Does the company provide educational training on corporate social responsibility on a regular basis? (3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		(1) The company has established the "Corporate Social Responsibility Best Practice Principles" after taking into consideration the future development trends of CSR, corporate core values, and the effect of the operation on stakeholders. The company assigned General Administration Division in charging of CSR affairs concurrently. They will review periodically the suitability of the corporate social responsibility policies, systems, and relevant management guidelines, and discloses the execution of performance on the annual report and social responsibility report. (2) The company arranges for directors to undergo external training courses on topics such as corporate governance and insider trading policies. Meanwhile, employees are also provided with training on the company's CSR policies, professional skills, and courses that inspire self-development. Through use of advocacy, training and rewards, the company hopes to incorporate corporate social responsibility into its daily operations. (3) In order to implement corporate social responsibility, improve the development of economic, environmental and social, and also implement the company's sustainable management at the same time, the company established the "Corporate Social Responsibility Best Practice Principles" in 2014. Under this principle, the company assigned General Administration Division as the Corporate Social Responsibility Promotion Unit, and is responsible for proposing and executing corporate social responsibility policies or systems. The unit consists of the corporate governance team, the environmental protection team, and the social participation team with employees from Technology Division, Financial Division, Engineering Department, General Administration Division, Procurement Department, Quality Insurance & safety Department, and Business Department. The company reports to Board of Directors about implementation	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			situation for social responsibility and discloses the result and performance on the website of the company simultaneously. It has reported the effect of performance for 2018 in the Board meeting on the 9th of November 2018. Excerpts are as follows 1. Facilitate the shared prosperity with the whole society to take the corporate social responsibility to the utmost. －Specific approaches: Contribute to the social welfare and help the vulnerable groups with our expertise and professional skills to form a corporate culture of willing to do something good and helping people. 2. Facilitate the professional health and build up a safe working environment －Specific approaches: Facilitate the project of health promotion and conduct the activities for physical-psychological-spiritual relax and work-life balance. Meanwhile, implement every required working security management system to build up a safe working environment. －Implementation results: There were some activities like bowling and badminton games conducted before. In 2018, the injury at work in Acter was 0%; the total accumulated working hours without injury at work were 3,673,592 hours from 2011 to 2018 (total labors involved was 278). 3. Establish an equal and open workplace culture －Specific approaches: Establishing related rules to protect human rights of all employees. －Implementation results: "Human Rights Policy" was set to secure the human rights and benefits of all the employees (active employees, contractors and temporary workers, interns etc.) Meanwhile, the policy will be updated based on the related regulations continuously.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?			(4) The Company stipulated "Employment Remuneration Administration Polices," "Employee Appraisal Guidelines," "Employee Reward and Discipline Guidelines," "Employee Ethical Business Guidelines," and "Regulations Governing Employee Reward" according to the rules which are expected to encourage employees to perform well and improve on weak performance with the open and concrete administrations measures in order to carry out the business philosophy and achieve social responsibility of company. In order to provide sound rewards and remuneration program, the General Administration Division adjusts employee's salary based on the market level of salary, the trend of economic, and employee's potential every year. They also take achievement rate of annual budget target and individual performance into consideration when calculating employee's bonus. Besides, according to Article 26-1 of the "Articles of Incorporation," when distributing the surplus profits for each fiscal year, the company shall first offset its losses of previous years and set not less than three percent of the profit before tax excluding the amount of employees' and directors' compensation as compensation to employees.	
2. Sustainable Environment Development (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(1) The company has passed ISO14001:2015 Environmental Management certification, and continues to devote resources to technology R&D to provide customers with energy-saving solutions. Through the use of energy-saving and heat recovery equipment, the company expects to reduce environmental pollution, promote recycling and make more efficient use of resources such as power and water.	None
(2) Does the company establish proper environmental management systems based on the characteristics of their industries?			(2) The company has set up standard operating procedures and operations manuals according to the nature of its construction work. In addition to requiring employees to comply with construction procedures, the company is also dedicated to enhancing safety and hazard control over the work environment, work activities, and any instruments or equipment used. Work environments are tested	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			regularly and the company's work practices have received OHSAS18001:2007 Occupational Health and Safety certification.	
(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?			(3) In addition to researching new energy-saving technologies, the company also takes the initiative in raising employees' environmental awareness. 1. With regards to the use of paper, the company has been a strong advocate of a paper-less environment, and employees are reminded to print double-side and on used paper whenever deemed appropriate. 2. The Company has set an annual target for how to save the resources, including the resource reductions of 1% on water; 3% on power; 3% on gasoline and 2% on wastes etc. The company uses the core techniques to reduce consumption and actively invests in the research and development of energy-saving technical engineering and also advocates energy-saving, carbon reduction, and environmental protection awareness to the employees from time to time, promoting the little environmental protection activities, such as the turning off of lights, water and electricity conservation, and reuse of waste paper, while company headquarters has fully adopted the use of energy-saving equipment for greater energy efficiency. The company has set up a number of policies including: a. Green procurement; purchasing products that are certified environmentally friendly, energy-saving, water-saving, and are rated with a high EER; b. Revision of lighting requirements, improved lighting efficiency, decommissioning of redundant lighting, and development of the habit of turning off lights when not needed; c. Resource reuse: use of recycled paper and materials and refraining from use of over-packaged products. Company headquarters has started to reference to ISO14061-1 since 2017, the self-audit of the greenhouse gases was implemented for gradually progressing to the actual reduction and meet the goal of carbon neutral through the greenhouse gases inventory check. Therefore, all the services, activities or organizations will not lead to the net increase of the greenhouse gases volume in the	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			atmosphere. In 2017 and 2018, 6 types of greenhouse gases (CO2, CH4, N2O, HFCs, PFCs, SF6, NF3) were emitted by the Company at 126.31 and 127.54 tons of CO2e respectively. Direct emission of the greenhouse gases included the emission of mobile sources (gasoline) and fugitive emission (refrigerant, septic tank), the total direct emitted volume were 79.71 and 78.66 tons of CO2e respectively, which equaled to 63% and 62% of total volume; indirect greenhouse gases emission was the fixed emission sources (outsourcing power) and the total volume of emission were 46.60 and 48.88 tons of CO2e respectively, which equaled to 37% and 38% of total volume. Energy performance: Acter purchased electricity from public power plants. The statistics mainly focused on the domicile of the operating headquarters, with a consumption of 317.70 GJ in 2018. Fossil fuels were mainly used in official vehicles (including private cars for public use) of the operating offices, with a consumption of 1,867.07 GJ in 2018. The results of energy inventory showed that the total consumption of petrol and electricity was 2,184.76 GJ. Revenue reached a record high in 2018 and the scope of work expanded, resulting in a 17% increase in gasoline consumption and a slight increase of 0.2% in electricity consumption. The Company will continue to strengthen energy management, conduct regular internal energy-saving advocacies, develop a good habit of energy conservation; and introduce ISO 50001 for energy management and ISO 14064 for greenhouse gas inspection in 2020.	
3. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1) The Company will follow the human rights related policies announced by the government. According to the Labor Standards Act, Act of Gender Equality in Employment and the related regulations, the company has set the "Work Rules" to secure the legal rights of the employees. "Human Rights Policy" was set to secure the human rights and benefits of all the employees (active employees, contractors and temporary workers, interns etc.) after referencing the related international initiatives, i.e. human rights related parts in International Bill of	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			Human Rights and International Labor Convention etc. This policy has been announced to all employees and is disclosed on the company's website.	
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions? (3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis? (4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them? (5) Does the company provide its employees with career development and training sessions?			(2) An employee mailbox has been made available on the company's website (under the HR section), through which employees may reflect their opinions and offer suggestions. There are no opinions or complaints received in 2018. (3) The Company would follow all the regulations and system about the work safety; the health management related tasks and educational trainings would be planned, implemented and monitored by the Quality Insurance & safety Department. Through the regular security and health educational trainings for spontaneous check and disaster prevention, the awareness of work environment hazards and emergency responding capabilities of the staffs could be improved. In 2018, 60 messages for the health promotion and 111 educational work safety trainings were conducted with accumulated 2,323.5 hours of educational trainings. For protective measures about safety and health of employees, please refer to page 105~108 of the annual report. (4) The Company would regularly conduct meetings based on "Regulations for Implementing Labor-Management Meetings" for the mutual communications, like the regular labor-management coordination meeting, to build a good interactive model between the employers and the employees so the organizational harmony and labors' right and benefits would be secured. The labor-management coordination meeting was composed by 10 people, 5 from the employers and 5 from the employees. Ratios of female of these two parties are 60% and 40%. It's a seasonal meeting and has been conducted for 4 times in 2018. The meeting records and the related references would be provided to the staffs. (5) In order to enhance the professional abilities, the company has set up employee promotion relative systems and founded the Acter Academy in 2014, arranging different courses for different ranks. The courses include professional skill	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td></td><td></td><td></td><td>courses, engineering close out report courses, elite training courses, and LOHAS for all courses, etc. It is the company’s expectation to make the development of employees' careers and the company’s interests grow up simultaneously by working and training.</td><td></td></tr>
<tr><td>(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?</td><td></td><td></td><td>(6) The company set up stakeholder zones official sites with respective specific contact windows respectively on the company's website.

(7) The company provides engineering technical service and provides customized design, as well as integrating construction service, etc. and its marketing and indication are in accordance with the execution of the following regulation and international criterion.
<table>
<tr><th>Construction Items</th><th>Regulation / Guide</th></tr>
<tr><td>Civil construction</td><td>Building Code and Regulations</td></tr>
<tr><td>Fire protection</td><td>Fire Prevention Act, Standards for Installation of Fire Safety Equipments Based on Use and Occupancy</td></tr>
<tr><td>Air conditioning</td><td>ISO 14644, PIC/S, FDA</td></tr>
<tr><td>Instrument and Control</td><td>GAMP 5</td></tr>
<tr><td>Compartment material</td><td>GMP, Building Code and Regulations, Interior Decoration and Repairs Governance Act</td></tr>
<tr><td>Electric force and illumination</td><td>Electrical Code</td></tr>
<tr><td>Commissioning</td><td>ISPE Commissioning and Qualification</td></tr>
<tr><td>Water, Water for injection, and Vapor</td><td>ISPE Water and Steam Systems (Second Edition)</td></tr>
<tr><td>Sanitary pipe laying and</td><td>ASME BPE 2009</td></tr>
</table></td><td></td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td></td><td></td><td></td><td><table>
<tr><td>equipment</td><td></td></tr>
<tr><td>Sterile preparation</td><td>Sterile Product Manufacturing Facilities (Second Edition)</td></tr>
<tr><td>Biological Products</td><td>Biopharmaceutical Manufacturing Facilities</td></tr>
</table></td><td></td></tr>
<tr><td>(8) Does the company evaluate the records of suppliers’ impact on the environment and society before taking on business partnerships?

(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?</td><td></td><td></td><td>(8) As the company rules management operations of suppliers upon internal control system, and makes records of supplier basic information for material and engineering contractor. Further, it appraises on our supplier comforting to procurement and material management procedure. For the case of suppliers obtaining ISO 9001 quality and management system certificate ISO 14001 international environmental management system criteria, OHSAS18001 vocational security and health management systems relevant certificates, and other qualification remark of government and quality qualification remarks of foreign government, it will evaluated such suppliers as excellent grade, as a plus item to appraisal.
(9) It enforces and promotes company corporate social responsibility in its transactions company with its suppliers：
1. It specifies in the article of the condense agreement of the Company：“Article 12 The suppliers shall abide by the corporate social responsibility company requirements of the company. In the event that any of the policies were violated and their actions cause an impact on environment and society, the company can terminate or cancel the agreement at any time.”
2. It stipulates environmental security and management procedure of contractor to specify that contractor shall the related regulations and requirement of environmental safety and health.
3. It regulates “safety and health requirement of contractor” on engineering contracting agreement and rigidly conduct the requests the suppliers shall comply with every environmental safety and health requirement during construction toward supplier.</td><td></td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			4. It concludes "Honest and Integrity Commitment" establish healthy supplier chain relationship between the company and suppliers once the supplier breaches the commitment. The company holds the right to terminate the cooperation relationship and the supplier shall burden all legal responsibilities accordingly.	
4. Enhancing Information Disclosure (1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	✓		(1) Information relating to corporate social responsibility is disclosed in the company's annual report and corporate social responsibility report. Please refer to the company's website and the Market Observation Post System (MOPS).	None
5. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the Principles and their implementation: The company has made a commitment to corporate social responsibility, and has implemented measures such as an employee code of conduct and environmental safety and health policies. These actions are consistent with the rationale of the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies."				
6. Other important information to facilitate better understanding of the company's corporate social responsibility practices：Please refer to <Table 1> on page 55.				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The company has prepared a 2017 corporate social responsibility report and entrusted the PricewaterhouseCoopers (PwC) Taiwan to carry out limited assurance according to the Assurance Standards Gazette No. 1 of the Republic of China for the Report. 2018 corporate social responsibility report is still in progress and is expected to be completed by the end of August.				

<Table 1>

Social Responsibility Item	Implementation Status			Detailed Description
	Not Yet Executed	Executed	Planning in Progress	
1.Human rights				
(1) Compliance with the Labor Standards Act		V		The Company will follow the human rights related policies announced by the government. According to the Labor Standards Act, Act of Gender Equality in Employment and the related regulations, the company has set the “Work Rules” to secure the legal rights of the employees. “Human Rights Policy” was set to secure the human rights and benefits of all the employees (active employees, contractors and temporary workers, interns etc.) after referencing the International Labor Convention and related international initiatives. To maintain employer-employee relations, the company holds employment meetings on a regular basis according to the “Regulations for Implementing Labor-Management Meetings.” Four meetings were held in 2018.
(2) Other (e.g. protecting employees and recruitment candidates from harassment and discrimination)		V		The company has implemented the “Human Rights Policy,” “Sexual Harassment Prevention Policy,” and “Personal Information Protection Policy” to protect employees' rights, interests and privacy. There were no complaints to violation of human rights as of 2018.
2.Employees' rights, safety and health				
(1) Adequate training for employees		V		In order to inspire growth among employees and nurture professional talent, the company has implemented a set of training guidelines and empowered General Administration Division to oversee employee training.
(2) Employees' right to express opinions		V		An employee mailbox has been made available on the company's website (under the HR section), through which employees may reflect their opinions about rights, welfare, management and the work environment. The company conducts employee satisfaction surveys through questionnaire each year and improvement measures are then proposed so as to achieve employee demands and expectations.
(3) Other (e.g. OHSAS18001 certification on occupational health and safety, and offering of reasonable welfare and remuneration packages to employees)		V		The company has obtained ISO9001:2015 certification on quality, ISO14001:2015 certification on environmental management, and OHSAS18001:2007 certification on occupational safety and health. Its employee remuneration system has been developed in compliance with relevant laws including those that govern minimum wages and mandatory benefits.

Social Responsibility Item	Implementation Status			Detailed Description
	Not Yet Executed	Executed	Planning in Progress	
3.Employee care				
1. Workplace safety		V		The company has empowered a Quality Insurance & safety Department to oversee safety and health conditions at various work sites. The department conducts regular tests on the operating environment and takes steps to ensure that safety and health regulations have been strictly complied with to provide employees with the utmost assurance.
2. Establishment of written employee health and safety policies		V		The company has an environmental safety and health policy and related regulations and cooperates in their execution.
3. Other (e.g. care for employees' physical/mental development and family life)		V		The company has established "Employee Welfare Committee" in 2005. It planes employee traveling activities, association, gathering party, reunion party and so on, including family day, using activities to increase the interaction of employees with their families. We anticipated that our employee could attach importance on the family life and mental development apart from work value the importance of family for our employees and our Human Resource Division staff aims to take care of the needs of the employee, including physical and mental development. In 2018, total budget of Employee Welfare Committee is NT$4,345,705, including special funds for employees to have overseas or domestic trips. A total of 30 overseas or domestic trips were held, including 2 family day activities.
4.Environmental Protection				
(1) Establishment of written environmental protection policy		V		The Company has established the environmental management system based on the internal "Environment manual" and passed the certification of ISO14000 International Environmental Management Systems in 2010. We have not only continuously improved the ISO14000 International Environmental Management Systems but also followed the requirements of the revised ISO version to have the system upgraded in 2017. We've done our best to protect the environment to take our corporate social responsibility. We have done nothing illegal or against regulations by the end of 2018.
(2) Compliance with environmental protection laws		V		
(3) Other (e.g. development of energy-saving and pollution-reducing technologies, equipment and activities; steps taken to reuse or recycle waste, or to reduce or prohibit the use of hazardous substances)		V		
5.Community involvement				

<table>
<tr><th rowspan="2">Social Responsibility Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Detailed Description</th></tr>
<tr><th>Not Yet Executed</th><th>Executed</th><th>Planning in Progress</th></tr>
<tr><td>(1) Participation in community services and charity activities</td><td></td><td>V</td><td></td><td rowspan="2">Employees of the company have formed the 「Volunteering group of Acter」 to join in the irregular community services and activities. The total involvement of employees in community services and service hours were as the following table:
<table>
<tr><th>Content</th><th>Number of participants</th><th>Total hours</th></tr>
<tr><td>2018/03/21 Baker Program at Taichung School for the Visually Impaired</td><td>5</td><td>15</td></tr>
<tr><td>2018/09/12 Signed a contract with the Taichung School for the Visually Impaired to purchase the bread and donated to Dacheng Elementary School</td><td>4</td><td>16</td></tr>
<tr><td>2018/09/15 Physical Fitness Program at Taichung School for the Visually Impaired</td><td>10</td><td>30</td></tr>
<tr><td>2018/11/10~11/17 Donated a new build project</td><td>31</td><td>271</td></tr>
<tr><td>2018/12/07 Accompanying students of Dacheng Elementary School to visit 2018 Taichung World Flora Exposition</td><td>8</td><td>40</td></tr>
<tr><td>2018/12/15 Shopping with vulnerable seniors</td><td>35</td><td>122.5</td></tr>
<tr><td>Total</td><td>93</td><td>494.5</td></tr>
</table>
The company donated second-hand item to social vulnerable groups. In 2018, the company totally donated 5 second-hand computer hosts and 5 second-hand computer monitors to Green Miracle Nonprofit Organization. This not only gives computers a new life, but also enables the children to bridge the learning gap. It is our expectation to minimize digital dividend of our society while protecting our planet.</td></tr>
<tr><td>(2) Other (e.g. aid and investment in the community [including manpower, supplies, knowledge and skills], steps taken to ensure the health and safety of the community)</td><td></td><td>V</td><td></td></tr>
<tr><td>6.Social contributions and social welfare</td><td></td><td></td><td></td><td></td></tr>
<tr><td>(1) Donations to charities, educational, healthcare, artistic activities etc.</td><td></td><td>V</td><td></td><td>There are six aspects in regard to Acter’s social participation, including “social welfare,” “industrial-academic cooperation,” “humanity and arts,” “community building,” “friendly environment” and “external initiatives.” Relevant actions are facilitated, reviewed and reported by the Company’s General Management Division and volunteer team each year. In 2018, we have totally invested NTD3,291,992 in social participation</td></tr>
</table>

<table>
<tr><th rowspan="2">Social Responsibility Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Detailed Description</th></tr>
<tr><th>Not Yet Executed</th><th>Executed</th><th>Planning in Progress</th></tr>
<tr><td>(2) Other (e.g. aid to less-developed countries, offering of employment opportunities to the socially disadvantaged etc)</td><td></td><td>V</td><td></td><td>with 93 volunteer participants and 494.5 hours.
<table>
<tr><th>Aspects</th><th>Objectives</th><th>Plan/ Projects</th></tr>
<tr><td>Social welfare</td><td>Involve in social welfare and charity activities with employees of the Company.</td><td>1. Student caring program
2. Youth caring program
3. Sponsoring charities</td></tr>
<tr><td>Industrial-academic cooperation</td><td>Foster Acter’s human capital and enhance young people’s employment ability.</td><td>1. Dual-system flagship plan
2. Corporate internship plan
3. Scholarship</td></tr>
<tr><td>Humanity and arts</td><td>Enhance the spiritual life; enrich employees’ mind and spirit; build a happy workplace.</td><td>Sponsor art and cultural activities</td></tr>
<tr><td>Community building</td><td>Improve the life quality and enhance the emergency services of community.</td><td>1. The “one brick and one tile, let it fly” project
2. “Help the elderly in winter” program</td></tr>
<tr><td>Friendly environment</td><td>Integrate the internal and external resources of stakeholders, including local community, government and schools, to create more corporate values.</td><td>1. Integrate expertise to protect the environment
2. Industrial-academic cooperation
3. Reuse of resources</td></tr>
<tr><td>External initiatives</td><td>Facilitate partnership; share knowledge and expertise; and participate in initiatives of sustainable development associations/ institutions.</td><td>Facilitate industrial development and enhance the corporate sustainability image</td></tr>
</table>
The Company has followed the article 38 of “People with Disabilities Rights Protection Act” and article 12 of “Indigenous Peoples Employment Rights Protection Act” to hire the people with disabilities and indigenous people. By 2018, 2 people with</td></tr>
</table>

Social Responsibility Item	Implementation Status			Detailed Description
	Not Yet Executed	Executed	Planning in Progress	
				disabilities and 2 indigenous people were hired and they'd represent 1% of total employees in the company. The ratio meets the provisions of the laws and Acter will continue to evaluate if they were at the right position and provide them the equal rights for working. The subsidiary of the Company in Vietnam has aggressively followed the principle for local employment to provide the career opportunity for the local people in those under-developing countries. The local employment in 2018 achieved 78% in Vietnam.
7.Social services				
(1) Promotion of social welfare		V		Over the years, the company has been continuously cooperated with schools and relevant educational institutes for industrial and academic projects, including "industrial and academic cooperation" and "internship programs." It is the Company's expectation to integrate the industry and school resources to generate synergy and create more opportunities for students. In 2018, total expenses for "industrial and academic cooperation" and "internship programs" are NT$1,160 thousand and NT$255 thousand respectively.
(2) Other		V		
8.Investor relations				
(1) Operating transparency		V		The company publishes financial and business information on the Market Observation Post System as required by law.
(2) Corporate governance		V		In an attempt to achieve more robust corporate governance, the company has empowered its directors and Audit Committee in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" to make the company's operations more transparent to shareholders.
(3) Other		V		The company has set up its own website and implemented a spokesperson and a deputy spokesperson policy as a means of providing more transparent financial information to investors.
9.Supplier relations				
(1) Reasonableness of procurement prices		V		The company has developed a set of "Material Procurement and Management Procedures" based on ISO9001 standards. By establishing procurement contracts with suppliers, the company is able to define the specifications for its purchases and thereby

Social Responsibility Item	Implementation Status			Detailed Description
	Not Yet Executed	Executed	Planning in Progress	
(2) Other		V		protect its own interests. Business dealings with suppliers are based on trust and a mutually beneficial relationship made possible by open communications.
10.Stakeholder interests				
(1) Intellectual property rights		V		The company respects intellectual property rights, and is yet to be involved in any case of IP infringement.
(2) Regulatory compliance		V		The company's operating policies and systems are in strict compliance with laws.
(3) Other (e.g. disclosure of corporate social responsibilities on company website)		V		The company has disclosed its corporate social responsibilities in prospectus and in its annual reports.
11.Consumer interests				
(1) Emphasis put on customers relations (e.g. consumer protection, product quality, safety and innovation, attention to customers' complaints, provision of full product information etc.)		V		In order to provide customers with "total satisfaction," the company conducts customer satisfaction surveys every year. Analysis and review are carried out for customer complaints and problems or where the overall evaluation score has not reached a certain score, and treatment options, improvement measures, and prevention methods are then proposed so as to achieve customer demands and expectations. Regarding the average customer satisfaction level of Acter in 2018, the Engineering Department was score 88, while the Maintenance Department was score 94.

6. The Status of the Company’s Performance in the Area of Ethical Corporate Management and the Adoption of Related Measures

(1)To uphold operational principles of the utmost integrity, the company has established “Ethical Corporate Management Practice Principles,” “Code of Ethics, ” “Ethical Corporate Management Operating Procedures and Conduct Guide,” “Corporate Governance Practical Rules,” “Corporate Social Responsibility Best Practice Principles” and “Employee Ethical Business Guidelines” that prohibit employees from offering, accepting, committing or requesting any inappropriate benefits, whether directly or indirectly, while performing their duties. Employees are also prohibited against involvement in any conduct that may be construed as dishonest, illegal, or a breach of trust.

(2)Measures adopted：

A. Employees of the company are prohibited from offering or accepting inappropriate benefits, and are discouraged from doing business with dishonest agents, suppliers, customers or other business partners.
B. All employees of the company are required to comply with policies and refrain from dishonest conduct.
C. Employees of the company are required to disassociate themselves whenever there is a conflict between their interests and the interests of the company.
D. Employees of the company are bound to maintain confidentiality over any commercial secrets learned during their involvement. They are prohibited from revealing such secrets to others as well as inquiring into secrets unrelated to their job roles.
E. All major operating policies, investments, asset acquisitions and disposals, loans, corporate guarantees and endorsements, and bank financing are subjected to thorough analysis before they are proposed for the board's resolution.
F. The company's Financial Division is responsible for reviewing transactions according to accounting policies and conducting credit assessments of its customers. The Financial Division clarifies with the financial statement auditor should they encounter any major issues or queries. It reports regularly to the competent authority and makes public announcements on mandatory disclosures as required by law.
G. The Auditing Office is responsible for carrying out internal audits on various departments within the company, and therefore ensures the robustness and effectiveness of the company's internal control systems.
H. For the purpose of pursuing sustainable development, the company is committed to the concept of "integrity" as an operational principle. This integrity is reflected in the company's transparent disclosure of financial and corporate governance information on its website and on the Market Observation Post System and its corporate governance system (comprising of its “Ethical Corporate Management Practice Principles” and “Ethical Corporate Management Operating Procedures and Conduct Guide”).

(3)Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs (1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies? (2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies? (3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		(1) The company has always conducted its business activities with the utmost integrity, and for which it has implemented the "Ethical Corporate Management Practice Principles," "Ethical Corporate Management Operating Procedures and Conduct Guide," "Code of Ethics," and "Employee Ethical Business Guidelines." These corporate ethics policies, along with the board's and the management's commitments, have been explained in annual reports and on the company's website. (2) The company has established the "Ethical Corporate Management Practice Principles," "Ethical Corporate Management Operating Procedures and Conduct Guide," and "Code of Ethics" and published it on its website so employees can inquire at anytime. (3) The company's "Employee Ethical Business Guidelines" prohibit employees from requesting, agreeing, delivering, or accepting any form of gift, kickback, bribe or other inappropriate benefits. Reporting channels have been made available for employees to report improper business activities. Also, the company adopts the practice of checking counterparties' legitimacy and credibility before engaging in any business relationships, and therefore ensures that its business partners adopt the same level of fairness and transparency as does the company, and do not request, offer or accept bribes.	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
2. Fulfill operations integrity policy (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		(1) The company must assess the legitimacy of suppliers and contractors who have a business relationship with the company, and check any records of unethical conduct, to ensure that the business operating methods of such parties is fair and transparent, and shall avoid conducting business with suppliers and contractors that are involved in unethical conduct. When conducting the above assessment, the company may employ appropriate examination procedures to investigate a company's business partners based on the following items in order to know the state of that party's ethical corporate management: 1. The country, location of the business operations, organizational structure, management policy and payment location. 2. Has an ethical corporate management policy been drafted? What is the policy's state of implementation? 3. Is the location of this company's business operations in a high corruption risk country? 4. Is the business of this company classified as a high corruption risk business? 5. The long-term operating situation and goodwill of this company. 6. Ask the business partners of this company about their opinions concerning the company. 7. Has this company been involved in any unethical conduct, such as bribery or illegal political contributions? When signing a contract, it shall be specified in contracts that	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?			when suppliers or contractors are involved in unethical conduct while engaging in business activities, the company can terminate or cancel the contract at any time. Besides, suppliers or contractors are required to sign a "Letter of Ethical Commitment." (2) The company has established “Ethical Corporate Management Practice Principles,” “Ethical Corporate Management Operating Procedures and Conduct Guide,” and “Code of Ethics,” etc. and is active in conveying its underlying rationale to the employees. In order to promote honest business, the General Administration Division supports the Executive Secretary to take charge of honesty relevant system and maintenance and supervision and execution, it shall report to the Board periodically every year and the promoting situation of 2018 has been reported to the Board on November 9, 2018, and which was disclosed on the site. Upon discovering or receiving reports of dishonest conduct, the General Administration Division investigates immediately and demands immediate cessation if such conduct has been verified to have violated laws or the corporate ethical principles. In which case, the violator will be subject to disciplinary action and legal claims if necessary in order to protect the company's reputation. For dishonest conduct that has already occurred, the General Administration Division will help identify weaknesses in the internal control systems or procedures that led to the incident, and instruct the responsible department to rectify so that such incidents do not recur. All departments are required to report to the board of directors on dishonest conduct discovered, actions taken, and subsequent improvements	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? (4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis? (5) Does the company regularly hold internal and external educational trainings on operational integrity?			made. (3) The company has implemented a set of "Employee Ethical Business Guidelines" that requires employees to disassociate themselves from cases that involve their own interests. Violators are subject to disciplinary actions. (4) The company has always paid great attention to the accuracy and completeness of its financial reporting procedures and controls. It has developed effective accounting systems and internal controls to address business activities that present higher integrity risks. Meanwhile, the internal auditor devises annual audit plans based on risk assessment outcomes, and compiles its findings into audit reports for the board of directors' review. (5) The Company would promote the company management concept and requirements by educational trainings and internal meetings to let the employees understand well and follow accurately. Year 2017, we have introduced the integrity standards into the E-learning system and included it as the annual required course since 2018. In 2018, 279 employees completed the training (including resigned employees,) the participation ratio is 100% and total education hours is 139.5 hours. The company assigns employees to participate in ethics training whenever deemed appropriate.	
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		(1) The company established a "Code of Ethics" and "Employee Ethical Business Guidelines," and published it on company governance page of the official site. All employees shall abide by the rules and regulations, all executives of each unit shall carry out and ensure that all department employees understand,	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?			accept and comply with the relevant regulations with all its strength. Employees shall be cautious about any behavior that violates the code of conduct, on occasion that any inquiry or discovery of behaviors relating with violating any rule and the norm serious violation cases shall be reported to the Board and then given the corresponding punishment according to the “Employee Reward and Discipline Guidelines,” and a proceeding will be brought up once there is any relevant violation to the law. Employees who violated the regulation with a post under the level of manager for any personal punishment and measure considered as violation of law or impairment of interest and right as unjustified cause, it may submit concrete matter of fact and enclose with related information to appeal to Investigation Unit of General Administration Division, while the person who violated rules with post of above manager, it can conduct according to the regulation about appealing in Code of Ethics. For the reporting channels of the company, in addition to employee personal opinion or claim box, it also set up auditing commission mailbox for completing the function of supervision. (2) In order to reinforce the protection on the interest and right of reporter and avoid the revenge occurred by improper personnel measure, it built "whistleblower protection" relevant measures, for the staff and relevant personnel who denounced someone who has violated regulation or participated with the process of investigation, it will give appropriate protection measure for refrain in them from suffering unfair treatment and revenge. In case that the whistleblower has suffered from revenge, it can seek remedies at specific responsibility unit or Office of the	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>(3) Does the company provide proper whistleblower protection?</td><td></td><td></td><td>Chairman.
(3) Concerning "Whistleblower Protection," it safeguards the reporter’s position and rewards from degradation or expelling due to reporting, as for the case of suffering the revenge via normal reporting, in addition to providing compensation, a punishment will be imposed on the revenging party according to “Employee Reward and Discipline Guidelines.”</td><td></td></tr>
<tr><td>4. Strengthening information disclosure
(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?</td><td>✓</td><td></td><td>(1) The company has clearly disclosed its business philosophy on its website. Ethical guidelines are also made available for employees to inquire.</td><td>None</td></tr>
<tr><td colspan="5">5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation.
The company has devised “Ethical Corporate Management Practice Principles” and “Ethical Corporate Management Operating Procedures and Conduct Guide” in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/ TPEx Listed Companies” and the company's practices. These codes, procedures and manuals serve as guidance to employees while carrying out their roles.</td></tr>
<tr><td colspan="5">6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies).
In order to develop honesty as part of its corporate culture, governance and risk management, the company has outlined in its “Ethical Corporate Management Operating Procedures and Conduct Guide” the regulations that directors, managers and employees are bound to comply with and a list of conduct to avoid.</td></tr>
</table>

7. Corporate Governance Guidelines and Regulations

The company has established “corporate governance principals and regulations,” “Ethical Corporate Management Practice Principles,” “Code of Ethics,” and “Ethical Corporate Management Operating Procedures and Conduct Guide,” etc, and disclosed the relevant information on the Market Observation Post System (newmops.tse.com.tw) as required by law. Furthermore, the company has established a spokesperson system for public inquiry.

8. Other Important Information Regarding Corporate Governance

The company has established “Procedures for Handling Material Inside Information and Management of the prevention of insider trading.” The adoption or amendment to the procedures was submitted to the board of directors for approval by resolution and publicly announced. Please refer to the company’s website at www.acter.com.tw→Investors→Corporate Governance.

9. Internal Control System

(1)Statement of Internal Control System: Please refer to page 69.

(2)Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report: None.

10. For the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements: None.

Acter Co., Ltd.
Statement of Internal Control System

Date : Feb. 26, 2019

Acter has conducted a self-assessment of internal controls for the period of January 1, 2018 to December 31, 2018. The results are as follows:

1. Acter acknowledges that the company's Board of Directors and management are responsible for establishing, implementing and maintaining the preexisting internal control system. The purpose of the internal control system is to provide a reasonable assurance for achieving the company's goals: efficient and effective operations (including profit, efficiency, and the safeguard of assets, etc.), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws and regulations.
2. The internal control system has its inherent constrains. Regardless of how well the system is implemented, it can only provide a reasonable assurance that the above goals will be achieved. Indeed the effectiveness of the internal control system may vary due to resulting changes in the environment and circumstances. Acter's internal control system is self-monitoring and requisite actions are promptly taken to address any recognized shortcomings in the system.
3. Acter evaluates the effectiveness of the design and performance of its internal control system as indicated in the Rules Governing Internal Control Systems Established by Public Listed Companies announced by the Securities and Exchange Commission, MOF. Based on the management control process, the items for assessing the internal control specified in the Points are: 1. Control Environment 2. Risk Assessment 3. Control Activities 4. Information and Communication and 5. Monitoring. Each is comprised of certain factors that are described in the Points.
4. Acter has evaluated the effectiveness of the design and performance of its internal control system in accordance with the above factors.
5. Acter believes that the effectiveness of the design and execution of its internal control system in 2018/12/31 the above mentioned assessment period provides reasonable assurance of achieving the goals of operation efficiency and effectiveness, reliability, timeliness, transparency, and regulatory compliance of reporting and compliance with applicable laws and regulations.
6. This Statement of Internal Control will be a prominent feature of Acter's annual report and prospectus and will be released to the public. Should any statement contained within be misleading or falsely represented, Articles 20, 32, 171 and 174 of the Securities Exchange Law shall apply.
7. This Statement of Internal Control has been approved by Acter's Board of Directors at the Feb. 26, 2019 board meeting. Six directors attended the meeting and agreed with the content of the statement.

Acter Co., Ltd.

Chairman : Liang, Chin-Li

President : Lai, Ming-Kun
Wang, Chun-Sheng

11. Major Resolutions of Shareholders' Meeting and Board Meetings

(1)Major Resolutions of Shareholders' Meeting

Date	Major resolutions	Implementation Status
May 30, 2018	1. Adoption of the 2017 Business Report and Financial Statements.	1. Resolved by Shareholders' Meeting.
	2. Adoption of the Proposal for Distribution of 2017 Profits.	2. Resolved by Shareholders' Meeting and the record date was set at Jul. 3, 2018. The company distributed cash dividends and stock dividends on Jul. 18, 2018 and Aug. 17, 2018, respectively. (NT$13.00110289 per share for cash dividends and 150.01272800 shares per 1,000 shares for stock dividends.)
	3. Discussion on the proposal for a new share issue through capitalization of earnings from 2017.	3. Resolved by Shareholders' Meeting and approved by Financial Supervisory Commission on Jun. 6, 2018, Department of Commerce, MOEA on Aug. 2, 2018. The new shares have been issued on Aug. 17, 2018 after the approval of OTC on Aug. 15, 2018.
	4. Discussion on the proposal to amend "Articles of Incorporation."	4. Resolved by Shareholders' Meeting and approved by Economic Development Bureau on Jun. 4, 2018. It was implemented and has been revealed on the company's website.
	5. Discussion on the proposal to amend "Procedure for Acquisition or Disposal of Assets," "Endorsement and Guarantee Procedure," and "Procedures for Loaning of Company Funds."	5. Resolved by Shareholders' Meeting. It was implemented and has been revealed on both the company's website and MOPS.
	6. Discussion on the proposal to amend "Regulations governing remuneration paid to directors."	6. Resolved by Shareholders' Meeting and was implemented.
	7. To elect 7 members of the 11th Board of Directors. (Including 3 independent directors)	7. Elected and approved by Economic Development Bureau on Jun. 4, 2018. It has been revealed on the company's website and MOPS.
	8. To release the directors from non-competition restrictions.	8. Resolved by Shareholders' Meeting. It was implemented and has been revealed on MOPS.

(2)Major Resolutions of Board Meetings

Date	Major resolutions
Feb. 23, 2018	1. Resolved to approve the company's 2017 business report and financial statements. 2. Resolved to approve the distribution of 2017 profit. 3. Approved to issue new share through capitalization of earnings. 4. Resolved to approve the company's 2017 statement of internal control system. 5. Resolved to approve the evaluation of qualification and independence, and remuneration of the Certified Public Accountants. 6. Resolved to approve the company's guarantees and endorsements. 7. Approved to amend the company's "Procedures for Acquisition and Disposal of Assets," "Procedures for Endorsements and Guarantees," and "Procedures for Loaning of Company Funds." 8. Approved to release shares of Sheng Huei (Suzhou) Engineering Co., Ltd. to its employees. 9. Resolved to approve the adjustments to the investment framework. 10.Approved to provide a guarantee for credit limits applied for by subsidiaries. 11.Resolved to approve the impact that may arise when the company has applied IFRS16

Date	Major resolutions
	"Leasing." 12. Approved to amend the company's "Remuneration Committee Charter." 13. Approved to amend the company's "Regulations governing remuneration paid to directors." 14. Resolved to approve the distribution of 2017 employees and directors compensation. 15. Resolved to approve the company's 2018 remuneration for executives. 16. Resolved to approve the application for credit limit at the company's banking institutions. 17. Approved to establish the company's "Nominating Committee Charter." 18. Approved to elect 7 members of the 11th Board of Directors. (Including 3 independent directors) 19. Approved to release the directors from non-competition restrictions. 20. Approved to nominate 7 directors. (Including 3 independent directors) as a candidate of the 11th Board of Directors. 21. Approved to amend the company's "Articles of Incorporation." 22. Approved to convene the company's 2018 annual shareholders' meeting.
Apr. 11, 2018	1. Resolved to approve the company's guarantees and endorsements. 2. Approved to provide a guarantee for credit limits applied for by subsidiaries. 3. Approved to update the adjustments of the investment framework resolved by board on Feb. 23, 2018. 4. Resolved to approve the directors (including independent directors) nomination proposed by shareholder(s) holding above one percent (1%) of the total number of outstanding shares of a company and review the qualification of the directors (including independent directors) candidates. 5. Approved to amend the company's "Rules for Independent Director's Scope of Duties." 6. Resolved to approve the application for credit limit at the company's banking institutions. 7. Approved to release the directors from non-competition restrictions.
May 10, 2018	1. Resolved to approve the company's guarantees and endorsements. 2. Resolved to approve the record date for capital reduction due to cancellation of new restricted employee shares. 3. Approved to amend the company's "Self-Evaluation of the Board of Director." 4. Resolved to approve the application for credit limit at the company's banking institutions.
May 30, 2018	1. Approved by all attended directors to elect CHIN-LI LIANG as the chairman of the 11th Board of Directors. 2. Resolved to approve the appointment of the Remuneration Committee members. 3. Resolved to approve the appointment of the Audit Committee members. 4. Resolved to approve the appointment of the Nominating Committee members. 5. Resolved to approve the ex-right and ex-dividend date for stock and cash dividends distribution.
Aug. 09, 2018	1. Resolved to approve the company's guarantees and endorsements. 2. Resolved to participate the bidding project for BTO as a demonstration case for waste recycling for sewage treatment plant in Linhai of Kaohsiung and it will establish a new company as reinvestment. 3. Approved to provide a guarantee for credit limits applied for by subsidiaries. 4. Resolved to dispose shares of subsidiary Nova Technology Singapore Pte., Ltd to Sheng Huei (Suzhou) Engineering Co., Ltd. 5. Approved to amend the company's "Procedures for Handling Material Inside Information and Avoiding Insiders Trading." 6. Resolved to approve the application for credit limit at the company's banking institutions.
Sep. 27, 2018	1. Resolved to approve the company's guarantees and endorsements. 2. Resolved to approve the change in general manager.
Nov. 09, 2018	1. Resolved to approve the company's guarantees and endorsements. 2. Resolved to approve the company's 2019 annual audit plan. 3. Approved to amend the "Subsidiary Management Policy."

Date	Major resolutions
	4. Resolved to approve the 2019 programs for director continuing education. 5. Resolved to approve the company's 2018 remuneration policy to directors and employees. 6. Resolved to approve the company's 2018 compensation policy for executives. 7. Resolved to approve the record date for capital reduction due to cancellation of new restricted employee shares. 8. Resolved to approve the application for credit limit at the company's banking institutions.
Dec. 24, 2018	1. Resolved to dispose real property of the company. 2. Resolved to approve the company’s guarantees and endorsements.
Jan. 29, 2019	1. Resolved to approve the company’s guarantees and endorsements. 2. Resolved to approve the performance bonus for executives. 3. Resolved to approve the application for credit limit at the company's banking institutions. 4. Approved to change the type of organization of subsidiary Sheng Huei (Suzhou) Engineering Co, Ltd.
Feb. 26, 2019	1. Resolved to approve the distribution of 2018 employees and directors compensation. 2. Resolved to approve the company's 2018 business report and financial statements. 3. Resolved to approve the distribution of 2018 profit. 4. Resolved to approve the company's 2018 statement of internal control system. 5. Resolved to approve the evaluation of qualification and independence of the Certified Public Accountants. 6. Resolved to approve the company’s guarantees and endorsements. 7. Approved to amend the company's "Procedures for Acquisition and Disposal of Assets." 8. Resolved to approve the company’s subsidiary Sheng Huei (Suzhou) Engineering Co, Ltd. will have its initial public offering of CNY-denominated Common stocks (A-shares) and apply for listing in China. 9. Approved to amend the company's "Articles of Incorporation." 10. Resolved to approve the application for credit limit at the company's banking institutions. 11. Approved to convene the company's 2019 annual shareholders’ meeting.

12. Where, during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, a director has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof.

    None.

13. A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, of the company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, and principal research and development officer

March 31, 2019

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
President	Liang, Chin-Li	Jun. 01, 2016	Sep. 28, 2018	To meet the needs of the company’s organization adjustment.

v. Information on CPA professional fees

1. CPA professional fee range

CPA Information

CPA Firm	CPA’s Name		Audit Period	Remark
KPMG	Chang, Tzu-Hsin	Huang, Hai-Ning	Jan. 1, 2018~Dec. 31, 2018	-

Fee Range

Range	Item	Audit Fee	Non-Audit Fee	Total
1	Under NT$2,000 thousand		✓	
2	NT$2,000 thousand～NT$4,000 thousand	✓		✓
3	NT$4,000 thousand～NT$6,000 thousand			
4	NT$6,000 thousand～NT$8,000 thousand			
5	NT$8,000 thousand～NT$10,000 thousand			
6	Over 10,000 thousand			

2. Information on Audit Fee and Non-Audit Fee

Unit : NT$ thousand

CPA Firm	CPA’s Name	Audit Fee	Non-Audit Fee					Audit Period	Remark
			System Design	Industrial and Commercial Registration	Human Resource	Others (Note1)	Subtotal		
KPMG	Chang, Tzu-Hsin Huang, Hai-Ning	2,030	−	132	−	−	132	Jan. 1, 2018~Dec. 31, 2018	−

3. When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed.

   Not Applicable.

4. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefore shall be disclosed.

   Not Applicable.

vi. Information on replacement of certified public accountant within the last 2 fiscal years or any subsequent interim period

None.

vii. The company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm

None.

viii. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report) by a director, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report

1. Shares Changes in Shareholding of Directors, Managers and Major Shareholders with a Stake of More than 10 Percent

Unit: Share

Title	Name	2018		As of Mar. 31, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman(CEO)	Liang, Chin-Li (Note1)	370,878	0	0	0
Director	Hu, Tai-Tsen	650,217	0	0	0
Director	Kao, Hsin-Ming	(Note2)			
Director	Yang, Jung-Tang	143,835	0	0	0
Independent Director	Yeh, Hui-Hsin	450	0	0	0
Independent Director	Yang, Qian	0	0	0	0
Independent Director	Wang, Mao-Rong	450	0	0	0
President	Lai, Ming-Kun (Note1)	68,172	0	0	0
President	Wang, Chun-Sheng (Note1)	34,231	0	0	0
Senior Vice President	Chang, Ching-Chuan	(Note3)			
Vice President	Chen, Cheng-Zhang	(Note4)			
Vice President	Chang, Ri-Dong (Note5)	34,821	0	0	0
Vice President	Wang, Jin-Cyuan (Note6)	16,750	0	0	0
Assistant Vice President	Li, Po-Sheng	65,154	0	0	0
Assistant Vice President	Cheng, Chieh-Chung	(Note7)			
Assistant Vice President	Lee, Ming-Chih (Note8)	2,000	0	0	0
Assistant Vice President	Chen, Yuan-Pi (Note8)	0	0	0	0
Assistant Vice President	Yang, Hui-Bao (Note8)	2,000	0	0	0
Assistant Vice President of Financial Division	Tsao, Yun-Han (Note9)	33,308	0	0	0

Note1: Vice President Lai, Ming-Kun and Assistant Vice President Wang, Chun-Sheng were promoted to be the Company's President on Sep. 28, 2018, while CEO Liang, Chin-Li dismissed of his concurrent position as President at the same day.

Note2: Director Kao, Hsin-Ming resigned on Oct. 01, 2018.

Note3: Senior Vice President Chang, Ching-Chuan retired on Sep. 25, 2018.

Note4: Vice President Chen, Cheng-Zhang resigned on Apr. 30, 2018.

Note5: Assistant Vice President Chang, Ri-Dong was promoted to be Vice President on Sep. 28, 2018.

Note6: Assistant Vice President Wang, Jin-Cyuan was newly appointed on Apr. 1, 2018 and then he was promoted to be Vice President on Sep. 28, 2018. The increase (decrease) in the number of shares held in 2018 is number of changes after the initial appointment.

Note7: Assistant Vice President Cheng, Chieh-Chung resigned on Sep. 28, 2018.

Note8: Assistant Vice President Lee, Ming-Chih, Chen, Yuan-Pi and Yang, Hui-Bao were newly appointed on Sep 28, 2018. The increase (decrease) in the number of shares held in 2018 is number of changes after the initial appointment.

Note9: Financial manager Tsao, Yun-Han was promoted to be Assistant Vice President of Financial Division on Sep. 28, 2018.

2. Shares Trading with Related Parties in Shareholding of Directors, Managers and Major Shareholders with a Stake of More than 10 Percent

   None.

3. Shares Pledge with Related Parties

   None.

ix. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another

As of March 31, 2019

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Share holders		Remark
	Shares	%	Shares	%	Shares	%	Name	Relation	
Xiang-Hui Development Co., Ltd. Representative : Yang, Jung-Tang	2,590,330	4.78%	0	0.00%	0	0.00%	Yang, Jung-Tang	Chairman of Xiang-Hui Development Co., Ltd.	None
Chiu-Chang Investment Co., Ltd Representative : Wang, Yi-Hua	2,150,651	3.97%	0	0.00%	0	0.00%	Liang, Chin-Li	Spouse of the representative of Chiu-Chang Investment Co., Ltd.	None
Liang, Chin-Li	2,082,566	3.84%	56,838	0.10%	0	0.00%	Chiu-Chang Investment Co., Ltd	The representative of Chiu-Chang Investment Co., Ltd is the spouse of Liang, Chin-Li	None
Sumitomo Chemical Engineering Co., Ltd. Representative : Hajime Tsukimori	1,380,499	2.55%	0	0.00%	0	0.00%	None	None	None
Kao, Hsin-Ming	1,286,176	2.37%	0	0.00%	0	0.00%	None	None	None
Hu, Tai-Tsen	1,251,618	2.31%	20,935	0.04%	0	0.00%	None	None	None
Yang, Jung-Tang	1,005,330	1.85%	0	0.00%	0	0.00%	Xiang-Hui Development Co., Ltd.	Chairman of Xiang-Hui Development Co., Ltd.	None
Chen, Wei-Yu	643,629	1.19%	(Note1)				None	None	None
Chang, Shu-Hui	614,873	1.13%	(Note1)				None	None	None
Citibank in custody for DFA	600,705	1.11%	0	0.00%	0	0.00%	None	None	None

Note1: Not insiders of the company, therefore there is no relevant information.

x. The total number of shares and total equity stake held in any single enterprise by the company, its directors and managers, and any companies controlled either directly or indirectly by the company

As of Dec. 31, 2018

Long-Term Investment（Note 1）	Ownership by Acter		Ownership by directors and managers, and any companies controlled either directly or indirectly by the company（Note 4）		Total Ownership	
	Shares	%	Shares	%	Shares	%
HER SUO ENG., CO., LTD.	10,000,000	100%	0	0%	10,000,000	100%
NOVA TECHNOLOGY CORP.(Note 3)	21,098,179	62.19%	388,418	1.14%	21,486,597	63.33%
ENRICH TECH CO., LTD	5,693,508	56.94%	935,659	9.36%	6,629,167	66.30%
WINMEGA TECHNOLOGY CORP.	0	0%	3,000,000	100%	3,000,000	100%
SHENG HUEI INTERNATIONAL CO., LTD	4,204,773.82	100%	0	0%	4,204,773.82	100%
NOVA TECHNOLOGY SINGAPORE PTE., LTD.	0	0%	2,700,000	100%	2,700,000	100%
NOVA TECHNLOGY MALAYSIA SDN BHD	0	0%	2,600,000	100%	2,600,000	100%
PT. NOVAMEX INDONESIA	0	0%	500,000	100%	500,000	100%
ACTER ENGINEERING CO.,LTD.	0	0%	25,000	100%	25,000	100%
ACTER INTERNATIONAL LIMITED	0	0%	3,890,650	100%	3,890,650	100%
NEW POINT GROUP LIMITED	0	0%	200,000	100%	200,000	100%
SHENG HUEI (SUZHOU) ENGINEERING CO., LTD.	0	0%	Note 2	91.71%	Note 2	91.71%
SHENG HUEI (SHENZHEN) ENGINEERING CO., LTD.	0	0%	Note 2	100%	Note 2	100%
SHENZHEN DINGMAO TRADE CO.,LTD	0	0%	Note 2	100%	Note 2	100%
ZHANGJIAGANG FREE TRADE ZONE FUYUINTERNATIONAL TRADE CO.,LTD.	0	0%	Note 2	100%	Note 2	100%
SHENG HUEI ENGINEERING TECHNOLOGY CO., LTD.	0	0%	Note 2	100%	Note 2	100%
WINMAX TECHNOLOGY CORP.	0	0%	Note 2	100%	Note 2	100%
GLOBAL ONE SOURCE LIFE SCIENCES CO. LTD.	0	0%	Note 2	40%	Note 2	40%
SUZHOU WINMAX TECHNOLOGY CORP.	0	0%	Note 2	100%	Note 2	100%
NOVATECH ENGINEERING & CONSTRUCTION PTE. LTD.	0	0%	1,000,000	100%	1,000,000	100%
GLOBAL ONE SOURCE LIFE SCIENCES (SHANGHAI) CO. LTD.	0	0%	Note 2	40%	Note 2	40%

Note1: Investments accounted for using the equity method.

Note2: Limited Company.

Note3: Numbers of shareholding is according to the register of shareholders of Nova Technology Corp. on March 26, 2019.

Note4: The investment related data about direct controlling or indirect controlling business of the company refers to number of share and shareholding ratio of the reinvestment business invested by the controlling business.

xi. Status of the Continuing Education of Directors in 2018

Title	Name	Date	Host Organization	Course	Continuing Education Hours
Chairman	Liang, Chin-Li	Jul. 03, 2018	Taiwan Institute of Director	2018 Annual meeting of Taiwan Institute of Director	3
		Oct. 23, 2018	Taiwan Corporate Governance Association	Planning of shareholding and re-election of directors/supervisors for TWSE/GTSM Listed Companies	3
Director	Yang, Jung-Tang	Apr. 24, 2018	Accounting Research and Development Foundation	The financial impact and countermeasures of enterprises arising in Cross-Strait Anti-tax Avoidance Act	3
		Jun. 1, 2018	Taiwan Securities Association	Director, supervisor, and accounting officers' equity transfer and taxation planning practices	3
		Jun. 19, 2018	Accounting Research and Development Foundation	How to use consolidated statements to improve management performance	3
		Dec. 04, 2018	Taiwan Corporate Governance Association	The latest development and practice of anti-money laundering and countering terrorism financing - also focus on the key point of overseas branch supervision	3
Director	Hu, Tai-Tsen	Jul. 20, 2018	Taiwan Corporate Governance Association	Enterprise internal control and risk management-global top 10 risk analysis in 2018	3
		Aug. 24, 2018	Taiwan Corporate Governance Association	The analysis and practice of anti-money laundering and countering terrorism financing	3
		Aug. 31, 2018	Taiwan Corporate Governance Association	Legal liabilities and case studies of insider trading	3
Independent Director	Yeh, Hui-Hsin	Jul. 17, 2018	ROC Certified Public Accountant Organization	The analysis of change in laws or practice in the first half of 2018	7
		Sep. 18, 2018	Securities & Futures Institute, ROC	How do director and supervisor supervise the company to conduct fraud detection and establish a whistle mechanism to strengthen corporate governance	3
		Sep. 26, 2018	ROC Certified Public Accountant Organization	Anti-money laundering	3
Independent Director	Yang, Qian	Jan. 11, 2018	Securities & Futures Institute, ROC	The analysis of financial information and the application of decision	3
		Jan. 26, 2018	Taiwan Corporate Governance Association	The key information and responsibility analysis of annual report：From the view of director and supervisor	3
Independent Director	Wang, Mao-Rong	Jan. 18, 2018	Accounting Research and Development Foundation	Relevant laws and regulations, practice and the latest trend analysis of CSR report	3
		Jul. 27, 2018	Taiwan Corporate Governance Association	Case study on competitiveness and innovation of enterprise	3
		Dec. 07, 2018	Taiwan Corporate Governance Association	The practice of Audit Committee	3

IV. Capital Overview

i. Capital and Shares

1. Source of Capital

Unit : NT$/Share

Month/ Year	Offering Value (NTD)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NTD)	Shares	Amount (NTD)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
06/2018	10	72,000,000	720,000,000	47,148,819	471,488,190	Cancel of restricted shares for employees NT$40 thousand	None	Note 1
08/2018	10	72,000,000	720,000,000	54,221,742	542,217,420	Dividends stocks NT$ 70,729,230 issue through capitalization of earnings from 2017	None	Note 2
12/2018	10	72,000,000	720,000,000	54,202,742	542,027,420	Cancel of restricted shares for employees NT$190 thousand	None	Note 3

Note1: Approved no. Fu So Jing Shang Zi 10707270220, 06/04/2018
Note2: Approved no. Jing So Shang Zi 10701094310, 08/02/2018
Note3: Approved no. Jing So Shang Zi 10701148600, 12/04/2018

2. Type of Stock

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common shares	54,202,742(Note)	17,797,258	72,000,000	GTSM Listed Company Stock

Note1: 291,000 shares of Restricted Employee Shares Granted are under Custody.

3. Information for Shelf Registration: Not applicable.

ii. Composition of Shareholders

As of March 31, 2019

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	0	66	6,659	108	6,833
Shareholding (Shares)	0	0	6,856,967	37,525,445	9,820,330	54,202,742
Percentage	0.00%	0.00%	12.65	69.24%	18.11%	100.00%

iii. Shareholding Distribution Status

1. Common Shares (The par value for each share is NT$10)

As of March 31, 2019

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	1,115	205,438	0.38%
1,000 ~ 5,000	4,610	8,387,860	15.47%
5,001 ~ 10,000	534	3,861,097	7.12%
10,001 ~ 15,000	201	2,450,435	4.52%
15,001 ~ 20,000	90	1,596,598	2.95%
20,001 ~ 30,000	97	2,391,632	4.41%
30,001 ~ 50,000	66	2,588,329	4.77%
50,001 ~ 100,000	42	2,808,842	5.18%
100,001 ~ 200,000	33	4,367,358	8.06%
200,001 ~ 400,000	25	7,309,634	13.49%
400,001 ~ 600,000	10	4,629,142	8.54%
600,001 ~ 800,000	3	1,859,207	3.43%
800,001 ~ 1,000,000	0	0	0.00%
1,000,001 or over	7	11,747,170	21.68%
Total	6,833	54,202,742	100.00%

2. Preferred Shares

   The Company did not issue any preferred share.

iv. List of Major Shareholders

As of March 31, 2019

Shareholder's Name	Shareholding	
	Shares	Percentage
Xiang-Hui Development Co., Ltd.	2,590,330	4.78%
Chiu-Chang Investment Co., Ltd	2,150,651	3.97%
Liang, Chin-Li	2,082,566	3.84%
Sumitomo Chemical Engineering Co., Ltd.	1,380,499	2.55%
Kao, Hsin-Ming	1,286,176	2.37%
Hu, Tai-Tsen	1,251,618	2.31%
Yang, Jung-Tang	1,005,330	1.85%
Chen, Wei-Yu	643,629	1.19%
Chang, Shu-Hui	614,873	1.13%
Citibank in custody for DFA	600,705	1.11%
Total	13,606,377	25.10%

v. Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT$; Thousand Shares

Item	2017	2018	2019/01/01-2019/03/31 (Note 4)
Market Price per Share			
Highest Market Price	221.50	244.50	195.00
Lowest Market Price	92.00	149.00	162.50
Average Market Price	169.87	209.47	180.23
Net Worth per Share			
Before Distribution	83.58	80.91	85.49
After Distribution	70.35	65.79 (Note 5)	Not Applicable
Earnings per Share			
Weighted Average Shares (thousand shares)	53,430	53,751	53,912
Diluted Earnings Per Share	15.76	19.52	4.33
Adjusted Diluted Earnings Per Share	15.39	18.98	Not Applicable
Dividends per Share			
Cash Dividends	13.00110289	15 (Note 5)	Not Applicable
Stock Dividends			
• Dividends from Retained Earnings	1.50012728	0	Not Applicable
• Dividends from Capital Surplus	0	0	Not Applicable
Accumulated Undistributed Dividends	0	0	Not Applicable
Return on Investment			
Price / Earnings Ratio (Note 1)	10.78	10.73	Not Applicable
Price / Dividend Ratio (Note 2)	13.07	13.96	Not Applicable
Cash Dividend Yield Rate (Note 3)	7.65%	7.16%	Not Applicable

Note1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note4: The data of net worth per share and earnings per share were from the latest audited financial statement.

Note5: The distribution of earnings for 2018 shall be determined by the 2019 Annual General Shareholders' Meeting.

vi. Dividend Policy and Implementation Status

1. Dividend Policy

(1)The dividend policy according to the Article of Incorporation provides as follows.

Article 27 The company's profit following annual closing, if any, shall be distributed in the following order:

A. Remit tax;
B. Compensate loss;
C. 10% legal reserve, unless the amount of legal reserve has reached the total capital amount;
D. Special reserve in accordance with law and the competent authority.
E. Certain parts of the balance shall be included into accumulated undistributed profit from previous year based on the company's current environment, growth stage and long term financial planning. The board of directors will distribute the remaining amount as shareholder dividend based on the capital situation and economic

development of the current year. Cash dividend shall account for 10% or more of the total shareholder dividend and shall be proposed by the board of directors and submitted to the shareholder meeting for resolution.

(2)The board of directors shall set out the company’s dividend policy based on the operational performance and the need of capital and submit it to the shareholder meeting for resolution. According to the resolution of board, the distributed shareholder dividend would be not less than 51% of the current undistributed profit. Besides, cash dividend should account for 10% or more of the total shareholder dividend. Please refer to the company’s website at www.acter.com.tw→Investors→ Shareholder service→Stock quote & Dividends history.

2. Proposed Distribution of Dividend

The proposal for distribution of 2018 profits was passed at the Meeting of the Board of Directors on Feb. 26, 2019. This proposal, a cash dividend of NT$813,041,130 (NT$15 per share), will be discussed at the annual shareholders’ meeting on May 29, 2019.

vii. Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting

There was no stock dividend distribution proposed or adopted at the most recent shareholders’ meeting.

viii. Compensation of employees and directors

1. The percentages or ranges with respect to employee and director compensation, as set forth in the company's articles of incorporation.

   When distributing the surplus profits for each fiscal year, the company shall first offset its losses of previous years and set not less than three percent of the profit before tax excluding the amount of employees’ and directors’ compensation as compensation to employees; and then set not more than five percent of the profit before tax excluding the amount of employees’ and directors’ compensation as compensation to directors.

2. The basis for estimating the amount of employee and director compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

   (1)The basis for estimating the amount of employee and director compensation

   Please refer to viii.1 Policy.

   (2)The company doesn’t distribute employee compensation in stock for the current period.

   (3)The accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period

   Shall there be any difference between the actual distributed amount and the estimated figure, it will be deemed as the changes in accounting estimates and will be recognized in the profit and loss account of the distributing year.

3. Information on any approval by the board of directors of distribution of compensation

   (1)The amount of any employee compensation distributed in cash or stocks and compensation for directors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed.

A. The amount of any employee compensation distributed in cash or stocks and compensation for directors.

The proposal was passed at the Meeting of the Board of Directors on Feb. 26, 2019. The employee cash compensation is NT$81,757,295 and the compensation for directors is NT$40,878,647.

B. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed: None.

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation.

None.

4. The actual distribution of employee and director compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee or director compensation, additionally the discrepancy, cause, and how it is treated

(1) The actual distribution of employee and director compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed) are as follows.

Employee compensation: NT$61,369,156.
The compensation for directors: NT$30,684,578.

(2) If there is any discrepancy between the actual distribution and the recognized employee or director compensation, additionally the discrepancy, cause, and how it is treated: None.

ix. Buyback of Treasury Stock

None.

x. Issuance of Corporate Bonds

None.

xi. Issuance of Preferred Stock

None.

xii. Issuance of Global Depository Receipts

None.

xiii. Employee Stock Options

None.

xiv. New Restricted Employee Stocks

1. Issuance of Restricted Employee Shares

March 31, 2019

Type of Restricted Shares	1st Issuance of restricted employee shares	2nd Issuance of restricted employee shares
Approval Date by the Authority	2015/01/12	2015/06/12
Grant Date	2015/01/26	2016/01/11
Number of Restricted Employee Shares Granted	480,000	720,000
Price of Issuance	0	0
Percentage of Restricted Employee Shares to Outstanding Common Shares	0.88%	1.33%
Conditions for Exercise of Restricted Employee Shares	Vesting conditions are based on the years of service and financial performance which are both achieved.	Vesting conditions are based on the years of service and financial performance which are both achieved.
Limitations to the Rights of Restricted Employee Shares	Restricted rights before employees meet the vesting conditions： (a) During the vesting term, the new restricted employee shares may not be sold, pledged, transferred, donated or otherwise disposed of. (b) The new restricted employee shares carry the same rights as other outstanding common shares, including dividends, bonuses, and additional paid-in capital except non-transferability of the stocks prior to the achievement of vesting conditions. (c) The Trust Custodian shall attend the Annual Meeting of Shareholders, summit the proposals, make the statements, exercise the voting rights and conduct other factors relevant to the shareholders’ equity by proxy for the employees who received the new restricted employee shares, prior to the achievement of vesting conditions.	Restricted rights before employees meet the vesting conditions： (a) During the vesting term, the new restricted employee shares may not be sold, pledged, transferred, donated or otherwise disposed of. (b) The new restricted employee shares carry the same rights as other outstanding common shares, including dividends, bonuses, and additional paid-in capital except non-transferability of the stocks prior to the achievement of vesting conditions. (c) The Trust Custodian shall attend the Annual Meeting of Shareholders, summit the proposals, make the statements, exercise the voting rights and conduct other factors relevant to the shareholders’ equity by proxy for the employees who received the new restricted employee shares, prior to the achievement of vesting conditions.
Custody of Restricted Employee Shares	Before employees fulfill vesting conditions, all the assigned shares will be entrusted first in accordance with the Company's "Restrict Stock Awards Plan."	Before employees fulfill vesting conditions, all the assigned shares will be entrusted first in accordance with the Company's "Restrict Stock Awards Plan Ⅱ."
Procedures for Non-Compliance of the Conditions	Acter Company shall redeem and cancel all new restricted employee shares from any employee whom received the new restricted employee shares but fail to meet the vesting conditions.	Acter Company shall redeem and cancel all new restricted employee shares for free from any employee whom received the new restricted employee shares but fail to meet the vesting conditions.

Type of Restricted Shares	1st Issuance of restricted employee shares	2nd Issuance of restricted employee shares
Number of Restricted Employee Shares Bought Back	80,000	126,000
Number of Restricted Employee Shares Free from Custody	400,000	303,000
Number of Restricted Employee Shares under Custody	0	291,000
Number of Restricted Employee Shares under Custody to Outstanding Common Shares (%)	0.00%	0.54%
Impact on Shareholders' Equity	The number of new restricted employee shares proposed to be issued is 480,000 common shares. Based on the market closed price of NT$83 on Jan. 13, 2015, the potential dilution of EPS from 2015 to 2018 is estimated at NT$0.41, NT$0.28, NT$0.15 and NT$0.01 respectively.	The number of new restricted employee shares proposed to be issued is 720,000 common shares. Based on the market closed price of NT$67.7 on Jun. 12, 2015, the accumulative potential dilution of EPS from 2015 to 2018 is estimated to be NT$1.03. (Average NT$0.34 each year) Since the potential dilution of EPS is limited, it shall not have any material impact on shareholders' equity.

2. Information on Name of Managers and Top 10 Employees Obtaining Restricted Employee Shares

March 31, 2019

	Title	Name	Number of Restricted Shares	Number of Restricted Employee Shares to Outstanding Common Shares	Free from the Trust				Under the Trust			
					Number of Restricted Employee Shares Free from Custody (Note7)	Price of Issuance	Total Amount of Issuance	Number of Restricted Employee Shares Free from Custody to Outstanding Common Shares (%)	Number of Restricted Employee Shares Under Custody	Price of Issuance	Total Amount of Issuance	Number of Restricted Employee Shares under Custody to Outstanding Common Shares (%)
	CEO	Liang, Chin-Li										
	President(Note1)	Hsu, Chung-Cheng										
	President	Lai, Ming-Kun										
	President	Wang, Chun-Sheng										
	Senior Vice President(Note2)	Chang, Ching-Chuan										
	Vice President	Chang, Ri-Dong										
	Vice President	Wang, Jin-Cyuan										
Manager	Assistant Vice President	Li, Po-Sheng	932,000	1.72%	705,000	0	0	1.30%	227,000	0	0	0.42%
	Assistant Vice President(Note3)	Fan, Kuo-Ping										
	Assistant Vice President(Note4)	Cheng, Chieh-Chung										
	Tsao, Yun-Han	Assistant Vice President of Financial Division										
	Assistant Vice President	Lee, Ming-Chih										
	Assistant Vice President	Chen, Yuan-Pi										
	Assistant Vice President	Yang, Hui-Bao										
	Senior Manager	Lin, Jing-Yi										
	Senior Manager	Lan, Rong-Sing										
	Manager(Note3)	Zuo, Cing-Fu										
	Manager	Lin, Guo-Li										
Employee	Manager	Li, Shih-Huei	268,000	0.49%	204,000	0	0	0.37%	64,000	0	0	0.12%
	Manager(Note5)	Shih, Cheng-Hong										
	Manager	Zeng, Huei-Syong										
	Lawyer(Note6)	Yang, Hui-Chi										
	Executive Assistant	Liao, Mei-Hui										

Note1: President Hsu, Chung-Cheng resigned on Jun. 1, 2016.
Note2: Senior Vice President Chang, Ching-Chuan retired on Sep. 25, 2018.
Note3: Assistant Vice President Fan, Kuo-Ping and Manager Zuo, Cing-Fu resigned on Oct. 28, 2016.
Note4: Assistant Vice President Cheng, Chieh-Chung resigned on Sep. 28, 2018.
Note5: Manager Shih, Cheng-Hong resigned on Mar. 31, 2016.
Note6: Lawyer Yang, Hui-Chi resigned on May 10, 2016.
Note7: Number of restricted employee shares free from custody contains both numbers that achieved the vesting conditions and numbers that has been redeemed.

xv. Status of New Shares Issuance in Connection with Mergers and Acquisitions

None.

xvi. Financing Plans and Implementation

None.

V. Operational Highlights

i. Business Activities

1. Business Scope

(1)Main areas of business operations

A. Turnkey engineering projects.
B. Cleanroom engineering.
C. Bio-medical engineering.
D. Energy technology services.
E. Air-conditioning electromechanical engineering.
F. Ice storage projects.
G. Industrial ventilation engineering.
H. Constant-temperature constant-humidity engineering.
I. Design and construction of pure water as well as wastewater systems.
J. Environmental engineering.
K. Water, gas, and chemical system integration engineering services for high-tech processes.
L. Design and construction of high-purity chemical supply systems.
M. Design and construction of high-purity gas supply systems.
N. Design and construction of volatile organic gas processing systems.
O. Design and construction of CMP solution supply systems.
P. Design and construction of shared systems for entire plants.
Q. Repair and maintenance engineering.
R. High-tech equipment/materials sales and services.

(2)Revenue distribution

Unit；NT$ thousand ; %

Major Divisions	Total Sales in Year 2018	(%) of total sales
Construction Revenue	13,897,625	97.73%
Sales	254,458	1.79%
Other Operating Revenue	68,570	0.48%
Total	14,220,653	100%

(3)Main products(Services)

Currently, our primary services include the design and construction of cleanrooms, electromechanical equipment, and process pipelines for high-tech electronics and biomedical industries. In particular, we specialize in turnkey services (responsible for the overall design, construction, testing, and verification of integrated system solutions). Our services include the following (categorized according to services provided as well as industry type):

A. Cleanroom engineering or full-plant electromechanical system integration for high-tech factory construction.
B. Full-plant electromechanical system integration for biomedical technology facilities.
C. Air-conditioning electromechanical engineering for traditional industries.
D. Other general electromechanical engineering and customer services.
E. Liquid waste recycling system.
F. Reclaimed water recycling system.
G. Green energy certification.

(4)New products (Services) planned for development

A. Desalination system
B. Energy conservation technique
C. Wastewater reclamation system
D. Developer recovery and reuse system

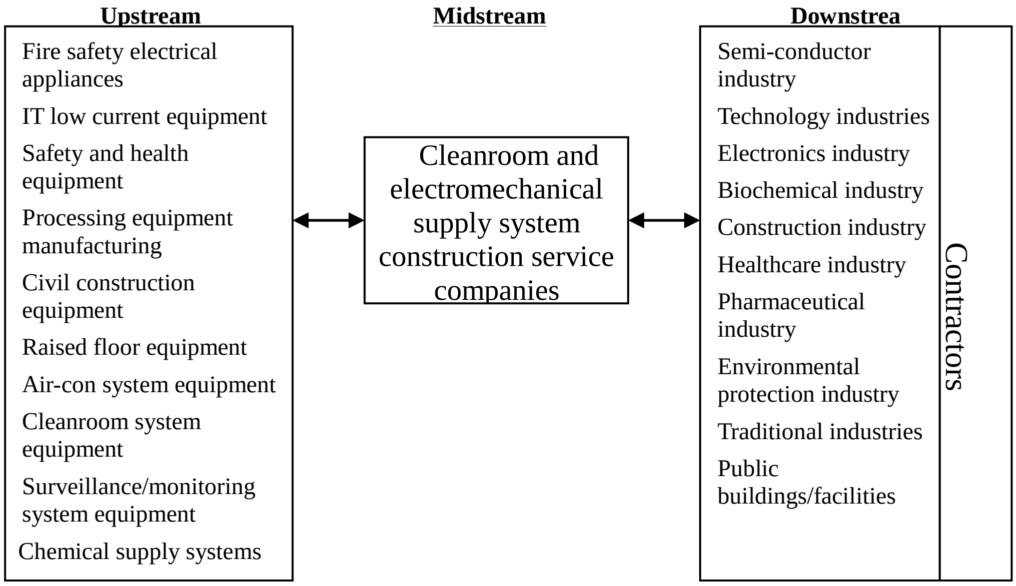
2. Industry Overview

(1)Current Status and Development of the Industry

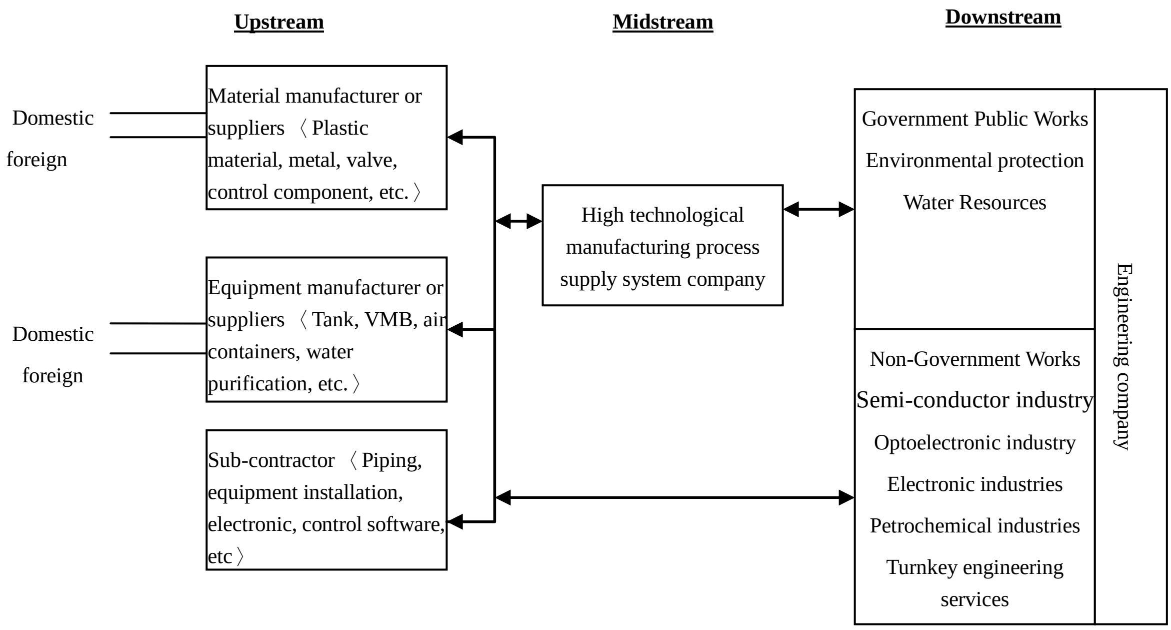
In the business environment, global growth is expected to slow to 2.9% in 2019 according to the World Bank's global outlook. Growth in China is expected to slow to 6.2% and Indonesia's growth is expected to hold steady at 5.2%. In addition, due to the increasing of US-China trade war and China's requirements of environmental protection, many manufacturers of Taiwan have begun to consider about homecoming investments or construction of new plants in Southeast Asia. As Acter's business covers multiple industries, except for the semiconductor industry and the photovoltaic panel industry, other industries also have considerable demand for plant and capital expenditures. It shows huge business opportunities in the market. Although large-scale construction suppliers offered turnkey solutions that enabled them to gain control of the electricity and machine engineering market, which led to greater competition in the electricity, machine and cleanroom engineering industry, Acter is committed to creating valuable projects and reduces the financial burden of its clients through innovative technologies and special engineering methods. In addition, it reduces overhead expense and engineering construction risks. It also forms a stable and cooperative relationship with suppliers for effective cost control and improvement of price competition in construction engineering.

(2)The Links between the Upstream, Midstream and Downstream segments of the Industry

The cleanrooms and electromechanical systems integration engineering services industry encompasses construction contractors and construction materials, equipment, and subcontractors, providing customers with full-plant electromechanical and cleanroom turnkey engineering services based on contractor requirements, by combining engineering disciplines and technologies from various professional fields. The relationships between upstream, midstream, and downstream service providers are shown in the figure below:



High technological manufacturing process supply system industry is in charge of the connection between the owners of engineering companies and the merchants of engineering materials, equipment and projects. The industry will provide the manufacturing process supply system equipment and engineering services. The relationships between upstream, midstream, and downstream are shown in the figure below:



(3)Development Trends for the Company's Products

A. The systems integration engineering services industry is becoming increasingly important.

B. There is a trend towards joint venture projects or cross-industry alliances and turnkey services.
C. User-friendly spatial integration is becoming increasingly popular.
D. High-tech product life cycles are becoming shorter, resulting in an increased need to quickly and safely adjust production lines.
E. Health awareness and preventive healthcare has become mainstream, creating a wealth of opportunities for the biotech industry.
F. Safety, stability, conciseness and precision of each system. Safety and quality requirements are becoming increasingly strict.
G. Energy conservation and environmental protection awareness is on the rise. Pursuing sustainable development of enterprises.

(4)Competition for the Company's Products

Engineering services have been a cornerstone for the advancement of civilization and industry. Human knowledge and intellect are continuing to evolve, while the industrial engineering market undergoes rapid changes. The key to survival and rapid growth in this highly competitive environment is being able to keep up with the pace of change. With competition between both foreign and domestic engineering service providers becoming increasingly fierce, economies of scale, increased efficiency, and integrated services are the keys to success. Sound engineering practices and professional techniques have always been critical to the expansion of engineering businesses and to the creation of new opportunities. The ability to quickly obtain sources of raw materials as well as provide customers with rapid and advanced engineering services will dictate whether or not a service provider will be able to achieve industry-leading status in today's competitive environment. This is why Acter continues to engage in the development of new system integration techniques, as well as research ways to conserve energy, with an emphasis on inter-system compatibility, in order to meet the integration needs of plant-wide systems.

3. Research and Development

(1)Technology and Research Development

System integration engineering techniques are different from those of other industries and involve the rearrangement of working techniques and equipment in order to achieve higher levels of performance. In addition, based on the requirements of the client industry, professional expertise from the fields of architecture, electromechanical engineering, air conditioning, fire prevention, instrumentation control, pipeline distribution, and project management need to be integrated and tailored to fit the customer's production environment. Since this involves a wide range of complex issues, there are usually many different service providers working independently and in parallel with each other, making it difficult to integrate all of their efforts. Furthermore, due to divisions of labor resulting in a high level of subcontracting as well as a large number of subcontractors working on relatively small parts of the overall project, engineering quality is difficult to control. In addition, different personnel and equipment need to be involved in different project phases, making the presence of experienced personnel with sound professional expertise extremely important in ensuring construction quality and on-time project delivery. Project durations are usually longer than the production times of other industries, with wider ranges of technical expertise being involved, making the accumulation of experience and sound construction techniques extremely important. In general, our company belongs to an industry with a high degree of professional division of labor and in what is considered a labor-intensive field.

(2)Research and Development expenses during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report

Unit；NT$ thousand

Year	2018	As of March 31, 2019
Total R&D Expenses	127,218	30,309

(3)Research and Development Achievements during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report

We strive to develop innovative techniques, accumulate technical experience, and enhance performance. The following is a description of some of our unique and innovative construction techniques and patents.

Category	Unique or innovative technique
Ice storage and energy conservation engineering	Taking advantage of mat foundations to store ice in order to offload peak loads
	Taking advantage of fire-extinguishing water tanks to store cold water in order to reduce the amount of space occupied and lower electricity contract capacities
Skyscrapers	Reduction of pipeline occupancy areas for ultra-cold ventilation systems
	42-story general-use buildings
Special types of engineering technologies	Exclusive integrated negative-pressure SARS technology for hospitals
	The Department of Health and Welfare's dedicated bio-chemical laboratory
	Integration engineering technology of whole plant import of Tobacco manufacturer
	Knitting and dyeing and finishing plant electromechanical integration technologies
Bio-tech engineering	Integrated technologies for the first H1N1 vaccine plant
	Cleanroom integration technologies for CGMP plants
	Integration techniques for professional bio-tech drug production (Cordyceps sinensis) plants
	Biomedical equipment plant energy conservation electromechanical integration technologies
	GTP cleanroom integration engineering technology
	Food cGMP plants integrate their technologies to reach beyond borders
	Energy saving mechatronics technology for poultry mooring and processing manufacturer
	Integration technologies of switching environments of positive or negative pressure randomly by product attribute at manufacturing sector
Green energy engineering	Integration of techniques in solar power supply
Cleanroom turnkey engineering	Innovative techniques for the first PDP mass production plant
	Innovative techniques for Japanese light polarization board production plants
	Innovative techniques for professional TFT glass board production plants
	Special techniques for the 6" fab turnkey project in cooperation with Sony
	Innovative techniques for Taiwan's second-largest packaging and production plant
	Innovative techniques for the plant-wide electromechanical integration of a module plant
	Innovative techniques for a soft PCB board copper film plant
	Innovative techniques for a Japanese full-plant export components factory
	Innovative techniques for the electromechanical integration of an optoelectronics chemical materials production plant
	Micro environmental innovation method of semiconductor element washing manufacturer

Patent type	Patent name
Utility model	A grinding fluid mixing supply apparatus
	A three-axis full-automatic mechanical arm mechanism
	An NMP waste gas recovery system
	A high-precision pipeline anti-electromagnetic interference device
	An exhaust solution barrel lid opener
	An organic solvent cleaning tank
	A wet tail gas treatment unit
	A full-automatic wet process apparatus with synchronous operation of single batch and four flower baskets

Note1: The above patents were newly added in 2018.

4. Long-term and Short-term Development

(1)Short-term Development

A. To expand the scope of operation in Southeast Asia.
B. Energy conservation service expansion engineering.
C. Assisting biotech companies with factory upgrades.
D. Actively develop turnkey services for technology industries.
E. Establish industry-academia cooperative efforts in order to develop talent.
F. Integrate marketing services in order to boost customer satisfaction levels.
G. Waste water and gas treatment and cremation of sludge and waste liquids.
H. Water recycling, desalination, and zero emissions of waste water.
I. Pre-fabrication Technique for Large Cement Tanks.
J. Development of developer recovery and reuse system.

(2)Long-term Development

A. Strengthen corporate governance and enhance enterprise culture.
B. Rooting deeply in this industry, continuing to carry out a diverse, multi-project integrated engineering service, and building a comprehensive marketing service system. Continuing to root deeply in the technology, biotechnology, livelihood, petrochemical, and other industries.
C. Maintain constant contact with current customers from mainland China and Southeast Asia, develop new customers, create multi-regional business, and improve investment efficiency.
D. Cooperate with international partners and continuously expand the scope of its professional service in biological, pharmaceutical, medical industries and desalination.
E. Combine the professional manufacturing processes of gas and chemical supply systems in the treatment of liquid waste and solvent waste to create a new generation engineering integration technology and Earth-friendly technology.
F. Recruiting more diverse talents and actively training management teams.
G. Deepening the professional technical capabilities such as green energy and environmental protection in fulfillment of its duty as a global citizen.
H. Integrate a diversified technology and pursue an innovative engineering method that expands versatile application of its core competence.

ii. Market and Sales Overview

1. Market Analysis

(1)Sales (Service) Region

Our company as well as our subsidiary companies currently provides cleanroom and electromechanical systems integration services, as well as water, gas, and chemical integration engineering services for process systems. We primarily serve the domestic, China, and Southeast Asian regions.

(2)Market Share (%)

High-tech cleanrooms and electromechanical systems integration services for industrial plants are needed in a wide range of fields and sectors including the semiconductor industry, the optoelectronic industry, as well as the biomedical industry. In addition, domestic engineering companies participate in bidding on projects across a wide range of engineering fields, therefore, market share percentages calculated based on individual industries would not be able to reflect the actual state of the market, making it difficult to calculate our company's market share based on output on a consistent basis. However, in terms of engineering scale as well as technological maturity, there are only a few engineering companies that can compete with publically listed companies, and Acter is one of the few companies that can simultaneously service the optoelectronics, electronics, biochemical drug production, and residential construction industries, with a wealth of project experience. In Common Wealth Magazine's survey of the top 1000 Greater China companies, in the service industry - engineering contractors category, Acter ranked 7th in 2017. (2018 rankings not yet announced)

(3)Demand and supply conditions for the market in the future, and the market's growth potential

A. Supply conditions for the market in the future

There are currently many service providers providing cleanroom air conditioning electromechanical engineering services in Taiwan. Electromechanical systems integration services, on the other hand, require long-term accumulation of experience and technological expertise. In some market segments, factors including professionalism of employees, company reputation, and past engineering accomplishments form entrance barriers, resulting in only a few service providers currently being able to provide professional electromechanical system integration services, with Acter being one of them.

B. Demand conditions for the market in the future

Electromechanical engineering services business opportunities are created by factory expansion, plant upgrade, or maintenance projects of customers. Primary customer groups include high-tech manufacturers, biomedical manufacturers, and hospitals. In recent years, due to innovation in the global semiconductor, optoelectronics, and other electronics-related industries, the functionality and performance of electronic products has continued to advance, creating new market demand for the electronics industry. In light of the uniqueness of the industry, businesses have to be ready for an upgrade and expansion at all times. In addition, the constantly increasing awareness of environmental protection and energy saving gives rise to the needs for mechanical and electrical engineering not only in the high-tech industry but also in the daily life. As such, the demand for integration of mechanical/electrical systems and clean rooms continues to remain at a certain level. On the other hand, base on the US-China trade war comes to certain, Taiwan market’s characters of homecoming investments and multiple-industries and the demand increase trend of production expansion in Southeast Asia, outlook for the next year remains the same level or slightly growth.

C. The market's growth potential

Cleanroom electromechanical air conditioning systems and chemical systems engineering are considered an important production facility for high-tech manufacturers, and particular emphasis is placed on the technological grade and sophistication of these systems. Industries, including semiconductors, optoelectronics, as well as biomedical, all rely on these types of equipment to achieve their required production environments. In addition, driven by continual industry upgrade requirements, market demand for cleanroom electromechanical systems is significantly increasing. Furthermore, domestic service providers have accumulated an abundant amount of high-tech factory construction experience in recent years, allowing their technological capabilities to significantly improve. Domestic service providers also have a price advantage as well as the advantage of being based locally and being able to provide local services, allowing them to compete head-to-head with foreign service providers. Looking to the future, demand for cleanrooms, electromechanical systems integration engineering, and chemical systems engineering will come from factory expansion and factory upgrade projects of semiconductor, and biomedical manufacturers. Another source of future demand will come from the need for domestic manufacturers to establish new plants in Taiwan and Southeast Asian region, as well as Japanese and other foreign investors expanding their investments in the Southeast Asian region, which will in turn drive spending as well as capital expenditure for the establishment of factory facilities. Moreover, the biotech industry, which the government is currently heavily investing in, is still in its infancy, with strong demand for cleanroom facilities, electromechanical systems integration engineering services, and chemical systems engineering. Looking to the future, business opportunities are unlimited, therefore, the cleanroom, electromechanical engineering, and chemical systems engineering markets still have room for future growth.

(4)competitive niche

A. Exceptional construction performance and extensive service coverage

Over the 41 years of the company's existence, it has been involved in the construction of commercial buildings, public infrastructure, department stores, hospitals, and facilities for green energy, optoelectronics, semiconductors, and biotech industries. It has built up a strong track record in the construction of air-conditioning, electrical and cleanroom facilities, making it one of the few local construction service companies that are able to deliver across different industries and across borders. Compared to its peers, the company is able to quickly adjust to changes in economic cycles, and hence is exposed to fewer business risks. In addition, the company also proactively engages itself in the environmental protection and energy saving fields. The company and its subsidiary Nova Technology Corp. cooperate with the overseas large-scale company for developing water treatment relevant business and actively expand various fields.

B. A high quality image and reputation

A "creator of quality space" is how the company positions itself. It delivers cutting-edge work spaces supported by comprehensive after-sale services/warranties that has gained it a sparkling reputation. The company is IS0-9001:2015, ISO14001:2015, OHSAS18001:2007, and CANB certified. It is also the only company among its industry peers that has been recognized and rewarded for achievements in energy conservation. "Quality" and "reputation" are the critical intangible assets that give the company the assurance to win over customers.

C. A quality management team and modularized construction methods

The company provides services to businesses on a project-by-project basis. It has project managers who engage customers directly to oversee construction progress and quality according to customer needs and the terms of construction agreements. The company's key project managers all have more than 10 years of experience in the industry, and each of them is well-versed in managing construction work. For completed projects, the Company has established a complete and detailed database. With engineering experiences accumulated over the years, for related projects, there are the closure meetings where authorities concerned are invited to take part so that we can learn further and it helps us modularize different types of customers and is therefore able to reduce design costs and respond to customers with optimal construction solutions in a timely manner.

D. Specialized construction talents

The Company has staff with practical experience in many areas and has placed comparable emphasis on educational training for its employees and recruitment of various professionals since its establishment. Besides internally, the Company sends people to attend all kinds of educational trainings that are held externally as well. It has placed great emphasis on training and recruitment since its establishment. Employees undertake regular training to develop skills applicable both in the integration of large-scale construction projects and in ensuring work quality. These training courses give our engineers a distinct advantage over competitors. The company also works with professional institutions in developing new construction design methods.

E. Stringent cost control and complete after-sales services

The company places great emphasis on the cost control and after-sales services of its construction projects. In order to accurately estimate and control costs, the company maintains good relationships with, and has up-to-date information on, all the certified suppliers and contractors it works with, which gives it control over changes in the costs of purchasing and outsourcing. With regards to after-sales services, the company makes a commitment to serving customers during the warranty period exactly as agreed in the contract, and takes the initiative to resolve customer queries regarding their construction projects, which builds up sound relationships that help boost the company's reputation and competitiveness.

F. Robust financial structure

Although the company is a provider of integrated system construction services, it outsources actual construction work to other subcontractors. Depending on the nature of the construction agreement, some of the materials and equipment needed for the job are purchased by the subcontractors while others are purchased by the company subject to proper procurement procedures. Subcontractors are required to have sufficient capital resources for payments such as tender bonds, performance bonds, material and equipment purchases, construction costs, and warranties, before they engage in large-scale integrated system projects. Meanwhile, the financial structure of the Company has been sound and healthy. There is sufficient working fund to support engineering operations. There are also abundant financing credits available at financial institutions. The sound and healthy financial structure helps enhance the level of confidence that clients have in the Company as well.

(5)Favorable and Unfavorable Factors in the Long-range Future, and the company's response to such factors.

A. Favorable Factors

a. Technological development and plant upgrade

We are currently in an era characterized by rapidly evolving technology and emerging opportunities such as biotech, healthcare, energy conservation, environmental control, etc. The pace of technological development means a constant need for plant upgrade to keep up with production, and thus gives construction service providers an opportunity to thrive. The demand for industries relating cloud application is also increasing on a daily basis as changes continue. One of the most prominent opportunities in the future will perhaps be biotech industries. A focus of recent government policy and an ongoing global trend, the growth of the biotech industries should not be underestimated. Due to the fact that biotech workplaces are subject to more stringent regulatory requirements and higher technology standards, the company is confident that its abundant experience in the sector stands it in good stead for future development.

b. As living standards rise living space requirements also rise

Because of improved living standards, people accordingly have increased demand for quality living spaces. This naturally gives rise to the sightseeing and tourism industry. The demand for constructions of large hotels and shopping malls, for example, is climbing as well and construction companies with the ability to deliver quality living space will be able to capitalize on this growth.

c. Opportunities within the China market

China presents enormous and growing potential for Taiwanese businesses because of the similarities in language and culture unmatched by any foreign company. Over the years, investment from Taiwan in China has evolved from small businesses to large conglomerates, and from labor-intensive businesses to capital and technology-intensive businesses. The increasing amount of factory construction presents immense opportunities for the company's air-conditioning business in China, and our subsidiary, Sheng Huei (Suzhou) Engineering, has acquired the highest qualification of the first grade of general contractor in mechanical and electrical installation engineering and Winmax Technology Corp. become a participating development unit simultaneously for technical code for chemical system of electronic engineering in China with the technical advantage, which is very beneficial for business development in Mainland China.

d. Growth in Southeast Asia Markets

Due to rising production costs in China and impact of US-China trade war, business operators are looking towards Southeast Asia as the next step of their development. In response to this trend, the company has set up subsidiaries in Singapore, Malaysia, Vietnam and Indonesia and transplanted its successful Taiwanese experience to quickly develop a working system. Because of its early entry, the company is confident of securing a competitive advantage in this market.

e. The global biotech/healthcare markets

The biotech industry has been identified by governments around the world as a method of economic stimulation and healthcare reform. The United States, for example, has passed a USD940 billion healthcare reform bill, while China has also introduced RMB850 billion (equivalent to USD124.1 billion) worth of healthcare reforms. These initiatives are expected to act as a growth momentum for Taiwan's biotech industry in the years to come. Acter has been involved in the biotech industry for several years; it has the experience, the technology and the track record to help China accomplish its biotech goals.

f. Complete and versatile categories of services and providing TOTAL SOLUTION

The company provides engineering integration services including construction, mechatronics, cleanroom, processing, environmentally-friendly and energy saving programs, biotechnology certification, chemical supplying system and equipment. Moreover, it possesses a professional design work to provide utmost efficiency and maintenance service.

B. Unfavorable Factors and the company's response to such factors

a. Price competition

Many large construction companies are starting to offer cleanrooms as part of their factory turnkey solutions, and hence pose a threat to cleanroom specialists.

Response strategies:

The company will compete for customers with an emphasis on the use of innovative technologies and construction methods to help customers reduce costs. Meanwhile, the company will aim to control human resources and administrative expenses and minimize construction risks by exercising proper work management and quality assurance, and deliver greater output efficiency by investing in talent training. The company will also keep up with new construction techniques by collaborating with academic and technical institutions in R&D projects, and earn customer trust to undertake more complex projects that mitigate the impact of reduced margins. To remain price competitive, the company will leverage the strong partnership it has with suppliers and control costs to its advantage.

b. Intensifying competition from international industry peers

Construction projects in China are becoming more and more competitive not only in terms of pricing, but also in terms of capabilities of local competitors. Given the service intensive nature of the company's cleanroom business, the company needs to constantly improve its technical and management capabilities to meet uncertainties and changes in economic cycles. The training, attrition and aging of service talent all pose risks to the company's business.

Response strategies:

For more than 40 years, the company has grown its business through differentiation and specialized construction techniques. This method has proven to be effective not only in Taiwan, but in China and Southeast Asia as well. It has been our goal to play the role of a pioneer in industry upgrade and optimization. We respond to changes in the construction market by striving for outstanding innovation and services that set us apart; over time, this becomes the means by which we compete in the market. Furthermore, the company is taking a proactive step towards globalization and hopes to develop a business presence outside of China.

c. Recruitment and retention of professionals meet challenges

For the engineering service industry that the Company belongs to, professional engineers have to deal with a relatively changeable and difficult workplace, not to mention the required technical attainments. It is hence comparatively difficult for younger generations to work in such an environment, which makes recruitment of talent uneasy and results in the susceptibility to brain drain, particularly among new hires, and talent shortage. "People" are the most important assets of the Company. It is hence a big challenge for the Company as to how to find professionals and enable them to develop steadily in their profession.

Response strategies:

Internally, the apprenticeship system is adopted in order to pass down the experience, culture, and technology. Each new hire is led by a senior master while getting to know the Company and the new hire's work. This helps reduce the sense of frustration felt by new hires, make them feel cared for, and expose them to professional learning to greatly cut down the learning time and create a sense of belonging as well as achievement in them. In addition, there are a defined discipline and reward system and a transparent evaluation system in place to adequately provide employees with feedback. The sound systems and humanistic warmth create a substantial momentum that helps retain talent.

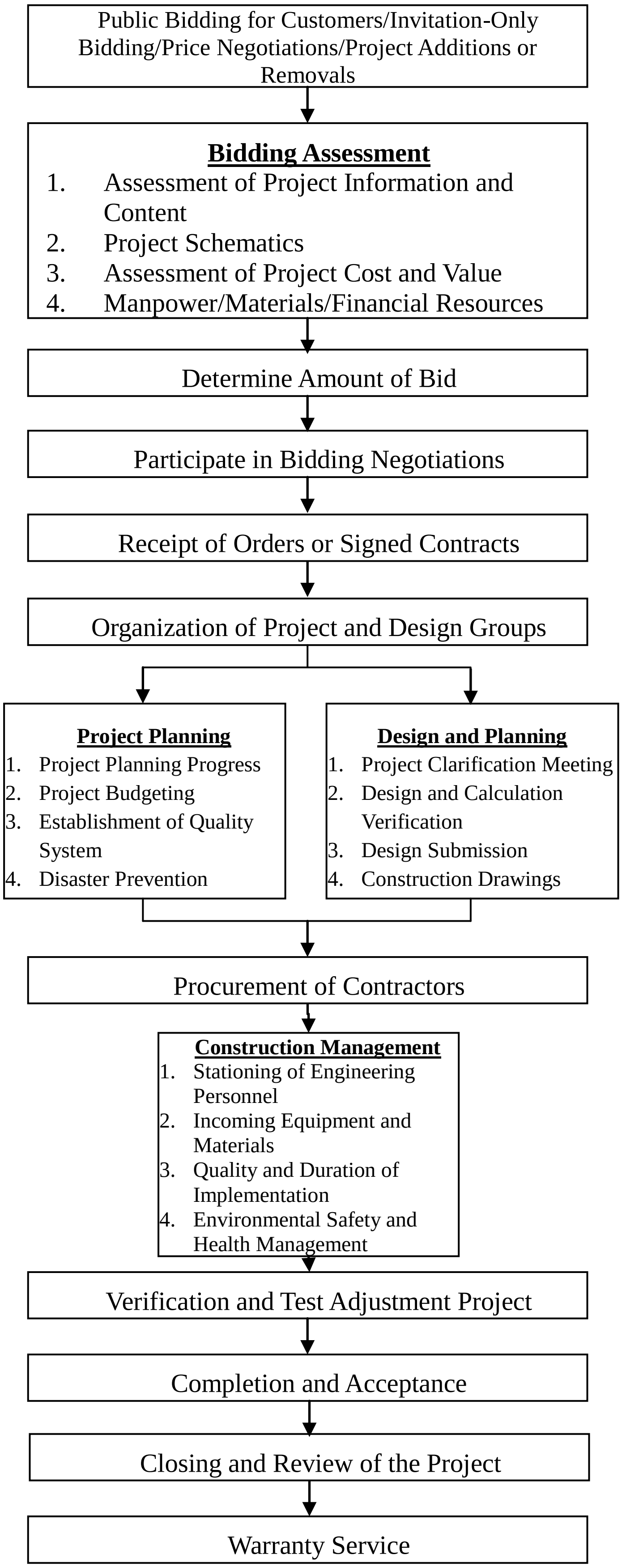
Externally, the Company creates a favorable image and collaborates with related departments in colleges and universities to increase its publicity and a sense of identity so that students will prioritize the Company when choosing a career in the future.

2. The Production Procedures of Main Products

(1)Major Products and Their Main Uses

The company specializes in the design and installation of cleanroom facilities, a service that helps manufacturers manufacture products in a dust-free environment with controlled temperature and humidity for the highest precision, yield and product quality.

(2)Major Products and Their Production Processes



3. Supply Status of Main Materials

Our company's materials and equipment procurement operations are carried out according to contractual agreements put in place for different projects, and are mainly divided into two models: (1) subcontracting projects to subcontractors, including all labor and materials requirements, and (2) making procurements ourselves. Construction materials and equipment our company purchases include various types of machines, air conditioning equipment, fan equipment, pumps, water towers, electrical generators, cleanroom equipment, electrical wires and cables, pipeline materials, valves, power distribution panels, buses, raised floor panels, vibration/shock proofing equipment, control equipment, lighting equipment, interior materials, and fire safety equipment, etc. These products are all purchased from domestic suppliers that we enjoy stable relationships with.

4. A list of any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures

(1)Major Suppliers Information for the Last Two Calendar Years

Unit：NT$ thousand

Item	2017				2018				As of March 31, 2019			
	Company Name	Amount	(%)	Relation With Issuer	Company Name	Amount	(%)	Relation With Issuer	Company Name	Amount	(%)	Relation With Issuer
	Others	9,202,067	100	Not applicable	Others	10,796,426	100	Not applicable	Note3			
	Net Total Supplies	9,202,067	100	Not applicable	Net Total Supplies	10,796,426	100	Not applicable				

Note1: The reason for increases or decreases of the amount was due to business demand.
Note2: There were no suppliers accounting for 10 percent or more of the company’s total procurement amount in 2017 and 2018.
Note3: Information for the period as of the quarter preceding the date of printing of the annual report has not been reviewed by CPA.

(2)Major Clients (each commanding 10%-plus share of annual order volume) Information for the Last Two Calendar Years

Unit：NT$ thousand

Item	2017				2018				As of March 31, 2019			
	Company Name	Amount	(%)	Relation With Issuer	Company Name	Amount	(%)	Relation With Issuer	Company Name	Amount	(%)	Relation With Issuer
	Others	11,437,682	100%	Not applicable	Others	14,220,653	100.00	Not applicable	Note3			
	Net Sales	11,437,682	100%	Not applicable	Net Sales	14,220,653	100.00	Not applicable				

Note1: The reason for increases or decreases of the amount was due to business demand.
Note2: There were no clients accounting for 10 percent or more of the company’s total sales amount in 2017 and 2018.
Note3: Information for the period as of the quarter preceding the date of printing of the annual report has not been reviewed by CPA.

5. Production over the Last Two Years

Unit: NT$ thousand

Output / Major Products(or by departments) \ Year	2017			2018		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Cleanroom electromechanical integration engineering	Note	Note	5,153,230	Note	Note	6,005,539
Consumer industry electromechanical integration engineering	Note	Note	719,554	Note	Note	882,175
Biomedical integration engineering	Note	Note	824,548	Note	Note	770,773
Water gasification supply integration engineering	Note	Note	703,358	Note	Note	3,501,041
High-tech equipment and materials sales and services	Note	Note	1,993,123	Note	Note	524,947
Total	Note	Note	9,393,813	Note	Note	11,684,475

Note1: Due to the characteristics of the industry, the major products cannot be measured using production capacity or production quantity.

6. Shipments and Sales over the Last Two Years

Unit: NT$ thousand

Shipments& Sales / Major Products(or by departments) \ Year	2017				2018			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Cleanroom electromechanical integration engineering	Note	5,894,065	Note	0	Note	7,034,186	Note	0
Consumer industry electromechanical integration engineering	Note	849,574	Note	0	Note	1,076,726	Note	0
Biomedical integration engineering	Note	932,458	Note	0	Note	892,248	Note	0
Water gasification supply integration engineering	Note	848,496	Note	210,266	Note	3,652,438	Note	848,441
High-tech equipment and materials sales and services	Note	2,321,657	Note	381,166	Note	529,679	Note	186,935
Total	Note	10,846,250	Note	591,432	Note	13,185,277	Note	1,035,376

Note1: Due to the characteristics of the industry, the major products cannot be measured using production capacity or production quantity.

iii. Human Resources

Year		2017	2018	As of March 31, 2019
Number of Employees	Direct Employees	836	890	912
	Indirect Employees	185	180	184
	Total	1,021	1,070	1,096
Average Age		35.33	35.29	34.90
Average Years of Service		5.28	5.50	5.54
Education	Ph.D.	0	0	1
	Masters	53	66	66
	Bachelor’s Degree	462	487	501
	Junior College	323	338	352
	Senior High School	98	97	98
	Below Senior High School	85	82	78

iv. Disbursements for Environmental Protection

1. Total losses (including damage awards) and fines for environmental pollution for the 2 most recent fiscal years, and during the current fiscal year up to the date of printing of the annual report, and an explanation of the measures (including corrective measures) and possible disbursements to be made in the future (including an estimate of losses, fines, and compensation resulting from any failure to adopt responsive measures, or if it is not possible to provide such an estimate, an explanation of the reason why it is not possible)

   None.

v. Labor Relations

1. List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests

   (1)Employee Benefit Plans

   To win employees' loyalty, the company provides employees with labor and national health insurance and has established an Employee Welfare Committee to oversee employee benefits such as health check-ups, annual company trips, recreational activities and year-end celebrations, while serving as a bridge for communication of employer and employee opinions. Below are the company's key employee benefits:

   A. Labor insurance, national health insurance, group insurance, pension plan, and health check-ups
   B. A variety of subsidies such as child birth, wedding, funeral, injury, illness, and disaster relief.
   C. The company offers cash gifts on occasions such as birthdays, Dragon Boat Festival, Mid-Autumn Festival etc, as well as other compensation including year-end bonus, year-end banquet lucky draw, profit distribution and share subscription.
   D. Group trips, recreational events and birthday parties are organized for employees on a regular basis.
   E. The company strives to achieve stable growth and thus secure employees' work rights.

(2)Continuing Education, Training

Talent training has been identified by the company as a key to human resource management and a sustainable solution to respond to rapidly changing technologies. For this reason, the company has organized a range of workshops and training courses that aim to enhance employees' skills and knowledge, and subsidizes employee participation in external training in the hope that they may contribute what they learn to improve the quality of work and generate profits for the company. The following is a list of training courses offered to employees in recent years:

Unit: hour; NT$

<table>
<tr><th colspan="2">Content</th><th>Acter</th><th>Taiwan Subsidiaries</th><th>Mainland</th><th>Southeast Asia</th><th>Total expense</th></tr>
<tr><td rowspan="2">Senior Executives (Executives of Vice President Rank or Higher) Average Training Hours</td><td>Male</td><td>11</td><td>5</td><td>3</td><td>0</td><td rowspan="8">2,114,572</td></tr>
<tr><td>Female</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td rowspan="2">Middle Management Executives (Executives of Managerial Rank or Higher) Average Training Hours</td><td>Male</td><td>16</td><td>4</td><td>20</td><td>9</td></tr>
<tr><td>Female</td><td>13</td><td>13</td><td>8</td><td>0</td></tr>
<tr><td rowspan="2">General Management Executives (Executives of Associate Department Head Rank) Average Training Hours</td><td>Male</td><td>17</td><td>5</td><td>16</td><td>7</td></tr>
<tr><td>Female</td><td>14</td><td>9</td><td>7</td><td>0</td></tr>
<tr><td rowspan="2">General Employees Average Training Hours</td><td>Male</td><td>23</td><td>6</td><td>18</td><td>19</td></tr>
<tr><td>Female</td><td>17</td><td>13</td><td>13</td><td>7</td></tr>
</table>

Below is a description of courses offered to employees:

A. Specialized training: these courses are offered to enhance employees' work skills and practical experience, and include training on sales skills, construction design and supervision, project management, project cost estimation, 3D drawing, quality management, and work site safety. These courses are carried out in a lecture format combined with the practical experience of project managers.

B. General knowledge training: the company organizes seminars on a variety of topics such as self-development, time management, listening and communication to help employees develop a positive attitude towards their jobs. These courses also give them the chance to learn about their own potential and encourage them to participate in mental and physical activities.

C. Operation and management training: For important staff, operation and management-related training courses are provided; with case studies and the instructor's abundant practical experiences, it helps enrich the trainees' management skills.

D. Orientation: these are training courses given to new hires upon arrival. They provide an introduction to the company's welfare system, work culture, and basic work practices such as construction management, procurement, information processing and accounting.

E. Subsidies: Different subsidies are available for different areas and positions. There are cross-area allowances, phone bill subsidies, and medical care reimbursements, for example.

F. Bounties: In some companies, there are subsidies and bounties for foreign language learning programs, covering tuition or increasing salary.

(3)Retirement Systems, and the Status of their Implementation

The company has an employee retirement policy in place. It has assembled a Pension Supervisory Committee and contributes 2% of employees' monthly salaries into a pension account held with the Bank of Taiwan. Since July 1, 2005, the company has adopted the new pension system where the company contributes 6% of employees' salaries into individual pension accounts. Overseas companies also follow local laws and regulations governing employee benefits.

(4)The Status of Labor-Management Agreements and Measures for Preserving Employees' Rights and Interests

A. The company values employees' opinions and is dedicated to building an environment of open communication. Departmental meetings are held on a regular basis where opinions can be expressed openly and directed to the personnel responsible. Managers are also designated to oversee timely responses to such opinions.

B. Due to harmonious employer-employee relations, there were no employment-related disputes in the last year.

2. List any loss sustained as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the date of printing of the annual report, disclose an estimate of losses incurred to date or likely to be incurred in the future, and indicate mitigation measures being or to be taken. If the loss cannot be reasonably estimated, make a statement to that effect

None.

3. Protective measures about safety and health of employees

The company has passed ISO 14001:2015 (Validity period: from Feb. 18, 2019 to Jan. 27, 2022) and OHSAS 18001:2007 (Validity period: from Feb. 18, 2019 to Mar. 31, 2021) certification on Jan. 28, 2010 for the purpose of ensuring proper management over workplace safety and health. It has a Quality Insurance & safety Department that is dedicated to promoting and supervising workplace safety.

The company strives to prevent occupational disasters and safeguard labor safety and health. According to its industrial mandate, the company maintains a management system that ensures environmental safety and health, and identifies unacceptable risks by taking into account major environmental considerations and occupational safety and health. It monitors possible risks and hazards caused by the environment and personnel. Using the PDCA management method, it continuously plans, implements, checks, improves and enhances its environmental safety and health performance.

The company's operating procedures related to working environment and employee safety include: protective measures such as general safety operations, elevated safety operations, hot work safety operations, electrical safety operations, hanging safety operations, milling hole safety operations, stacker safety operations, confined space safety operations, organic solvent safety operations, cleanroom safety operations, environmental safety and health inspections, safety equipment management, emergency response management, hazard education and management, site audits, self-inspection operations, etc., and employee safety.

The company's major target/subject and project management was as follows:

No.	Target/Subject	Project management	Status description	Course of action
1	Projects to enhance the identification of engineering personnel risk factors and safety management capabilities	1. All engineers are required to obtain the qualification of safety and health affair managers. 2. All engineers are required to effectively take action in case of major risks. 3. Continue to strictly monitor safety and health work conditions, as well as collection, integration and management of safety and health documents at each site. 4. Continue to require all safety staff to strengthen inspections to prevent unsafe behavior from contractors. 5. Impose fines on contractors with poor cooperation and poor implementation of safety and health standards according to relevant regulations.	1. Some newly recruited engineers had poor management capabilities in handling site environmental hazards, and safety and health procedures. 2. Some engineering personnel have poor management capabilities in requiring manufacturers to implement safety and health procedures. 3. Some contractors fail to cooperate.	1. Continuously follow up those who have not yet qualified and arrange training for them. 2. Continuously implement site audit in terms of safety and health and management capabilities, and require engineers to comply with company risk management and operating procedures operations, to enable the project personnel to assess risks and improve protection capabilities. 3. The annual manufacturer's appraisal obtains the appraisal score of the engineer for a fair evaluation. Manufacturers that do not meet the requirements are filtered out and excluded. 4. Impose fines on contractors with poor cooperation and poor implementation of safety and health standards according to relevant regulations.
2	Projects to improve contractor safety and health monitoring	1. A contractor is required to obtain a qualification certificate after completing a 6-hour safety and health education/ training held by the training unit before the project is carried out, or personally undergo a safety and health education/ training. 2. A contractor issues a hazard notification before commencing	1. A construction contractor personnel failed to comply with company safety and health regulations. 2. Contractors have limited knowledge of risk factors on-site and relevant safety and health procedures. 3. The company' s engineering staff (security personnel and engineers) fails to strictly require contractor	1. Continue to require the construction contractor personnel to acquire relevant knowledge on safety and health from the training unit before entering the site, or personally obtain certification or proof of safety and health education and training provided by the contractor. 2. A pre-work construction safety

No.	Target/Subject	Project management	Status description	Course of action
		construction. 3. Strengthen on-site inspections. A contractor found to have violated company safety and health regulations shall be penalized according to company rules. All engineering personnel are required to implement safety and health management procedures. 4. A contractor who underperforms and fails to implement safety and health procedures is required to conduct a rehabilitative training and perform regular inspections.	personnel to follow safety and health procedures.	meeting shall be convened everyday to inform about matters of safety and health that should be noticed. 3. Strengthen on-site safety officers implementation capability, assist newly recruited engineers, strictly implement labor safety and health management policies and require contractors to perform self-checks.
3	Projects to improve office wiring inspection and lighting installation procedures	1. Wiring inspections are conducted in February, May, August and November. Damaged wires should be replaced immediately. Any induction problem should be solved. 2. In February, May, August and November, the company conducts lighting inspections to maintain sufficient illumination in the workplace, providing a comfortable and safe operating environment for employees and preventing eye/vision-related problems. (The average office lighting level is above 300 meters.) 3. Damaged light fixtures should be replaced immediately.	1. To prevent electrical risks, wiring inspections should be conducted regularly and damaged electrical wires should be replaced immediately. All electricity related matters should be addressed promptly. 2. Damaged lighting fixtures cause insufficient illumination.	1. Wiring inspections are conducted in February, May, August and November to ensure electrical safety. 2. In February, May, August and November, the company conducts lighting inspections to maintain sufficient illumination in the workplace, providing a comfortable and safe operating environment for employees and preventing eye/vision-related problems.

No.	Target/Subject	Project management	Status description	Course of action
4	Projects to implement a waste paper reduction and recovery program	1. The company continues to promote environmental awareness by implementing a waste paper recycling and recovery program, which includes paper cups, as well as aluminum foils packets, lunch boxes, and expired newspapers. 2. Check the office's waste paper recycling program status each month. Count the waste paper recycling rate according to the number of inspections versus the number of noncompliance per month. 3. If inspection resulted in a noncompliant rating, the action should be recorded using a camera and photos should be sent to all employees. Those involved will be asked to improve and take action.	1. The company's rented building has the segregation and recycling areas on each floor for recycling garbage. But the general garbage needs to be taken by the staff to the garbage truck on B3, and some new colleagues are less familiar with these rules and locations. 2. After relocating to the new building in 2017, the areas for recycling waste paper, paper cups, foils packages, lunch boxes, and expired newspapers were changed, and employees have become less familiar with the segregation and recycling areas. 3. The single-sided waste paper next to the photocopier is used repeatedly by colleagues to implement the reduction of the paper consumption.	1. Continuously inform colleagues about locations of the segregation and recycling areas and the garbage truck. 2. Check the office's waste paper recycling program status each month. Count the waste paper recycling rate according to the number of inspections versus the number of noncompliance per month. 3. If inspection resulted in a noncompliant rating, the action should be recorded using a camera. 4. The average annual recovery rate of double-sided waste paper is 97.79%. 5. The single-sided waste paper next to the photocopier is used repeatedly by colleagues.

vi. Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Financing Contract	Taiwan Cooperative Bank	2018/06/13~2019/06/13 (Acter Co., Ltd.) 2019/02/26~2020/01/29 (Her Suo)	Overall credit limit	None
Financing Contract	Mega International Commercial Bank	2018/06/23~2019/06/22 (Acter Co., Ltd.) 2018/08/19~2019/08/18 (Her Suo) 2017/07/04~20123/01/30 (Nova Technology) 2019/01/25~2020/01/24 (Winmax) 2019/01/25~2020/01/24 (Suzhou Winmax)	Overall credit limit	None
Financing Contract	Hua Nan Bank	2017/12/08~2019/04/17 (Acter Co., Ltd.) 2018/08/01~2019/07/31 (Nova Technology) 2018/11/16~2019/11/16 (Sheng Huei (Suzhou))	Overall credit limit	None
Financing Contract	Shin Kong Bank	2017/09/25~2019/09/25 (Acter Co., Ltd) 2017/07/14~2019/07/13 (Nova Technology) 2017/11/25~2019/11/24 (Sheng Huei (Shenzhen)) 2017/09/22~2019/09/21 (Sheng Huei (Suzhou))	Overall credit limit & Financing for external debt	None
Financing Contract	Taishin International Bank	2018/04/19~2019/03/31 (Acter Co., Ltd) 2018/03/31~2019/03/31 (Nova Technology & Winmax & Suzhou Winmax) 2018/04/27~2019/04/27 (Sheng Huei (Suzhou))	Overall credit limit &Financing for external debt	None
Financing Contract	Bank of Shanghai	2018/07/12~2021/07/11 (Acter Co., Ltd) 2019/03/15~2020/10/24 (Nova Technology)	Overall credit limit	None
Financing Contract	CTBC Bank	2019/03/08~2021/12/31 (Acter Co., Ltd) 2019/01/02~2019/12/31 (Sheng Huei (Vietnam)) 2018/06/11~2019/12/31 (Winmax)	Overall credit limit& Financing for external debt	None
Financing Contract	Bank SinoPac	2018/06/05~2019/06/30 (Acter Co., Ltd) 2018/06/05~2019/06/30 (Sheng Huei (Shenzhen) & Sheng Huei (Suzhou)) 2018/09/06~2021/04/14(Sheng Huei (Suzhou))	Overall credit limit & Financing for external debt	None
Financing Contract	Taichung Commercial Bank	2018/09/12~2019/09/12 (Acter Co., Ltd)	Overall credit limit	None
Financing Contract	CITI BANK	2018/08/30~2019/08/30 (Acter Co., Ltd) 2018/12/25~2019/10/31 (Nova Technology) 2019/01/18~2020/01/18 (Sheng Huei (Shenzhen) & Shenzhen Dingmao) 2019/01/18~2020/01/18 (Sheng Huei (Suzhou))	Overall credit limit& Financing for external debt	None
Financing Contract	DBS	2018/05/12~2019/05/12 (Acter Co., Ltd) 2018/06/22~2019/06/22 (Nova Technology)	Overall credit limit	None
Financing Contract	Standard Chartered	2019/01/17~2019/10/31 (Acter Co., Ltd) 2018/06/01~2019/06/01 (Sheng Huei (Shenzhen) & Sheng Huei (Suzhou))	Overall credit limit	None
Financing Contract	HSBC	2018/12/24~2019/11/29 (Acter Co., Ltd) 2018/12/07~2019/11/30 (Nova Technology)	Overall credit limit	None

Agreement	Counterparty	Period	Major Contents	Restrictions
Financing Contract	United Overseas Bank	2018/06/21~2019/06/21 (Sheng Huei (Shenzhen) & Shenzhen Dingmao) 2018/06/21~2019/06/21 (Sheng Huei (Suzhou))	Overall credit limit	None
Financing Contract	Taipei Fubon Bank	2019/01/16~2019/10/25 (Nova Technology)	Overall credit limit	None
Financing Contract	E.SUN BANK	2018/08/14~2019/08/14 (Nova Technology)	Overall credit limit	None
Financing Contract	First Bank	2019/03/01~2020/05/31 (Sheng Huei (Vietnam))	Overall credit limit	None
Financing Contract	Shanghai Pudong Development Bank	2018/11/09~2019/11/09 (Sheng Huei (Suzhou))	Letter of Guarantee	None
Financing Contract	Huaxia Bank	2018/06/05~2019/06/04 (Sheng Huei (Suzhou))	Overall credit limit	None
Financing Contract	Fubon China	2018/06/07~2020/11/30 (Winmax & Suzhou Winmax)	Letter of Guarantee	None
Engineering Contract	Enrich Tech Co., Ltd	Work completed and inspected according to schedule from 2018/11/06	Engineering Contract	Guaranteed commitment
Engineering Contract	Career Technology (Mfg.) Co., Ltd.	Work completed and inspected according to schedule from 2018/03/06	Engineering Contract	Guaranteed commitment
Engineering Contract	Chunghwa Post Co., Ltd.	Work completed and inspected according to schedule from 2018/05/21	Engineering Contract	Guaranteed commitment
Engineering Contract	Hong Pu Real Estate Development CO.,LTD.	Work completed and inspected according to schedule from 2017/12/25	Engineering Contract	Guaranteed commitment
Engineering Contract	Enrich Tech Co., Ltd	Work completed and inspected according to schedule from 2017/12/04	Engineering Contract	Guaranteed commitment
Engineering Contract	LI JIN ENGINEERING CO., LTD.	Work completed and inspected according to schedule from 2017/12/25	Engineering Contract	Guaranteed commitment
Engineering Contract	China Ecotek Corporation	Work completed and inspected according to schedule from 2017/11/30	Engineering Contract	Guaranteed commitment
Engineering Contract	LI JIN ENGINEERING CO., LTD.	Work completed and inspected according to schedule from 2017/08/28	Engineering Contract	Guaranteed commitment
Engineering Contract	Kuo Yuan Construction Co., Ltd.	Work completed and inspected according to schedule from 2017/08/15	Engineering Contract	Guaranteed commitment
Engineering Contract	M+W Taiwan Co., Ltd.	Work completed and inspected according to schedule from 2017/04/10	Engineering Contract	Guaranteed commitment
Engineering Contract	Huaku development Co., Ltd	Work completed and inspected according to schedule from 2017/03/22	Engineering Contract	Guaranteed commitment
Engineering Contract	Flexium Interconnect, Inc.	Work completed and inspected according to schedule from 2017/02/22	Engineering Contract	Guaranteed commitment
Engineering Contract	Chi Mei Hospital- Chi Mei Chiali	Work completed and inspected according to schedule from 2016/07/18	Engineering Contract	Guaranteed commitment
Engineering Contract	Pegatron Corporation	Work completed and inspected according to schedule from 2016/03/10	Engineering Contract	Guaranteed commitment
Engineering Contract	LI JIN ENGINEERING CO., LTD.	Work completed and inspected according to schedule from 2016/03/30	Engineering Contract	Guaranteed commitment
Engineering Contract	LI JIN ENGINEERING CO., LTD.	Work completed and inspected according to schedule from 2015/11/05	Engineering Contract	Guaranteed commitment

Agreement	Counterparty	Period	Major Contents	Restrictions
Engineering Contract	LI JIN ENGINEERING CO., LTD.	Work completed and inspected according to schedule from 2015/09/08	Engineering Contract	Guaranteed commitment
Engineering Contract	Kuo Yuan Construction Co., Ltd.	Work completed and inspected according to schedule from 2015/07/06	Engineering Contract	Guaranteed commitment
Engineering Contract	TTY Biopharm Co., Ltd.	Work completed and inspected according to schedule from 2014/06/01	Engineering Contract	Guaranteed commitment
Engineering Contract	Show-Chwan Health Care System	Work completed and inspected according to schedule from 2014/07/09	Engineering Contract	Guaranteed commitment
Engineering Contract	Hong Pan Kai Fa Co., Ltd.	Work completed and inspected according to schedule from 2014/09/02	Engineering Contract	Guaranteed commitment
Engineering Contract	Immense Team Construction and Building Company, Limited	Work completed and inspected according to schedule from 2014/11/20	Engineering Contract	Guaranteed commitment
Engineering Contract	CTCI Corporation	Work completed and inspected according to schedule from 2011/09/01	Engineering Contract	Guaranteed commitment
Engineering Contract	Chengdu China Electronics Panda Crystal Technology Corporation	Work completed and inspected according to schedule from 2017/06/05	Engineering Contract	Guaranteed commitment
Engineering Contract	Semiconductor Manufacturing South China Corporation	Work completed and inspected according to schedule from 2018/08/01	Engineering Contract	Guaranteed commitment
Engineering Contract	Wuhan China Star Optoelectronics Technology Co., Ltd.	Work completed and inspected according to schedule from 2017/09/27	Engineering Contract	Guaranteed commitment
Engineering Contract	The IT Electronics Eleventh Design &Research Institute Scientific and Technological Engineering Corporation	Work completed and inspected according to schedule from 2017/08/01	Engineering Contract	Guaranteed commitment
Engineering Contract	Semiconductor Manufacturing North China (Beijing) Corporation	Work completed and inspected according to schedule from 2017/10/23	Engineering Contract	Guaranteed commitment
Engineering Contract	Semiconductor Manufacturing South China Corporation Co., Ltd	Work completed and inspected according to schedule from 2018/04/04	Engineering Contract	Guaranteed commitment
Engineering Contract	Jiang Xi Zhao Chi Semiconductor Co., LTD	Work completed and inspected according to schedule from 2018/03/01	Engineering Contract	Guaranteed commitment
Engineering Contract	Xiamen San'an Semicodutor Technology Co.Ltd	Work completed and inspected according to schedule from 2018/08/16	Engineering Contract	Guaranteed commitment
Engineering Contract	Kinsus Interconnect Technology	Work completed and inspected according to schedule from 2017/02/02	Engineering Contract	Guaranteed commitment
Engineering Contract	China Construction First Building(group) Co., Ltd.	2016/01/25~2018/05/31	Engineering Contract	Guaranteed commitment
Engineering Contract	Wafer Works (Zhengzhou) Corporation	2017/12/11~2018/08/20	Engineering Contract	Guaranteed commitment
Engineering Contract	Chilisin Electronics Corp. Hunan China Plant	2018/04/15~2018/09/20	Engineering Contract	Guaranteed commitment
Engineering Contract	Lnnkao Yufu Precision Technology Co., Ltd.	2019/05/01~2020/06/30	Engineering Contract	Guaranteed commitment

Agreement	Counterparty	Period	Major Contents	Restrictions
Engineering Contract	Siliconware Precision Industries Co., Ltd	2018/01/02~2018/12/30	Engineering Contract	Guaranteed commitment
Engineering Contract	Siliconware Precision Industries Co., Ltd	2018/01/02~2018/10/31	Engineering Contract	Guaranteed commitment
Engineering Contract	Dongguan Primax Electronic & Telecommunication Products Ltd.	2018/09/18~2020/03/20	Engineering Contract	Guaranteed commitment
Engineering Contract	Lnnkao Yufu Precision Technology Co., Ltd.	2018/03/05~2019/04/30	Engineering Contract	Guaranteed commitment
Engineering Contract	Wafer Works (Zhengzhou) Corporation	2018/09/18~2019/05/31	Engineering Contract	Guaranteed commitment
Engineering Contract	Vi Brant Display Technology Co., Ltd.	2016/11/07~2018/05/31	Engineering Contract	Guaranteed commitment
Sales contract	Siliconware Electronics (FuJian) Co., Ltd.	Work completed and inspected according to schedule from 2018/10/01	Sales contract	Guaranteed commitment
Engineering Contract	China MCC20 Group Corp., Ltd.	Work completed and inspected according to schedule from 2018/11/05	Engineering Contract	Guaranteed commitment
Engineering Contract	S.Y. Technology, Engineering & Construction Co., LTD Jinjiang Branch	Work completed and inspected according to schedule from 2018/03/12	Engineering Contract	Guaranteed commitment
Engineering Contract	Highlight Tech Corp.	Work completed and inspected according to schedule from 2018/07/01	Engineering Contract	Guaranteed commitment
Engineering Contract	Panasonic Homes Taiwan Co., Ltd.	Work completed and inspected according to schedule from 2016/12/26	Engineering Contract	Guaranteed commitment
Engineering Contract	Lotus Pharmaceutical. Co.	Work completed and inspected according to schedule from 2019/03/20	Engineering Contract	Guaranteed commitment
Engineering and Equipment Contract	Kingpoint Technology Limited.	Work completed and inspected according to schedule during 2017/12/07~2018/12/31	Engineering and Chemical supply Equipment Contract	None
Engineering and Equipment Contract	Semiconductor Manufacturing South China Corporation	Work completed and inspected according to schedule during 2018/07/23~2020/07/23	Engineering and Chemical supply Equipment Contract	Guaranteed commitment
Engineering and Equipment Contract	Huahong Semiconductor	Work completed and inspected according to schedule during 2018/10/30~2019/05/15	Engineering and Chemical supply Equipment Contract	Guaranteed commitment

VI. Financial Information

i. Five-Year Financial Summary

1. Condensed Balance Sheet

(1)Condensed Consolidated Balance Sheet-IFRS

Unit : NT$ thousand

Item \ Year		Five-Year Financial Summary 2014	2015	2016	2017	2018	Financial data as of 2019/03/31
Current assets		6,252,885	7,512,052	8,006,879	10,686,151	10,892,189	(Note 1)
Property, plant and equipment		340,595	380,354	374,530	401,971	417,228	
Intangible assets		23,482	19,957	16,493	21,561	18,683	
Other assets		268,938	273,844	486,161	444,088	452,689	
Total assets		6,885,900	8,186,207	8,884,063	11,553,771	11,780,789	
Current liabilities	Before distribution	4,024,960	4,915,104	5,289,571	6,602,150	5,921,201	
	After distribution	4,118,192	5,199,119	5,667,466	7,285,865	Not applicable	
Non-current liabilities		192,562	207,286	213,856	287,100	478,076	
Total liabilities	Before distribution	4,217,522	5,122,390	5,503,427	6,889,250	6,399,277	
	After distribution	4,310,754	5,406,405	5,881,322	7,572,965	Not applicable	
Equity attributable to owners of the parent							
Common stock		461,359	466,159	472,369	471,529	542,028	
Capital surplus		936,951	978,475	1,071,656	1,412,098	1,393,239	
Retained earnings	Before distribution	1,129,996	1,451,733	1,597,951	2,057,315	2,483,445	
	After distribution	1,036,764	1,167,718	1,220,056	1,373,600	Not applicable	
Other equity		55,867	23,145	(78,851)	(66,649)	(69,586)	
Treasury stock		0	0	0	0	0	
Non-controlling interest		84,205	144,305	317,511	790,228	1,032,386	
Total shareholders' equity	Before distribution	2,668,378	3,063,817	3,380,636	4,664,521	5,381,512	
	After distribution	2,575,146	2,779,802	3,002,741	3,980,806	Not applicable	

Note1: Financial information for the period as of the quarter preceding the date of printing of the annual report has not been reviewed by CPA.

Note2: The distribution of 2018 profits shall be determined by the 2019 annual shareholders' meeting.

(2)Condensed Standalone Balance Sheet-IFRS

Unit : NT$ thousand

Item \ Year		Five-Year Financial Summary 2014	2015	2016	2017	2018
Current assets		1,964,539	2,494,429	2,400,845	2,562,762	2,995,520
Property, plant and equipment		157,648	155,735	155,653	155,580	100,617
Intangible assets		4,324	1,760	1,983	4,750	3,755
Other assets		1,759,635	1,939,441	2,121,569	2,768,913	3,282,145
Total assets		3,886,146	4,591,365	4,680,050	5,492,005	6,382,037
Current liabilities	Before distribution	1,147,972	1,520,102	1,488,005	1,465,536	1,790,325
	After distribution	1,241,204	1,804,117	1,865,900	2,149,251	Not applicable
Non-current liabilities		154,001	151,751	128,920	152,176	242,586
Total liabilities	Before distribution	1,301,973	1,671,853	1,616,925	1,617,712	2,032,911
	After distribution	1,395,205	1,955,868	1,994,800	2,301,427	Not applicable
Equity attributable to owners of the parent						

Item \ Year		Five-Year Financial Summary				
		2014	2015	2016	2017	2018
Common stock		461,359	466,159	472,369	471,529	542,028
Capital surplus		936,951	978,475	1,071,656	1,412,098	1,393,239
Retained earnings	Before distribution	1,129,996	1,451,733	1,597,951	2,057,315	2,483,445
	After distribution	1,036,764	1,167,718	1,220,056	1,373,600	Not applicable
Other equity		55,867	23,145	(78,851)	(66,649)	(69,586)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total shareholders' equity	Before distribution	2,584,173	2,919,512	3,063,125	3,874,293	4,349,126
	After distribution	2,490,941	2,635,497	2,685,230	3,190,578	Not applicable

Note1: The distribution of 2018 profits shall be determined by the 2019 annual shareholders' meeting.

2. Condensed Statement of Income

(1)Condensed Consolidated Statement of Income-IFRS

Unit : NT$ thousand

Item \ Year	Five-Year Financial Summary					Financial data as of 2019/03/31
	2014	2015	2016	2017	2018	
Operating revenue	7,581,552	8,558,768	8,404,421	11,437,682	14,220,653	(Note1)
Gross profit	622,295	1,111,609	1,310,072	2,043,869	2,536,179	
Income from operations	53,881	478,274	601,253	1,376,732	1,721,618	
Non-operating income(expenses)	31,422	36,548	(5,599)	(85,179)	117,428	
Income before tax	85,303	514,822	595,654	1,291,553	1,839,046	
Income from continuing operations - after tax	89,034	423,030	453,862	982,140	1,275,432	
Loss of discontinued operation	0	0	0	0	0	
Net income	89,034	423,030	453,862	982,140	1,275,432	
Other comprehensive income - after tax	3,874	(13,316)	(95,739)	(19,543)	(23,062)	
Total comprehensive income	92,908	409,714	358,123	962,597	1,252,370	
Net income attributable to owners of the parent	94,830	416,345	436,276	842,154	1,049,020	
Net income attributable to non-controlling interest	(5,796)	6,685	17,586	139,986	226,412	
Total comprehensive income attributable to owners of the parent	106,594	403,092	342,190	824,751	1,032,800	
Total comprehensive income attributable to non-controlling interest	(13,686)	6,622	15,933	137,846	219,570	
Earnings per share	2.06	9.02	9.45	15.76	19.52	

Note1: Financial information for the period as of the quarter preceding the date of printing of the annual report has not been reviewed by CPA.

(2)Condensed Standalone Statement of Income-IFRS

Unit : NT$ thousand

Item \ Year	Five-Year Financial Summary				
	2014	2015	2016	2017	2018
Operating revenue	2,953,833	3,828,829	3,372,670	3,866,236	4,234,865
Gross profit	302,277	469,029	405,137	537,602	670,071
Income from operations	185,169	301,139	249,760	354,695	456,078
Non-operating income(expenses)	(95,399)	165,621	234,011	576,874	783,908
Income before tax	89,770	466,760	483,771	931,569	1,239,986
Income from continuing operations - after tax	94,830	416,345	436,276	842,154	1,049,020
Loss of discontinued operation	0	0	0	0	0
Net income	94,830	416,345	436,276	842,154	1,049,020
Other comprehensive income - after tax	11,764	(13,253)	(94,086)	(17,403)	(16,220)
Total comprehensive income	106,594	403,092	342,190	824,751	1,032,800
Net income attributable to owners of the parent	94,830	416,345	436,276	842,154	1,049,020
Net income attributable to non-controlling interest	0	0	0	0	0
Total comprehensive income attributable to owners of the parent	106,594	403,092	342,190	824,751	1,032,800
Total comprehensive income attributable to non-controlling interest	0	0	0	0	0
Earnings per share	2.06	9.02	9.45	15.76	19.52

3. Auditors’ Opinions from 2014 to 2018

Year	CPA Firm	CPA's Name	Auditing Opinion
2014	KPMG	Wu, Whe-Land、Chang, Tzu-Hsin	Unqualified opinion
2015	KPMG	Chang, Tzu-Hsin、Huang, Hai-Ning	Unqualified opinion
2016	KPMG	Chang, Tzu-Hsin、Huang, Hai-Ning	Unqualified opinion
2017	KPMG	Chang, Tzu-Hsin、Huang, Hai-Ning	Unqualified opinion
2018	KPMG	Chang, Tzu-Hsin、Huang, Hai-Ning	Unqualified opinion

ii. Five-Year Financial Analysis

1. Financial Analysis-IFRS(Consolidated Financial Statements)

Item(Note 2) \ Year		2014	2015	2016	2017	2018	As of 2019/03/31
		Financial analysis in the past five years					
Financial structure(%)	Ratio of liabilities to assets	61.24	62.57	61.94	59.62	54.31	(Note 1)
	Ratio of long-term capital to property, plant and equipment	839.98	822.07	959.73	1,231.83	1,404.41	
Solvency (%)	Current ratio	155.35	152.83	151.37	161.85	183.95	
	Quick ratio	87.59	95.61	102.18	106.44	150.24	
	Times interest earned ratio	2,537.48	25,166.76	18,410.44	13,739.57	37,636.70	
Operating ability	Accounts receivable turnover (turns)	3.63	3.48	2.99	4.17	4.41	
	Average collection period	100.55	104.88	122.07	87.52	82.76	
	Inventory turnover (turns)	0.81	0.76	0.68	0.80	0.82	
	Accounts payable turnover (turns)	2.81	2.77	2.64	3.27	3.61	
	Average days in sales	450.61	480.26	536.76	456.25	445.12	
	Property, plant and equipment turnover (turns)	22.46	23.74	22.26	29.45	34.71	
	Total assets turnover (turns)	1.09	1.13	0.98	1.11	1.21	
Profitability	Return on total assets (%)	1.40	5.54	5.34	9.68	10.96	
	Return on stockholders' equity (%)	3.40	15.12	14.40	24.41	25.39	
	Ratio of Pre-tax income to issued capital (%)(Note 6)	18.48	110.43	126.09	273.90	339.29	
	Profit ratio (%)	1.25	4.86	5.40	8.58	8.96	
	Earnings per share ($)	2.06	9.02	9.45	15.76	19.52	
Cash flow	Cash flow ratio (%)	4.57	6.11	24.61	16.21	25.10	
	Cash flow adequacy ratio (%)	49.01	39.85	73.11	63.54	105.71	
	Cash reinvestment ratio (%)	(9.48)	6.18	27.68	13.73	14.67	
Leverage	Operating leverage	1.60	1.06	1.04	1.02	1.01	
	Financial leverage	1.07	1.00	1.01	1.01	1.00	

Analysis of financial ratio change in the last two years. (If the difference does not exceed 20%, the analysis is not required.)

1. The increase in quick ratio was mainly due to subsidiary's adoption of IFRS 15 in 2018. Method used to determine the inventory account changed to the percentage-of-completion method. Balance of inventory account is stated net of advance receipts account, resulting in a decrease in the inventory account.
2. The increase in times interest earned ratio was mainly due to the decrease in interest expense.
3. The increase in ratio of pre-tax income to issued capital was mainly due to the increase in net income.
4. The increase in earnings per share was mainly due to the increase in net income by 29.86%.
5. The increase in cash flow ratio was mainly due to the increase in cash flow from operating activities.
6. The increase in cash flow adequacy ratio was mainly due to the increase in cash flow from operating activities and subsidiary's adoption of IFRS 15 in 2018. Method used to determine the inventory account changed to the percentage-of-completion method. Balance of inventory account is stated net of advance receipts account, resulting in a decrease in the inventory account.

Note1: Financial information for the period as of the quarter preceding the date of printing of the annual report has not been reviewed by CPA

Note2: Formulas for the above table are as follows.

1. Financial Structure
   (1) Ratio of liabilities to assets = Total liability / Total assets
   (2) Ratio of long-term capital to property, land and equipment = (Net shareholders' equity +

Long-term liability) / Net property, land and equipment

2. Solvency
   (1) Current ratio: Current assets / current liability
   (2) Quick ratio = (Current assets – Inventory – Prepaid expense) / current liability
   (3) Times interest earned ratio = Net income before tax and interest expense / Interest expense of the year
3. Operating ability
   (1) Account receivable turnover (including accounts receivable and notes receivable derived from business operations) = Net sales / Average accounts receivable (including accounts receivable and notes receivable derived from business operation)
   (2) Days sales in accounts receivable = 365 / Account receivable turnover
   (3) Inventory turnover = Cost of goods sold / Average inventory amount
   (4) Account payable turnover (including accounts payable and notes payable derived from business operation) = Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from business operation)
   (5) Average days in sales = 365 / Inventory turnover
   (6) Property, land and equipment turnover = Net sales / Net property, land and equipment
   (7) Total assets turnover = Net sales / Total assets
4. Profitability
   (1) Return on assets = (Net income (loss) + interest expense x (1-tax rate)) / Average total assets
   (2) Return on shareholders' equity = Net income (loss) / Net average shareholders' equity
   (3) Profit ratio = Net income (loss) / Net sales
   (4) Earnings per share = (Net income attributable to owners of the parent – preferred stock dividend) / Weighted average stock shares issued
5. Cash flow
   (1) Cash flow ratio = Net cash flow from operating activity / Current liability
   (2) Cash flow adequacy ratio = Net cash flow from operating activity in the past 5 years / (Capital expenditure + Inventory interest + Cash dividend) in the past 5 years
   (3) Cash + reinvestment ratio = (Net cash flow from operating activity – Cash dividend) / (Property, land and equipment + Long term investment + Other assets + Working capital)
6. Leverage
   (1) Degree of operating leverage = (Net operating income – Variable operating cost and expense) / Operating income(note 6)
   (2) Degree of financial leverage = Operating income / (Operating income – interest expense)

Note3: The following factors are to be included in the consideration for the calculation of earnings per share:

1. It is based on the weighted average common stock shares instead of the outstanding stock shares at year end.
2. For capitalization with cash or treasury stock trade, the stock circulation must be included for consideration to calculate weighted average shares.
3. For capitalization with retained earnings and additional paid-in capital, the earnings per share calculated semi-annually and annually must be adjusted retroactively and proportionally to the capitalization but without considering the issuance period of the capitalization.
4. If preferred stock shares are nonconvertible and cumulative, the dividend of the year (whether it is distributed or not) should be deducted from net income or added to the net loss. If preferred shares are not cumulative, preferred stock dividend should be deducted from net income if there is ant but it needs not be added to net loss if there is any.

Note4: The following factors are to be included for consideration for the analysis of cash flow:

1. Net cash flow from operating activity meant for the net cash inflow from operating activity on the Cash Flow Statement.
2. Capital expenditure meant for the cash outflow of capital investment annually.
3. Increase of inventory is counted only when ending inventory exceeds beginning inventory. If the ending inventory is decreased, it is booked as zero value.

4. Cash dividend includes the amount for common stock and preferred stock.
5. Gross Property, land and equipment for the total Property, land and equipment before deducting the cumulative depreciation.

Note5: Issuer should classify operating coat and operating expense according to fixed and variable category. If the classification is estimated and subjective, it should correspond with rationality and consistence.

Note6: In the case of shares issued by a company with no par value or a par value other than NT$10 per share, the calculation of ratio of the paid-in capital shall be replaced by ratio of the equity attributable to owners of the parent.

2. Financial Analysis-IFRS(Standalone Financial Statements)

Item(Note 1)	Year	Financial analysis in the past five years				
		2014	2015	2016	2017	2018
Financial structure (%)	Ratio of liabilities to assets	33.50	36.41	34.54	29.45	31.85
	Ratio of long-term capital to property, plant and equipment	1,736.89	1,972.11	2,050.74	2588.03	4563.57
Solvency (%)	Current ratio	171.13	164.09	161.34	174.86	167.31
	Quick ratio	124.08	122.78	127.01	128.41	138.29
	Times interest earned ratio	2,597,623	13,505,902	16,992,419	61,816,240	83,053,391
Operating ability	Accounts receivable turnover (turns)	3.59	4.18	3.28	4.21	5.47
	Average collection period	101.67	87.32	111.28	86.69	66.72
	Inventory turnover (turns)	0.71	0.75	0.64	0.65	0.66
	Accounts payable turnover (turns)	3.13	3.28	2.75	3.73	4.13
	Average days in sales	514.08	486.66	570.31	561.53	553.03
	Property, plant and equipment turnover (turns)	18.59	24.43	21.66	24.84	33.05
	Total assets turnover (turns)	0.72	0.90	0.72	0.76	0.71
Profitability	Return on total assets (%)	2.31	9.82	9.41	16.55	17.66
	Return on stockholders' equity (%)	3.45	15.12	14.58	24.27	25.51
	Ratio of Pre-tax income to issued capital (%)(Note 5)	19.45	100.12	102.41	197.56	228.76
	Profit ratio (%)	3.21	10.87	12.93	21.78	24.77
	Earnings per share ($)	2.06	9.02	9.45	15.76	19.52
Cash flow	Cash flow ratio (%)	(6.47)	26.27	14.57	23.94	34.56
	Cash flow adequacy ratio (%)	64.76	73.21	75.26	53.21	61.79
	Cash reinvestment ratio (%)	(19.48)	9.91	(2.09)	(0.66)	0.12
Leverage	Operating leverage	1.03	1.02	1.02	1.01	1.01
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Analysis of financial ratio change in the last two years. (If the difference does not exceed 20%, the analysis is not required.)

1. The increase in ratio of long-term capital to property, plant and equipment and times interest earned ratio was mainly due to the increase in income before tax by 33.11%.
2. The increase in accounts receivable turnover and the decrease in average collection period were mainly due to the increase in net sales by 9.53%.
3. The increase in property, plant and equipment turnover (turns) was mainly due to the increase in cost of goods sold by 7.09%.
4. The increase in cash flow ratio and cash reinvestment ratio was mainly due to the increase in net cash flow from operating activity.

Note1: Formulas for the above table are as follows.

1. Financial Structure
   (1) Ratio of liabilities to assets = Total liability / Total assets
   (2) Ratio of long-term capital to property, land and equipment = (Net shareholders’ equity + Long-term liability) / Net property, land and equipment
2. Solvency
   (1) Current ratio: Current assets / current liability
   (2) Quick ratio = (Current assets – Inventory – Prepaid expense) / current liability
   (3) Times interest earned ratio = Net income before tax and interest expense / Interest expense of the year
3. Operating ability
   (1) Account receivable turnover (including accounts receivable and notes receivable derived from business operations) = Net sales / Average accounts receivable (including accounts receivable and

notes receivable derived from business operation)

(2) Days sales in accounts receivable = 365 / Account receivable turnover
(3) Inventory turnover = Cost of goods sold / Average inventory amount
(4) Account payable turnover (including accounts payable and notes payable derived from business operation) = Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from business operation)
(5) Average days in sales = 365 / Inventory turnover
(6) Property, land and equipment turnover = Net sales / Net property, land and equipment
(7) Total assets turnover = Net sales / Total assets

4. Profitability
   (1) Return on assets = (Net income (loss) + interest expense x (1-tax rate)) / Average total assets
   (2) Return on shareholders' equity = Net income (loss) / Net average shareholders' equity
   (3) Profit ratio = Net income (loss) / Net sales
   (4) Earnings per share = (Net income attributable to owners of the parent – preferred stock dividend) / Weighted average stock shares issued
5. Cash flow
   (1) Cash flow ratio = Net cash flow from operating activity / Current liability
   (2) Cash flow adequacy ratio = Net cash flow from operating activity in the past 5 years / (Capital expenditure + Inventory interest + Cash dividend) in the past 5 years
   (3) Cash + reinvestment ratio = (Net cash flow from operating activity – Cash dividend) / (Property, land and equipment + Long term investment + Other assets + Working capital)
6. Leverage
   (1) Degree of operating leverage = (Net operating income – Variable operating cost and expense) / Operating income(note 5)
   (2) Degree of financial leverage = Operating income / (Operating income – interest expense)

Note2: The following factors are to be included in the consideration for the calculation of earnings per share:
1. It is based on the weighted average common stock shares instead of the outstanding stock shares at year end.
2. For capitalization with cash or treasury stock trade, the stock circulation must be included for consideration to calculate weighted average shares.
3. For capitalization with retained earnings and additional paid-in capital, the earnings per share calculated semi-annually and annually must be adjusted retroactively and proportionally to the capitalization but without considering the issuance period of the capitalization.
4. If preferred stock shares are nonconvertible and cumulative, the dividend of the year (whether it is distributed or not) should be deducted from net income or added to the net loss. If preferred shares are not cumulative, preferred stock dividend should be deducted from net income if there is ant but it needs not be added to net loss if there is any.

Note3: The following factors are to be included for consideration for the analysis of cash flow:
1. Net cash flow from operating activity meant for the net cash inflow from operating activity on the Cash Flow Statement.
2. Capital expenditure meant for the cash outflow of capital investment annually.
3. Increase of inventory is counted only when ending inventory exceeds beginning inventory. If the ending inventory is decreased, it is booked as zero value.
4. Cash dividend includes the amount for common stock and preferred stock.
5. Gross Property, land and equipment for the total Property, land and equipment before deducting the cumulative depreciation.

Note4: Issuer should classify operating coat and operating expense according to fixed and variable category If the classification is estimated and subjective, it should correspond with rationality and consistence.

Note5: In the case of shares issued by a company with no par value or a par value other than NT$10 per share, the calculation of ratio of the paid-in capital shall be replaced by ratio of the equity attributable to owners of the parent.

iii. Audit Committee's Review Report in the Most Recent Year

Acter Co., Ltd.
Audit Committee's Review Report

This company's 2018 financial statements have been approved by the Audit Committee and resolved by the board of directors. The foregoing financial statements have been audited by CPA of KPMG under commission to the board, and the auditor has issued an audit report relating to the financial statements.

This company's 2018 business report and earnings distribution proposal have been prepared and issued by the board of directors. The foregoing business report and earnings distribution proposal have been reviewed and determined to be correct and accurate by the Audit Committee. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

2019 shareholders meeting of Acter Co., Ltd.

Acter Co., Ltd.

Chairman of the Audit Committee**:** Yeh, Hui-Hsin

February 26, 2019

iv. Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017, and Independent Auditors' Report

Please refer to page 141 ~ page 224 of this annual report.

v. A parent company only financial statement for Years Ended December 31, 2018 and 2017, certified by a CPA

Please refer to page 225 ~ page 305 of this annual report.

vi. Impact on the company's financial situation if the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report

None.

VII. Review and Analysis of Financial Conditions, Financial Performance, and Risk Management

i. Financial Position

Unit: NT$ thousand

Item \ Year	2017	2018	Difference	
			Amount	%
Current Assets	10,686,151	10,892,189	206,038	1.93
Non-Current Assets	867,620	888,600	20,980	2.42
Total Assets	11,553,771	11,780,789	227,018	1.96
Current Liabilities	6,602,150	5,921,201	(680,949)	(10.31)
Non-Current Liabilities	287,100	478,076	190,976	66.52
Total Liabilities	6,889,250	6,399,277	(489,973)	(7.11)
Capital stock	471,529	542,028	70,499	14.95
Capital surplus	1,412,098	1,393,239	(18,859)	(1.34)
Retained Earnings	2,057,315	2,483,445	426,130	20.71
Other Equity	(66,649)	(69,586)	(2,937)	4.41
Total Equity attributable to the parent of company	3,874,293	4,349,126	474,833	12.26
Total Equity	4,664,521	5,381,512	716,991	15.37

1. Analysis of changes in financial ratios:
   (1) Non-current liabilities increased due to the increase in deferred tax liabilities.
   (2) Retained earnings increased due to the increase in net income.
2. Future response actions: Not applicable.

ii. Financial Performance

Unit: NT$ thousand

Item \ Year	2017	2018	Difference	Percentage change (%)
Net Sales	11,437,682	14,220,653	2,782,971	24.33
Cost of Sales	9,393,813	11,684,474	2,290,661	24.38
Gross Profit	2,043,869	2,536,179	492,310	24.09
Operating Expenses	667,137	814,561	147,424	22.10
Operating Income	1,376,732	1,721,618	344,886	25.05
Non-operating Income and Gains	38,011	138,080	100,069	263.26
Non-operating Expenses and Losses	123,190	20,652	(102,538)	(83.24)
Income Before Tax	1,291,553	1,839,046	547,493	42.39
Tax Expense	309,413	563,614	254,201	82.16
Net Income	982,140	1,275,432	293,292	29.86

1. Analysis of changes in financial ratios:
   (1) The increase in net sales and cost of sales was mainly due to the increase in sales volume.
   (2) The increase in gross profit and operating profit was mainly due to the increase in net sales by 24.33%.
   (3) The increase in operating expenses was mainly due to the increase in net income, resulting in the increase in employees' and directors' compensation and bonus.
   (4) The increase in non-operating income and gains and the decrease in non-operating expenses and losses were mainly due to the gain from foreign exchange transactions.
   (5) The increase in income before tax and net income was mainly due to the increase in net sales by 24.33%.
   (6) The increase in tax expense was mainly due to the increase in income before tax.
2. Expected sales volume and basis for estimates :
   Please refer to page 5 "2.2.2 Expected sales volume and basis for estimates" of this annual report.

iii. Cash Flow

1. Cash Flow Analysis for the Current Year (2018)

Item \ Year	2017	2018	Variance %
Cash Flow Ratio (%)	16.21	25.11	54.90
Cash Flow Adequacy Ratio (%)	63.55	105.72	66.36
Cash Reinvestment Ratio (%)	13.73	14.67	6.85

Analysis of financial ratio change:
1. The increase in cash flow ratio was mainly due to the increase in cash flow from operating activities.
2. The increase in cash flow adequacy ratio was mainly due to the increase in cash flow from operating activities and subsidiary's adoption of IFRS 15 in 2018. Method used to determine the inventory account changed to the percentage-of-completion method. Balance of inventory account is stated net of advance receipts account, resulting in a decrease in the inventory account.

2. Remedy for Cash Deficit and Liquidity Analysis

   None.

3. Cash Flow Analysis for the Coming Year(2019)

Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow(Inflow) from Investing and Financing Activities (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
4,424,731	1,050,000	(760,000)	4,714,731	None	None

Analysis of change in cash flow for the coming year:
1. Operating Activities: The cash inflow will be generating from construction revenue.
2. Investing Activities: The cash outflow will be mainly due to financing plans.
3. Financing Activities: The cash inflow will be mainly due to cash dividend payment and bank loans.

iv. Major Capital Expenditure Items

None.

v. Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

1. Investment Policy

   Acter aims to become a globalized organization, first by securing a strong foothold in Asian markets, and then gradually replicating its successful experience to other parts of the world. This strategy begins with the Greater China region, where the company has subsidiaries in Suzhou, Shenzhen and Shanghai. Each subsidiary will be run by a dedicated team in order to closely serve local industry. Southeast Asia is another one of the company's overseas business focuses, with plans to set up in Malaysia and Indonesia. By which time, Taiwan, China, Singapore and Vietnam will play a role as a support center that supplies Malaysian and Indonesian counterparts with raw materials, technical know-how, and human resources. Once the Southeast Asian subsidiaries have formed a functional network, they will provide more flexibility to the company's engineering services in Southeast Asia.

   In addition, with the aims of expanding China and international business, attracting and motivating local talents, increasing the company's reputations and enhancing its global competitiveness, the company's subsidiary Sheng Huei (Suzhou) Engineering Co, Ltd.

is planning to apply for listing in China. The successful listing of this subsidiary is expected to bring positive effects to the image and business development of the company and create added value to its reinvestments.

2. Main Causes for Profits or Losses and Improvement Plans

   Long-term investment accounted for under the equity method of Acter's 2018 annual consolidated statements is 40% shares of Global One Source Life Sciences Co. Ltd. and the investment losses amounted to NT$9 thousand. The minor loss on investment recognized is mainly due to the expenditure required for the operation of Global One Source Life Sciences Co. Ltd. On Mar. 31, 2019, the company has disposed whole shares of Global One Source Life Sciences Co. Ltd. For future investments, Acter will continue to focus on strategic purposes through prudent assessments.

3. Investment Plans for the Coming Year

   The company actively develops business in Southeast Asia and will follow the path over the next year. Through globalization strategy to expand the company’s operation scale and gradually integrate operation in China area. The company’s subsidiary Sheng Huei (Suzhou) Engineering Co., Ltd. will have the core service of clean room engineering and electromechanical system integration service and Winmax Technology will have the core service of chemical system of electronic engineering respectively in China. It is expected to create optimum returns for the investors.

vi. Analysis of Risk Management

1. Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate and its affiliates Finance, and Future Response Measures

   (1) Interest Rates

   A. Effects of Changes in Interest Rates on Corporate and its affiliates Finance

   The interest income or interest expenses to net operating revenues in 2018 were below 0.29%. The effect of interest rate movements on net income was limited.

Unit: NT$ thousand

Item \ Year	2018	The 1st Quarter of 2019
Interest Income(1)	41,089	Note1
Interest Expenses(2)	4,899	
Net Operating Revenue(3)	14,220,653	
Ratio of Interest Income to Net Operating Revenue (1)/(3)	0.29%	
Ratio of Interest Expenses to Net Operating Revenue (2)/(3)	0.03%	

Note1: Financial information in 2018 has been audited by CPA and financial information for the 1st quarter of 2019 has not been reviewed by CPA.

   B. Future Response Measures

   The company's interest expenses were incurred mainly due to the utilization of short-term working capital financing offered by banks. The company will continue maintaining close relationships with banking partners in order to borrow funds at more favorable rates and reduce interest expenses.

(2)Foreign exchange rates

A. Effects of Changes in Foreign Exchange Rates on Corporate and its affiliates Finance

The company and its affiliates are construction services provider and not importer/exporter. Although some of its raw materials are purchased from overseas suppliers and are denominated in foreign currencies, the NTD58,576 thousand in exchange gains (losses) in 2018 was relatively insignificant compared to overall revenue and operating profits. For this reason, changes in exchange rates should not cause any significant impact on the company and its affiliates' revenues and profitability.

Unit: NT$ thousand

Item \ Year	2018	The 1st Quarter of 2019
Income/Loss from Foreign Exchange Transactions	58,576	Note1
Net Operating Revenue	14,220,653	
Ratio of Income/Loss from Foreign Exchange Transactions to Net Operating Revenue(%)	(0.412)	
Operating Income	1,721,618	
Ratio of Income/Loss from Foreign Exchange Transactions to Operating Income (%)	3.402	

Note1: Financial information in 2018 has been audited by CPA and financial information for the 1st quarter of 2019 has not been reviewed by CPA.

B. Future Response Measures

Although exchange rate fluctuations have little effect on the company and its affiliates' operations, the company still attempts to mitigate exchange risks by closely monitoring exchange rate information provided by its banking partners, and by reflecting exchange rate fluctuations into the pricing of its sales and purchases.

(3)Inflation

A. Effects of Changes in Inflation on Corporate and its affiliates Finance

The changes in inflation does not have a significant impact on the company's profits and business operations during the most recent fiscal year and during the current fiscal year up to the date of printing of this annual report.

B. Future Response Measures

The company constantly monitors price changes in the market, and maintains good relations with suppliers to minimize the effect of cost variations on profitability. At the same time, the company has strict budget and internal controls in place to keep operating costs and expenses within reasonable levels.

2. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

(1)The Company did not engage in any high-risk or high-leveraged investments during the most recent fiscal year and during the current fiscal year up to the date of printing of the annual report.

(2)The company has established the "Procedure for Loaning of Company Funds" which was reported to and approved by the shareholders meeting as the basis for making loans to others. The transactions and procedures related to lending are based on the company's "Procedure for Loaning of funds."

(3)The company has established the "Procedure for Endorsements and Guarantees" which was reported to and approved by the shareholders meeting as the basis for making endorsements and guarantees for others. The transactions and procedures related to making endorsement and guarantees are based on the company's "Procedure for Endorsements Guarantees."

(4)The Company has established the "Procedure for Acquisition and Disposal of Assets." which was reported to and approved by the shareholders meeting as the basis for conducting any derivative transactions. The transaction and procedures related to conducting any derivative transactions are based on the Company's "Procedure for Acquisition and Disposal of Assets."

3. Future Research & Development Projects and Corresponding Budget

The R&D focus of system integration engineering is different from that of other industries in that system integration engineering is a customized solution developed based on a project owner's needs, for which the company is required to explore different combinations of construction techniques, materials and equipment to deliver the best solution, while developing an operating system and environment that satisfies customers' production requirements. Due to the high dependency on customers' industry characteristics, the company's R&D efforts are largely focused on industry-specific innovations. In order to excel in innovation, the company and its affiliates have developed a fundamental research, design and management procedure that brings different teams of researchers to develop a tightly integrated customer solution. Below is a description of the company's future R&D plans:

(1)Patent development: the company keeps acquiring patents in China; most of them relating to construction methods, applications and new materials, and software programming of a chemical equipment supply system.

(2)Talent incubation and academia-industry cooperation: the company has comprehensive on-the-job training programs in place to help employees develop skills required, and works with scholars to explore new innovations. The company has been collaborating with National Taipei University of Technology, National Taiwan University of Science and Technology, and National Chin-Yi University of Technology in an internship program since 2006, and allying with Feng Chia University.

(3)Energy-saving technologies: in light of rising global emphasis on energy-saving, green and low-carbon lifestyles, the company has devoted many resources into research on energy-saving construction techniques and products that help customers reduce costs by making more efficient use of available resources, and improving business competitiveness.

(4)Biotech research: The innovation, research, and development efforts in the implementation of biotech pharmaceutical projects were mainly reflected in the system impact assessment (SIA). Modern biotech pharmaceutical companies must comply with the PIC/S GMP requirements and GEP (Good Engineering Practice) is the cornerstone of PIC/S GMP while SIA is at the core of GEP.

The standard SIA operating procedure researched and developed by the Quality Control Department applies to projects during the design stage. Quality control engineers and system engineers apply the standard SIA operating procedure while performing internationally approved assessments of all systems involved in biotech pharmaceutical projects comprehensively. By successfully implementing the standard SIA operating procedure, it helps set a clear goal while biotech pharmaceutical projects are being qualified, which not only saves the manpower and time needed for a project but also perfects the qualification logic for biotech pharmaceutical projects.

(5) Studies on rationalized production procedures: in-depth studies on project owners' production procedures are helpful to facilitate communications with them. Doing so allows the company to make adjustments and help project owners optimize the efficiency of their production environment. Due to the extensive range of industries that the company's services touch on, it is imperative for the company to gain in-depth knowledge of production procedures involved before recommending any solutions to customers.

(6) Corresponding Budget

Unit : NT$ thousand

Research projects	Current Progress	Expected research expenditure in the future	Completion Date	Project Description	Major factors that will impact future success
Useful new patents	We are continually applying for related patents	247,103	Oct. 2020	Construction techniques are optimized and the capabilities of equipments are upgraded.	• Personnel participate in research • Encouragement and support from management
Research for aseptic wet stencils	Experiment in progress	754	Not applicable	The research and development of a rinsing mechanism for sterile wet template can simultaneously solve the problem of micro-molecular contamination on the product and reduce risks for operators.	• Benefits of antibacterial material
Developing talent as well as industry-academia cooperation	Opening of training courses	80	Dec. 2019	On-the-job training strengthens job skills, while cooperative R&D projects with academia pursue further innovation and breakthroughs.	• Combining academic knowledge with practice • Passing down technical applications

4. Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

   The company constantly monitors changes in key policies and regulations around the world. The company also gathers market intelligence and adjusts business strategies to better control its financial performance. There have been no changes in key policies or regulations, locally or overseas, that have caused significant impact on the company's financial performance during the most recent fiscal year and during the current fiscal year up to the date of printing of this annual report.

5. Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance and Sales

   With the development of technology, the information security risks faced by enterprises are increasing day by day. To strengthen information security management, protect security of computer information data, systems, equipment and networks of the company, prevent the improper use, leakage, alteration and destruction of information assets due to human negligence and deliberate sabotage, which may affect the normal operation of the computer operating system or damage the operations of the company, the company has formulated an “Information Security Policy” for all colleagues to follow, and the IT department is responsible for the maintenance and management of information security. The specific management plan is summarized as follows:

(1)Control is performed in accordance with the "Information Service Requirement Sheet", and system modifications must be approved by the head of the responsibility department and the head of the IT department, so as to reduce the risk of unauthorized data modifications.

(2)Password control: each user has his/her own account and password. If an employee is terminated or is transferred, his or her password is immediately logged off or updated.

(3)Permission control. Users have relevant functions according to their permissions. Users who are not related to the system have no right to use systems that are not related to their business.

(4)The latest virus prevention software released by the company shall be installed for use in the company's information equipment or employee’ own information equipment, and the virus characteristics shall be updated periodically.

(5)For routine data backup, the IT department performs all data file backup operations of the application system, and fills in the "Host Backup Record Form" to record the backup. After backup, the data are stored in other places in case of unexpected need.

(6)An entrance guard is assigned to the main computer room and the host equipment of the computer is provided with appropriate safety measures such as fire prevention, waterproofing and anti-theft, and is equipped with a UPS to prevent damage in case of power interruption.

(7)The IT department issues information related to information security from time to time, such as system software update notice, common virus introduction, prevention advocacy, etc., to ensure that colleagues are aware of the relevant information.

(8)The IT department shall regularly carry out information security inspections, and submit inspection reports to the responsible supervisor in order to understand, track and review the improvement of the findings and problems raised in the inspections, so as to confirm that all relevant personnel and units inside and outside the company are in compliance with the company's “Information Security Policy.”

In light of the relocation of many tech industries to Southeast Asia and China, the company has established subsidiaries in strategic locations such as Singapore, Malaysia, Vietnam, Indonesia, Shenzhen, Suzhou, Shanghai, and Zhangjiagang. This expanded network has enabled the company to cover a broader area and reach more customers. There have been no changes in technology or the overall industry that have caused significant impact on the company's financial performance during the most recent fiscal year and during the current fiscal year up to the date of printing of this annual report.

6. The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company’s Response Measures

The company and its affiliates have strived to upgrade its technical know-how in line with market trends since incorporation. It places a primary focus on quality, technology and service, and is dedicated to helping customers adopt the latest technologies. Over the years, the company has provided engineering services to a number of well-known companies including Siliconware Precision Industries, TSMC, DELTA, and Corning (Taiwan). There has been no negative impact on the company's image requiring crisis management during the most recent fiscal year and during the current fiscal year up to the date of printing of this annual report.

7. Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

   The Company and its affiliates have no ongoing merger and acquisition activities.

8. Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

   The company currently does not have any plans to expand its plants.

9. Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

   The company provides construction services on a project-by-project basis. It mainly serves manufacturing companies and has no fixed customers. However, for large projects, there may be cases where revenue is earned from a few concentrated customers over a short period of time. As a means of controlling credit risks, the company performs credit assessments on customers before a project begins, and closely monitors customers' operations and market information once a project has kicked off.
   The company conducts purchasing according to the nature and progress of construction, while adhering strictly to procurement and outsourcing procedures. There has been no concentration of purchasing during the most recent fiscal year and during the current fiscal year up to the date of printing of this annual report.

10. Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors or Shareholders with Shareholdings of over 10%

    The shareholdings of the Company’s directors have been stable during the most recent fiscal year and during the current fiscal year up to the date of printing of this annual report, and there have been no major transfers or swaps of shares.

11. Effects of, Risks Relating to and Response to Changes in Control over the Company

    There were no changes in control over the company during the most recent fiscal year and during the current fiscal year up to the date of printing of this annual report.

12. Litigious or Non-litigious Matters

    (1)Major litigious, non-litigious or administrative disputes that have been concluded by means of a final and unappealable judgment during the most recent fiscal year and during the current fiscal year up to the date of printing of this annual report:

    A. Project payment lawsuit against Jing He Science Co., Ltd. (JHS) UHP-NH3 Gas Plant:

       Cause of lawsuit: Nova Technology, a subsidiary company, undertook the expansion of Jing He’s UHP-NH3 Gas Plant on September 13, 2012. Both parties disputed over whether the installation was completed and whether additional construction was required, and Jing He refused to make payments. The said disputes required the judicial investigations, so Nova Technology filed an action to request for NT$21,665,255, payments of the construction.

       Status of lawsuit: Nova Technology filed a civil action against Jing He on

September 16, 2013 and reached a settlement with Jing He on Sep. 3, 2018. The defendant, Jing He, agreed to pay Nova Technology NT$16 million and the payment was completed. (Case No: Taiwan Taoyuan District Court 2013 Jien-Zi No.63)

(2)Major litigious, non-litigious or administrative disputes that are still under litigation as of the date of printing of this annual report:

A. Project payment lawsuit against Walsin Technology Corporation (Walsin):

Cause of lawsuit: The Company undertook the mechanical/electrical air-conditioning project of Walsin in December 2010. The project acceptance was completed in 2011 and the warranty period expired in 2013. Walsin demanded that the surplus of project payment worth NT$42,189,100 be returned in November 2012.

Status of lawsuit: Taipei District Court, Taiwan determined that the company shall pay Walsin NTD 14,665,869 for the first trial (Reference number: 102 Year chien zi di No. 31) judgment. As both parties brought suits, Taiwan High Court is hearing the case at the present, and the Company has entrusted The National Architects Association of R.O.C（NAAROC）to conduct supplementary appraisal to the appraisal report at the first trial on December 21, 2016 after investigation of testimonies by a formal request. The supplementary appraisal procedure has not been completed up to the publish date of annual report.

B. The non-contentious case of project payment with Wintek Corporation (Wintek) and its subsidiaries in China and Vietnam:

Cause of lawsuit: The Company and its subsidiary undertook the new manufacturing facility projects of Wintek in Dongguan, China and Gwangju, Vietnam between 2012 and 2013. Wintek started to be delinquent on payments in 2013 and filed for reorganization with Taiwan Taichung District Court on October 13, 2014. To protect the Company's rights as creditor, proceedings have been ongoing in respective jurisdictions for the debts in accordance with local legal requirements.

Status of lawsuit:

a. Wintek Taiwan: Taiwan Taichung District Court has confirmed the reorganization ruling of Wintek on October 5, 2016. Currently it has entered the reorganization procedure. Wintek estimates that its loss ratio for the firm with unwarranted claim is 16%. At the first stage, NT$5.5 billion will be allocated as per the proportion of debt to the unsecured creditors. The Company has acquired the first installment, NT$27,543,635.

b. Wintek subsidiary in Vietnam: It has obtained an arbitrary award of winning a court case through Vietnam international arbitrary center. The parties shall reach a settlement pursuant to the payment on the arbitrary award and come to an agreement on reduction of debt with three installment payments. The Company has acquired all installment payments.

c. Wintek subsidiary in China: After Guangdong Dongguan People’ Court conducted corporate reorganization ruling, the loss ratio for the firm with unwarranted claim is 6.5%, and every firm will be paid with an extra of RMB 50,000 as compensation money. The Company has acquired compensation money in 2017.

C. Project payment lawsuit against Jing He Science Co., Ltd. (JHS) N2O & CO2 Gas Plant:

Cause of lawsuit: Nova Technology, a subsidiary company, undertook the expansion of Jing He's JHS N2O&CO2 Gas Plant on October 29, 2012. Jing He terminated the contract unilaterally before completion. Both parties disputed over the percentage of completion, and Jing He refused to make payments. The said dispute required the judicial investigations, so Nova Technology filed an action to request for NT$122,090,708, payments of the construction.

Status of lawsuit: Nova Technology filed a civil action against Jing He on October 29, 2013 and the first trial is in the process of hearing. (Case No: Taiwan Taoyuan District Court 2013 Jien-Zi No.71) As of the publish date of annual report, Nova Technology is still unable to predict the result of the judgment and damages; however, Nova Technology has recognized the valuation allowance for the cost of construction performed according to the related accounting standards.

D. A lawsuit of engineering cost for elimination of white smoke against AX-CELLENT Green Energy & Repro. Corp.（NERCA）:

Cause of lawsuit: Nova Technology and NERCA have entered an engineering contract. This engineering project has been terminated by NERCA without completing the engineering project. According to the payment terms in the contract, NERCA shall pay Nova Technology for NT$3,379,227 based on the progress percentage of the engineering project then.

Status of lawsuit: Nova Technology has delegated an attorney for bringing a suit against NERCA. According to binding judgment of Taiwan High Court Tainan Branch Court on Feb. 19, 2019, NERCA needs to pay Nova Technology NT$ 1,013,768 and 5% interests calculated from March 20, 2016 to the date of liquidation. Nova Technology has doubts about the second instance judgment of the High Court Tainan Branch Court, which is currently on appeal.

13. Other Major Risks

None.

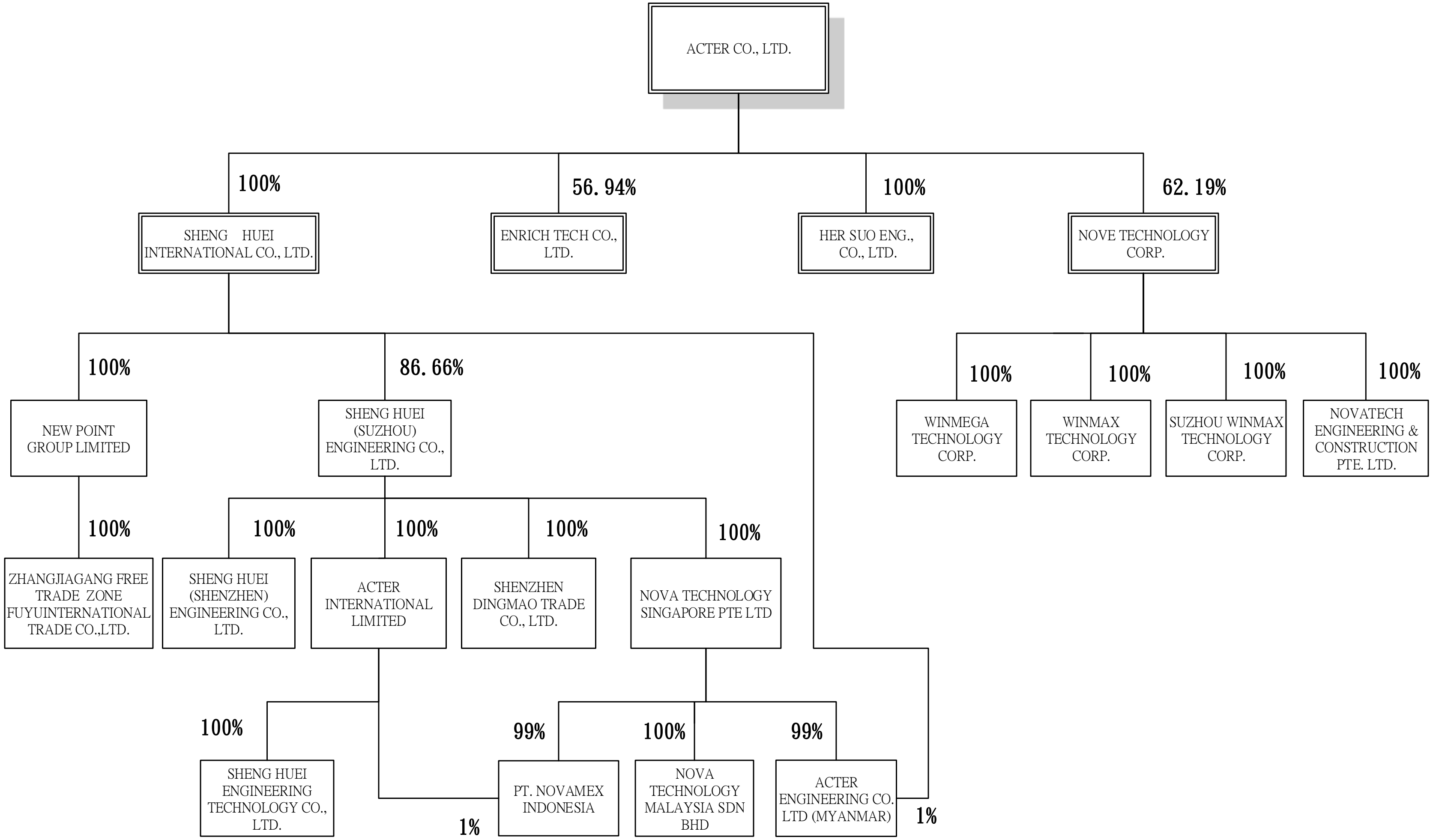
vii. Other Important Matter

None.

VIII. Special Disclosure

i. Summary of Affiliated Companies

1. Organizational chart of the affiliates (Dec. 31, 2018)



2. Basic Information on Affiliates

Dec. 31, 2018

Name of Affiliate	Date of Incorporation	Place of Registration	Paid-in Capital (in thousands)	Business Activities
Sheng Huei International Co., Ltd.	2003.07.15	Samoa	NT$129,126 (USD4,205)	Investment Holding company
Her Suo Eng., Co., Ltd.	1998.04.30	Hsinchu County, Taiwan	NT$100,000	Frozen and air-conditioning engineering, retail sale of household appliance, and electric appliance construction
Enrich Tech Co., Ltd.	1996.05.20	Taichung, Taiwan	NT$100,000	Comprehensive construction company
Nova Technology Corp.	1997.06.13	Hsinchu County, Taiwan	NT$339,280	Wholesaling of electronic and chemical equipment
Nova Technology Singapore Pte., Ltd.	1999.11.10	Singapore	NT$64,841 (SGD2,700)	Investment Holding company
New Point Group Limited	2008.03.10	Seychelles	NT$6,110 (USD200)	Holding company and trading of equipment
Acter International Limited	2007.11.20	Kowloon, Hong Kong	NT$15,980 (HKD3,891)	Holding company and trading of clean rooms and air conditioners
Sheng Huei (Suzhou) Engineering Co., Ltd.	2003.09.03	Jiangsu, China	NT$284,146 (USD9,030)	Construction and set-up of electronic equipment and air conditioners
Sheng Huei Engineering Technology Co., Ltd.	2007.05.02	Vietnam.	NT$48,238 (USD1,500)	Set-up of electronic protection systems and central air conditioners
Winmega Technology Corp.	2014.08.05	Hsinchu County, Taiwan	NT$30,000	Wholesaling of electronic and chemical equipments
Winmax Technology Corp.	2002.06.13	Shanghai, China	NT$151,426 (USD4,890)	Design and manufacture of air containers and liquid containers
Nova Technology Malaysia Sdn Bhd.	2011.11.24	Malaysia	NT$26,780 (RM2,600)	Investment Holding company
Pt. Novamex Indonesia	2013.6.24	Indonesia	NT$14,966 (USD500)	Equipment trading and set-up
Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd.	2008.06.04	Jiangsu, China	NT$6,110 (USD200)	Agent for electronic equipment importing and exporting

Name of Affiliate	Date of Incorporation	Place of Registration	Paid-in Capital (in thousands)	Business Activities
Sheng Huei (Shenzhen) Engineering Co., Ltd.	2005.06.21	Shenzhen, China	NT$172,877 (USD5,330)	Construction and set-up of electronic equipment and air conditioners
Shenzhen Dingmao Trade Co., Ltd	2012.10.31	Shenzhen, China	NT$2,338 (RMB500)	Electronic equipment and machinery trading
Acter Engineering Co., Ltd.	2014.12.05	Myanmar	NT$798 (USD25)	Construction and set-up of electronic equipment and air conditioners
Suzhou Winmax Technology Corp.	2016.05.31	Jiangsu, China	NT$32,478 (USD1,000)	Design and manufacture of air containers and liquid containers
Novatech Engineering & Construction Pte. Ltd.	2016.06.28	Singapore	NT$24,179 (SGD1,000)	Chemical supply system

3. Directors, Supervisors, Presidents of Affiliates

Dec. 31, 2018；Unit：Shares；%

<table>
<tr><th rowspan="2">Company Name</th><th rowspan="2">Title</th><th rowspan="2">Name or Representative</th><th colspan="2">Shareholding</th></tr>
<tr><th>Shares</th><th>Percentage</th></tr>
<tr><td rowspan="5">Her Suo Engineering Co., Ltd.</td><td>Chairman</td><td>Acter Co., Ltd. (Representative：Liang, Chin-Li)</td><td rowspan="4">10,000,000</td><td rowspan="4">100%</td></tr>
<tr><td>Director</td><td>Acter Co., Ltd. (Representative：Tsai, Chih-Cheng)</td></tr>
<tr><td>Director</td><td>Acter Co., Ltd. (Representative：Chang, Ri-Dong)</td></tr>
<tr><td>Supervisor</td><td>Acter Co., Ltd. (Representative：Chen, Chih-Hao)</td></tr>
<tr><td>President</td><td>Tsai, Chih-Cheng</td><td>0</td><td>0.00%</td></tr>
<tr><td rowspan="4">Sheng Huei International Co., Ltd.</td><td>Legal Representative</td><td>Acter Co., Ltd. (Representative：Liang, Chin-Li)</td><td rowspan="4">4,204,773.82</td><td rowspan="4">100%</td></tr>
<tr><td>Director</td><td>Acter Co., Ltd. (Representative：Yang, Jung-Tang)</td></tr>
<tr><td>Director</td><td>Acter Co., Ltd. (Representative：Hu, Tai-Tsen)</td></tr>
<tr><td>Supervisor</td><td>None</td></tr>
<tr><td rowspan="5">Sheng Huei (Suzhou) Engineering Co., Ltd.</td><td>Chairman</td><td>Sheng Huei International Co., Ltd. (Representative：Liang, Chin-Li)</td><td rowspan="5">Note 1</td><td rowspan="4">86.66%</td></tr>
<tr><td>Vice Chairman</td><td>Sheng Huei International Co., Ltd. (Representative：Chen, Chih-Hao)</td></tr>
<tr><td>Director</td><td>Sheng Huei International Co., Ltd. (Representative：Chu, Chi-Hua)</td></tr>
<tr><td>Supervisor</td><td>Sheng Huei International Co., Ltd. (Representative：Lai, Ming-Kun)</td></tr>
<tr><td>President</td><td>Chu, Chi-Hua</td><td>0.00%</td></tr>
<tr><td rowspan="5">Shenzhen Dingmao Trade Co.,Ltd</td><td>Chairman</td><td>Sheng Huei (Suzhou) Engineering Co., Ltd. (Representative：Chen, Chih-Hao)</td><td rowspan="5">Note 1</td><td rowspan="4">100%</td></tr>
<tr><td>Director</td><td>Sheng Huei (Suzhou) Engineering Co., Ltd. (Representative：Chu, Chi-Hua)</td></tr>
<tr><td>Director</td><td>Sheng Huei (Suzhou) Engineering Co., Ltd. (Representative：Liang, Chin-Li)</td></tr>
<tr><td>Supervisor</td><td>Sheng Huei (Suzhou) Engineering Co., Ltd. (Representative：Huang, Ya-Ping)</td></tr>
<tr><td>President</td><td>Chu, Chi-Hua</td><td>0.00%</td></tr>
<tr><td rowspan="5">Sheng Huei (Shenzhen) Engineering Co., Ltd.</td><td>Chairman</td><td>Sheng Huei (Suzhou) Engineering Co., Ltd. (Representative：Chen, Chih-Hao)</td><td rowspan="5">Note1</td><td rowspan="4">100%</td></tr>
<tr><td>Director</td><td>Sheng Huei (Suzhou) Engineering Co., Ltd. (Representative：Chu, Chi-Hua)</td></tr>
<tr><td>Director</td><td>Sheng Huei (Suzhou) Engineering Co., Ltd. (Representative：Liang, Chin-Li)</td></tr>
<tr><td>Supervisor</td><td>Sheng Huei (Suzhou) Engineering Co., Ltd. (Representative：Huang, Ya-Ping)</td></tr>
<tr><td>President</td><td>Chu, Chi-Hua</td><td>0.00%</td></tr>
</table>

Company Name	Title	Name or Representative	Shareholding	
			Shares	Percentage
Acter International Limited	Legal Representative	Sheng Huei (Suzhou) Engineering Co., Ltd. (Representative：Liang, Chin-Li)	3,890,650	100%
	Director	Sheng Huei (Suzhou) Engineering Co., Ltd. (Representative：Yang, Jung-Tang)		
	Director	Sheng Huei (Suzhou) Engineering Co., Ltd. (Representative：Hu, Tai-Tsen)		
	Supervisor	None		
New Point Group Limited	Legal Representative	Sheng Huei International Co., Ltd. (Representative：Liang, Chin-Li)	200,000	100%
	Director	Sheng Huei International Co., Ltd. (Representative：Yang, Jung-Tang)		
	Director	Sheng Huei International Co., Ltd. (Representative：Hu, Tai-Tsen)		
	Supervisor	None		
Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd.	Chairman	New Point Group Limited (Representative：Liang, Chin-Li)	Note 1	100%
	Director	New Point Group Limited (Representative：Chu, Chi-Hua)		
	Director	New Point Group Limited (Representative：Chen, Chih-Hao)		
	Supervisor	New Point Group Limited (Representative：Yang, Jung-Tang)		
	President	Chu, Chi-Hua		0.00%
Nova Technology Corp.	Chairman	Acter Co., Ltd. (Representative：Liang, Chin-Li)	21,098,179	62.19%
	Director	Acter Co., Ltd. (Representative：Hsu, Chung-Cheng)		
	Director	Acter Co., Ltd. (Representative：Wu, Pi-Huei)		
	Independent Director	Li, Cheng	0	0.00%
	Independent Director	Chi, Chih-Yi	0	0.00%
	Independent Director	Yang, Sheng-Yung	0	0.00%
	President	Hsu, Chung-Cheng	252,158	0.74%
Winmax Technology Corp.	Chairman	Nova Technology Corp. (Representative：Ma, Wei)	Note 1	100%
	Director	Nova Technology Corp. (Representative：Jian, Jian-Jhih)		
	Director	Nova Technology Corp. (Representative：Hsu, Chung-Cheng)		
	Supervisor	Nova Technology Corp. (Representative：Liang, Chin-Li)		
	President	Jian, Jian-Jhih		0.00%

Company Name	Title	Name or Representative	Shareholding	
			Shares	Percentage
Nova Technology Singapore Pte. Ltd.	Director	Sheng Huei (Suzhou) Engineering Co., Ltd. (Representative：Chen, Chih-Hao)	2,700,000	100%
	Director	Sheng Huei (Suzhou) Engineering Co., Ltd. (Representative：Liang, Chin-Li)		
	Supervisor	None		
Nova Technology Malaysia Sdn. Bhd.	Director	Nova Technology Singapore Pte. Ltd. (Representative：Chang, Ching-Chuan)	2,600,000	100%
	Director	Nova Technology Singapore Pte. Ltd. (Representative：Liang, Chin-Li)		
	Director	Nova Technology Singapore Pte. Ltd. (Representative：Yang, Jung-Tang)		
	Director	Nova Technology Singapore Pte. Ltd. (Representative：Feng, Tai-Fang)		
	Director	Nova Technology Singapore Pte. Ltd. (Representative：Tsai, Cheng-Yu)		
	Supervisor	None		
Sheng Huei Engineering Technology Co., Ltd.	Chairman	Acter International Limited (Representative：Tseng, Wen-Jan)	Note 1	100%
	Director	Acter International Limited (Representative：Tsai, Chih-Cheng)		
	Director	Acter International Limited (Representative：Liang, Chin-Li)		
	Supervisor	Acter International Limited (Representative：Chu, Chi-Hua)		
	President	Tseng, Wen-Jan		0.00%
Pt. Novamex Indonesia	Chairman	Nova Technology Singapore Pte. Ltd. (Representative：Chao, Ching-Sung)	500,000	100%
	Supervisor	Nova Technology Singapore Pte. Ltd. (Representative：Tsao, Yun-Han)		
Enrich Tech Co., Ltd	Chairman	Acter Co., Ltd. (Representative：Chuang, Cheng-Ting)	5,693,508	56.94%
	Director	Acter Co., Ltd. (Representative：Hsu, Chung-Cheng)		
	Director	Acter Co., Ltd. (Representative：Liang, Chin-Li)		
	Director	Acter Co., Ltd. (Representative：Wang, Chun-Sheng)		
	Director	Li Xin Investment Co., Ltd. (Representative：Yeh, Shu-Hsun)	1,897,836	18.98%
	Supervisor	Tsao, Yun-Han	10,000	0.10%
	President	Chuang, Cheng-Ting	260,170	2.60%

Company Name	Title	Name or Representative	Shareholding	
			Shares	Percentage
Winmega Technology Corp.	Chairman	Nova Technology Corp. (Representative：Liang, Chin-Li)	3,000,000	100%
	Director	Nova Technology Corp. (Representative：Hsu, Chung-Cheng)		
	Director	Nova Technology Corp. (Representative：Wu, Chien-Nan)		
	Supervisor	Nova Technology Corp. (Representative：Ma, Wei)		
	President	Wu, Jian-Nan	0	0.00%
Acter Engineering Co., Ltd.	Legal Representative	Nova Technology Singapore Pte. Ltd. (Representative：Chen, Chih-Hao)	25,000	100%
	Director	Nova Technology Singapore Pte. Ltd. (Representative：Liang, Chin-Li)		
	Director	Nova Technology Singapore Pte. Ltd. (Representative：Chang, Ching-Chuan)		
	Supervisor	None		
Suzhou Winmax Technology Corp.	Chairman	Nova Technology Corp. (Representative：Ma, Wei)	Note 1	100%
	Director	Nova Technology Corp. (Representative：Jian, Jian-Jhih)		
	Director	Nova Technology Corp. (Representative：Hsu, Chung-Cheng)		
	Supervisor	Nova Technology Corp. (Representative：Liang, Chin-Li)		
	President	Jian, Jian-Jhih		0.00%
Novatech Engineering & Construction Pte. Ltd.	Director	Nova Technology Corp. (Representative：Liang, Chin-Li)	1,000,000	100%
	Director	Nova Technology Corp. (Representative：Hsu, Chung-Cheng)		
	Supervisor	None		
	President	Hsu, Chung-Cheng		

Note1: The company is a limited company and doesn’t issue shares.

4. Operation Status of Affiliates

Dec. 31, 2018；Unit: NT$ thousand

Company Name	Capital Stock	Total Assets	Total Liabilities	Net Equity	Net Revenue	Operating Income	Net Income (Loss)
Her Suo Engineering Co., Ltd.	100,000	608,140	379,908	228,232	643,258	65,461	54,374
Enrich Tech Co., Ltd	100,000	233,689	75,117	158,572	437,955	39,342	32,426
Nova Technology Corp.	339,280	3,237,045	931,234	2,305,811	1,847,875	194,128	559,863
Winmega Technology Corp.	30,000	92,280	13,616	78,664	61,617	29,526	24,888
Winmax Technology Corp.	151,426	2,343,179	1,276,796	1,066,383	2,840,905	369,116	380,116
Suzhou Winmax Technology Corp.	32,478	682,301	581,596	100,705	509,293	88,925	66,671
Novatech Engineering & Construction Pte. Ltd.	24,179	55,508	14,463	41,045	98,567	22,944	19,500
Nova Technology Singapore Pte., Ltd.	64,841	44,931	503	44,428	0	(2,695)	(1,082)
Nova Technology Malaysia Sdn Bhd.	26,780	3,821	250	3,571	0	(500)	(539)
Pt. Novamex Indonesia	14,966	47,052	22,458	24,594	78,067	5,742	1,482
Acter Engineering Co., Ltd.	798	7,701	7,215	486	0	(516)	689
Sheng Huei International Co., Ltd.	129,126	1,251,429	435	1,250,994	0	20,771	332,911
Sheng Huei Engineering Technology Co., Ltd.	48,238	119,043	41,946	77,097	203,503	52,019	42,238
Acter International Limited	15,980	95,772	123,001	(27,229)	9,032	(1,685)	18,835
Sheng Huei (Shenzhen) Engineering Co., Ltd.	172,877	285,412	112,472	172,940	361,443	11,037	18,801
New Point Group Limited	6,110	271,159	41,447	229,712	109,417	47,973	48,426
Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd.	6,110	130,641	19,365	111,276	3,966	(4,355)	(1,669)
Sheng Huei (Suzhou) Engineering Co., Ltd.	284,146	2,254,568	1,563,499	691,069	3,294,307	290,439	256,876
Shenzhen Dingmao Trade Co., Ltd	2,338	137,188	78,467	58,721	214,562	42,122	30,763

ii. Private Placement Securities in the Most Recent Years

None.

iii. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years

None.

iv. Other matters that require additional description

None.

IX. Any situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report

None.

Representation Letter

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

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

Independent Auditors’ Report

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

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

Description of key audit matter

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

How the matter was addressed in our audit

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

2. Assessment of impairment of receivables

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

Description of key audit matter

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

How the matter was addressed in our audit

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

3. Provisions

Please refer to Note 4(q) "Provisions", Note 5(c) "Significant accounting assumptions and judgments, and major sources of estimation uncertainty: Recognition and measurement of provisions", Note 6(p) "Provisions", and Note 9(f) "Significant commitments and contingencies" to the consolidated financial statements.

Description of key audit matter

The Group estimates the future probability of warranty occurrence based on its historical experience. For the construction lawsuit which is still in trial, the Group also makes provisions for construction loss. Provisions for warranty involves judgment and estimation uncertainty of the Group's management. Consequently, provisions of warranty is one of the key matters for our audit.

How the matter was addressed in our audit

Our principal audit procedures included: comparing actual warranty expenses and provisions of warranty to assess the accuracy of estimation; considering the management's methods and data sources of estimating provisions and evaluating the possibility to change accounting estimates; assessing whether the provision is fairly presented and in accordance with related accounting standards; if the lawsuit of constructions is still in trial, the recoverable costs might depend on the result of the pending litigation, we will assess the provisions of construction loss in accordance with related recognition conditions.

Other Matter

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

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

Notes to Readers

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

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

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

ACTER CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a)and(ab))	$ 4,424,731	38	3,926,890	34
1110	Current financial assets at fair value through profit or loss (note 6(b)and(ab))	310,257	3	-	-
1125	Current available-for-sale financial assets (note 6(d)and(ab))	-	-	198,460	2
1140	Current contract assets (note 6(w))	1,079,944	9	-	-
1150	Notes receivable, net (note 6(e)and(ab))	323,497	3	156,038	1
1170	Accounts receivable, net (note 6(e)and(ab))	3,143,806	27	2,409,665	21
1190	Construction contracts receivable (note 6(g))	-	-	1,543,171	13
1200	Other receivables (note 6(f)and(ab))	28,654	-	110,562	1
1220	Current income tax assets	-	-	3,546	-
1310	Inventories, net (note 6(h))	321,315	3	1,653,559	14
1461	Non-current assets held for sale (note 6(i))	51,400	-	-	-
1476	Other current financial assets (note 8)	614,238	5	222,630	2
1479	Other current assets	594,347	5	461,630	4
		10,892,189	93	10,686,151	92
	Non-current assets:				
1517	Non-current financial assets at fair value though other comprehensive income (note 6(c))	3,177	-	-	-
1523	Non-current available-for-sale financial assets, net (note 6(d)and(ab))	-	-	4,050	-
1550	Investments accounted for using equity method (note 6(j))	811	-	796	-
1600	Property, plant and equipment (note 6(m))	417,228	4	401,971	4
1760	Investment property, net (note 6(n))	243,254	2	245,741	2
1840	Deferred tax assets (note 6(s))	152,661	1	142,511	2
1985	Long-term prepaid rents	33,027	-	34,590	-
1990	Other non-current assets (note 6(d) and 8)	38,442	-	37,961	-
		888,600	7	867,620	8
	Total assets	$ 11,780,789	100	11,553,771	100

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

See accompanying notes to consolidated financial statements.

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

ACTER CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

		2018		2017	
		Amount	%	Amount	%
	Operating Revenues:				
4521	Construction revenue (note 6(g), (w) and (x))	$ 13,905,949	98	9,215,041	80
4529	Less: allowances	(8,324)	-	(8,717)	-
		13,897,625	98	9,206,324	80
4110	Sales	254,458	2	2,165,081	19
4800	Other operating revenue	68,570	-	66,277	1
		14,220,653	100	11,437,682	100
	Operating costs:				
5520	Construction cost (note 6(g), (r) and 7(b))	11,453,453	81	7,791,620	68
5110	Costs of goods sold	203,042	1	1,590,693	14
5800	Other operating costs	27,979	-	11,500	-
		11,684,474	82	9,393,813	82
	Gross profit from operations	2,536,179	18	2,043,869	18
	Operating expenses(note 6(r)):				
6100	Selling expenses	115,464	1	95,744	1
6200	Administrative expenses	551,540	4	478,905	4
6300	Research and development expenses	127,218	1	92,488	1
6450	Expected credit loss	20,339	-	-	-
		814,561	6	667,137	6
	Net operating income	1,721,618	12	1,376,732	12
	Non-operating income and expenses:				
7050	Finance costs	(4,899)	-	(9,469)	-
7010	Other income (note 6(z))	66,499	-	11,076	-
7070	Shares of loss of associates accounted for using equity method, net	(9)	-	(8)	-
7020	Other gains and losses, net (note 6(z))	55,837	-	(86,778)	(1)
		117,428	-	(85,179)	(1)
	Profit before income tax	1,839,046	12	1,291,553	11
7950	**Less: Income tax expense (note 6(s))**	563,614	4	309,413	3
	Profit	1,275,432	8	982,140	8
8300	**Other comprehensive income (loss):**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurements effects on defined benefit plans (note 6(r))	(5,594)	-	(6,382)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(aa))	(873)	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(6,467)	-	(6,382)	-
8360	**Items that will be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign operations	(24,242)	-	(18,549)	-
8362	Net change in fair value of available-for-sale financial assets (note 6(aa))	-	-	1,936	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(s))	7,647	-	3,452	-
		(16,595)	-	(13,161)	-
8300	**Other comprehensive income, net of tax**	(23,062)	-	(19,543)	-
8500	**Total comprehensive income**	**$ 1,252,370**	**8**	**962,597**	**8**
	Profit, attributable to:				
8610	Owners of parent	$ 1,049,202	7	842,154	7
8620	Non-controlling interests	226,412	1	139,986	1
		$ 1,275,432	**8**	**982,140**	**8**
	Comprehensive income attributable to:				
8710	Owners of parent	$ 1,032,800	7	824,751	7
8720	Non-controlling interests	219,570	1	137,846	1
		$ 1,252,370	**8**	**962,597**	**8**
9750	**Basic earnings per share(In new Taiwan dollars) (note 6(v))**	**$**	**19.52**		**15.76**
9850	**Diluted earnings per share(In new Taiwan dollars) (note 6(v))**	**$**	**18.98**		**15.39**

See accompanying notes to consolidated financial statements.

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

ACTER CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												
			Retained earnings				Other equity interest						
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Others	Total Other equity interest	Non-controlling interests	Total equity
Balance at January 1, 2017	$ 472,369	1,071,656	385,094	36,888	1,175,969	1,597,951	(38,155)	-	(5,898)	(34,798)	(78,851)	317,511	3,380,636
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	43,628	-	(43,628)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	7,164	(7,164)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(377,895)	(377,895)	-	-	-	-	-	-	(377,895)
	472,369	1,071,656	428,722	44,052	747,282	1,220,056	(38,155)	-	(5,898)	(34,798)	(78,851)	317,511	3,002,741
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	41,716	-	-	-	-	-	-	-	-	-	-	41,716
Changes in ownership interest in subsidiaries	-	304,711	-	-	-	-	-	-	-	-	-	-	304,711
Share-based payment	(840)	(5,985)	-	-	-	-	-	-	-	24,710	24,710	-	17,885
	471,529	1,412,098	428,722	44,052	747,282	1,220,056	(38,155)	-	(5,898)	(10,088)	(54,141)	317,511	3,367,053
Profit for the year ended December, 31 2017	-	-	-	-	842,154	842,154	-	-	-	-	-	139,986	982,140
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	(4,895)	(4,895)	(14,444)	-	1,936	-	(12,508)	(2,140)	(19,543)
Total comprehensive income	-	-	-	-	837,259	837,259	(14,444)	-	1,936	-	(12,508)	137,846	962,597
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	334,871	334,871
Balance at December 31, 2017	**$ 471,529**	**1,412,098**	**428,722**	**44,052**	**1,584,541**	**2,057,315**	**(52,599)**	**-**	**(3,962)**	**(10,088)**	**(66,649)**	**790,228**	**4,664,521**
Balance at January 1, 2018	$ 471,529	1,412,098	428,722	44,052	1,584,541	2,057,315	(52,599)	-	(3,962)	(10,088)	(66,649)	790,228	4,664,521
Effects of retrospective application	-	-	-	-	65,534	65,534	-	(4,700)	3,962	-	(738)	39,404	104,200
Balance at January 1, 2018 after adjustments	471,529	1,412,098	428,722	44,052	1,650,075	2,122,849	(52,599)	(4,700)	-	(10,088)	(67,387)	829,632	4,768,721
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	84,216	-	(84,216)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	12,508	(12,508)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(612,986)	(612,986)	-	-	-	-	-	-	(612,986)
Stock dividends	70,729	-	-	-	(70,729)	(70,729)	-	-	-	-	-	-	-
	542,258	1,412,098	512,938	56,560	869,636	1,439,134	(52,599)	(4,700)	-	(10,088)	(67,387)	829,632	4,155,735
Changes in ownership interest in subsidiaries	-	(17,244)	-	-	-	-	-	-	-	-	-	-	(17,244)
Share-based payment	(230)	(1,615)	-	-	-	-	-	-	-	9,312	9,312	-	7,467
	542,028	1,393,239	512,938	56,560	869,636	1,439,134	(52,599)	(4,700)	-	(776)	(58,075)	829,632	4,145,958
Profit for the year ended December, 31 2018	-	-	-	-	1,049,020	1,049,020	-	-	-	-	-	226,412	1,275,432
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(4,709)	(4,709)	(10,638)	(873)	-	-	(11,511)	(6,842)	(23,062)
Total comprehensive income	-	-	-	-	1,044,311	1,044,311	(10,638)	(873)	-	-	(11,511)	219,570	1,252,370
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(16,816)	(16,816)
Balance at December 31, 2018	**$ 542,028**	**1,393,239**	**512,938**	**56,560**	**1,913,947**	**2,483,445**	**(63,237)**	**(5,573)**	**-**	**(776)**	**(69,586)**	**1,032,386**	**5,381,512**

See accompanying notes to consolidated financial statements.

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

ACTER CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018	2017
Cash flows from (used in) operating activities:			
Profit before tax	$	1,839,046	1,291,553
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expenses (including investment property)		27,687	22,435
Amortization expenses		7,254	6,162
Expected credit losses / Provisions for bad debt expense		20,339	(3,630)
Interest expense		4,899	9,469
Interest income		(41,089)	(19,338)
Compensation cost arising from employee stock options		7,467	17,885
Shares of loss of associates accounted for using equity method		9	8
Gains on disposal of investment		(651)	(1,975)
Others		3,391	6,661
Total adjustments to reconcile profit (loss)		29,306	37,677
Changes in operating assets and liabilities:			
Increase in current financial assets at fair value through profit or loss		(114,593)	-
Decrease in current contract assets		568,355	-
Increase in notes receivable		(167,459)	(60,082)
Increase in accounts receivable		(723,996)	(50,482)
Increase in construction contracts receivable		-	(639,155)
Increase in inventories		(63,688)	(461,878)
Increase in other financial assets		(467,467)	(52,118)
Total changes in operating assets		(968,848)	(1,263,715)
Changes in operating liabilities:			
Increase in current contract liabilities		657,138	-
Decrease in notes payable		(44,882)	(15,560)
Increase in accounts payable		134,036	543,356
Decrease in construction contracts payable		-	(263,741)
Increase in provisions		21,107	100,228
Increase in receipts in advance		-	650,904
Increase in other current liabilities		117,933	136,465
		885,332	1,151,652
Total adjustments		(54,210)	(74,386)
Cash inflow generated from operations		1,784,836	1,217,167
Interest received		39,464	17,196
Interest paid		(5,405)	(6,854)
Income taxes paid		(332,190)	(157,110)
Net cash flows from operating activities		1,486,705	1,070,399
Cash flows from (used in) investing activities:			
Acquisition of available-for-sale financial assets		-	(234,000)
Proceeds from disposal of available-for-sale financial assets		-	238,023
Acquisition of property, plant and equipment		(96,017)	(49,704)
Proceeds from disposal of property, plant and equipment		1,064	390
Increase in other non-current assets		(8,134)	(15,706)
Net cash flows used in investing activities		(103,087)	(60,997)
Cash flows from (used in) financing activities:			
Increase in short-term loans		163,515	598,018
Decrease in short-term loans		(363,265)	(433,833)
Decrease in guarantee deposits		(230)	-
Cash dividends paid		(612,986)	(377,895)
Change in non-controlling interests		(34,060)	607,318
Net cash flows from (used in) financing activities		(847,026)	393,608
Effect of exchange rate changes on cash and cash equivalents		(38,751)	(29,598)
Net increase in cash and cash equivalents		497,841	1,373,412
Cash and cash equivalents at beginning of period		3,926,890	2,553,478
Cash and cash equivalents at end of period	**$**	**4,424,731**	**3,926,890**

See accompanying notes to consolidated financial statements.

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

(1) Company history

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on February 26, 2019.

(3) New standards, amendments and interpretations adopted:

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

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

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

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon its initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

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

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

1) Construction contracts

Before adopting IFRS 15, contract revenue includes the initial amount agreed in the contract, plus, any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

When a claim or variation is incurred, which leads to the change of completion progress or contract value, the Group reassess its contract position based on cumulative basis at each reporting date.

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

2) Sales of goods

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

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

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

3) Impacts on financial statements

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

		December 31, 2018			January 1, 2018		
Impacted line items on the consolidated balance sheet		**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting polices**	**Balances upon adoption of IFRS 15**	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting polices**	**Balances upon adoption of IFRS 15**
Current contract costs	$	-	1,079,944	1,079,944	-	1,648,299	1,648,299
Construction contracts receivable		1,194,985	(1,194,985)	-	1,543,171	(1,543,171)	-
Inventories		2,844,273	(2,522,958)	321,315	1,653,559	(1,395,932)	257,627
Deferred tax assets		218,957	(66,296)	152,661	142,511	(13,791)	128,720
Impact on assets			**(2,704,295)**			**(1,304,595)**	
Current contract liabilities	$	-	1,718,930	1,718,930	-	1,061,792	1,061,792
Construction contracts payable		1,337,929	(1,337,929)	-	764,337	(764,337)	-
Advance sales receipts		3,454,061	(3,454,061)	-	1,706,250	(1,706,250)	-
Impact on liabilities			**(3,073,060)**			**(1,408,795)**	
Retained earnings	$	2,253,390	229,317	2,482,707	2,057,315	64,796	2,122,111
Non-controlling interests		892,937	139,449	1,032,386	790,228	39,404	829,632
Impact on equity			**368,766**			**104,200**	

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

(Continued)

Impacted line items on the consolidated statement of cash flows	For the year ended December 31, 2018			
		Balances without adoption of IFRS 15	**Impact of changes in accounting polices**	**Balances with adoption of IFRS 15**
Cash flows from (used in) operating activities:				
Profit before tax	$	1,521,976	317,070	1,839,046
Adjustments:				
Decrease in current contract assets		-	568,355	568,355
Decrease (increase) in construction contracts receivable		348,186	(348,186)	-
Decrease (increase) in inventories		(1,190,714)	1,127,026	(63,688)
Increase in Current contract liabilities		-	657,138	657,138
Increase (decrease) in construction contracts payable		573,592	(573,592)	-
Increase (decrease) in advance sales receipts		1,747,811	(1,747,811)	-
Impact on cash flows from operating activities			(317,070)	
Impact on net cash flows from operating activities			-	

(ii) IFRS 9 “Financial Instruments”

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

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

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

(Continued)

1) Classification of financial assets and financial liabilities

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

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

2) Impairment of financial assets

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

3) Transition

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

·Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, and therefore, is not comparable to the information presented for 2018 under IFRS 9.

·The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

－The determination of the business model within which a financial asset is held.

－The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

－The designation of certain investments in equity instruments not held for trading as at FVOCI.

·If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumes that the credit risk on its asset will not increase significantly since its initial recognition.

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

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018. (There is no change in both categories and carrying value of financial liabilities.)

	IAS39		IFRS9	
	Measurement categories	Carrying amount	Measurement categories	Carrying amount
Financial Assets				
Cash and cash equivalents	Loans and receivables	3,926,890	Amortized cost	3,926,890
Debt securities	Available-for-sale (note 1)	198,460	Mandatorily at FVTPL	198,460
Equity instruments	Available-for-sale (note 2)	4,050	FVOCI	4,050
Trade and other receivables	Loans and receivables (note 3)	2,676,265	Amortized cost	2,676,265
Other financial assets (Guarantee deposits paid)	Loans and receivables	222,630	Amortized cost	222,630

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

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

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

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

	December 31, 2017 IAS 39 Carrying amount	Reclassifications	Remeasurements	January 1, 2018 IFRS 9 Carrying amount	January 1, 2018 Retained earnings	January 1, 2018 Other equity
Fair value through profit or loss						
Beginning balance of FVTPL (IAS 39)	$ -	-	-		-	-
Additions – debt instruments:						
From available for sale	-	198,460	-		738	(738)
Total	**$ -**	**198,460**	**-**	**198,460**	**738**	**(738)**
Fair value through other comprehensive income						
Beginning balance of available for sale (IAS 39)	$ 202,510	-	-		-	-
Subtractions – debt instruments:						
To FVTPL – required reclassification based on classification criteria	-	(198,460)	-		-	-
Total	**$ 202,510**	**(198,460)**	**-**	**4,050**	**-**	**-**

(Continued)

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

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

(iv) Amendments to IAS 7 “Disclosure Initiative”

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

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

(v) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Loss”

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

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

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

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

(i) IFRS 16 “Leases”

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

(Continued)

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

1) Determining whether an arrangement contains a lease

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

· IFRS 16 definition of a lease to all its contracts; or

· A practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

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

2) Transition

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

· retrospective approach; or

· modified retrospective approach with optional practical expedients.

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

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

· apply a single discount rate to a portfolio of leases with similar characteristics.

· adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.

· apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.

· exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.

(Continued)

- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its offices, employee' dormitories, and official cars. The Group estimated its right-of-use assets and the lease liabilities to increase by $144,189 and $111,162, respectively, on January 1, 2019. No significant impact is expected for the Group's finance leases. Besides, the Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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

(Continued)

(4) Summary of significant accounting policies:

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

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

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations"), and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC.

(b) Basis of preparation

(i) Basis of measurement

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

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

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

(Continued)

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

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

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

(ii) List of subsidiaries in the consolidated financial statements

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

(Continued)

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

(Continued)

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

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

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

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

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

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

Note 7: Enrich Tech had a capital increase in July 2018, wherein 15% of the shares had been reserved for employee purchase. Therefore, the Company was not able to invest by proportion in the above capital increase, resulting in its shareholding in Enrich Tech to decrease from 60% to 56.94%.

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

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

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

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

(d) Foreign currency

(i) Foreign currency transactions

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

(Continued)

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

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

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

(ii) Foreign operations

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

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

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

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

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

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

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

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

(Continued)

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

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

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

An entity shall classify a liability as current when:

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

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

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

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

(f) Cash and cash equivalents

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

(g) Financial instruments

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

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

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

1) Financial assets measured at amortized cost

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

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

(Continued)

3) Fair value through profit or loss (FVTPL)

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

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

4) Impairment of financial assets

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

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

(Continued)

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

5) Derecognition of financial assets

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

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

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

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

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

1) Available-for-sale financial assets

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

(Continued)

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

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

2) Receivables

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

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

3) Impairment of financial assets

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

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

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

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

(Continued)

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

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

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

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

4) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity account unrealized gains or losses on available for sale financial assets are recognized in profit or loss under “other gains and losses, net”.

The Group separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(Continued)

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

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

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

2) Other financial liabilities

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

3) Derecognition of financial liabilities

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

4) Offsetting of financial assets and liabilities

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

(h) Inventories

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

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

(Continued)

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

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

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

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

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

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

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

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

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

(j) Non-current assets held for sale

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

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

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

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

(Continued)

(k) Investment in associates

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

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

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

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

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

(l) Investment property

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

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

(m) Property, plant and equipment

(i) Recognition and measurement

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

(Continued)

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

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

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

1) Buildings: 5~50 years

2) Other facilities: 3~9 years

3) The significant portion of plant and building consists of its main building and miscellaneous parts, which are estimated over their useful life within 5~50 years.

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

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

(Continued)

(n) Lease

(i) Lessor

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

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

(ii) Lessee

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

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

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

(o) Intangible assets

(i) Other Intangible Assets

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

(ii) Subsequent Expenditure

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

(iii) Amortization

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

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

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

(Continued)

(p) Impairment of non-financial assets

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

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

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

(q) Provisions

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

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

(r) Revenue

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

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

(Continued)

1) Construction contracts

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

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

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

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

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

2) Financing components

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

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

1) Construction contracts

Contract revenue includes the initial amount agreed in the contract, plus, any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred, unless they create an asset related to future contract activity.

(Continued)

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

2) Goods sold

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

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

1) Incremental costs of obtaining a contract

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

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

2) Costs to fulfill a contract

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

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

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

(Continued)

c) the costs are expected to be recovered.

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

(s) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

(Continued)

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

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

(iii) Short-term employee benefits

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

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

(t) Share-based payment

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

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

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

(Continued)

(u) Income Taxes

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

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

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

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

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

(iii) Initial recognition of goodwill.

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

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

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

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

1) levied by the same taxing authority; or

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

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

(Continued)

(v) Earnings per share

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

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

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

(w) Operating segments

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

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

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

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

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

(a) Revenue recognition

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

(Continued)

(b) The loss allowance of trade receivable

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

(c) Recognition and measurement of provisions

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

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

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

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

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2018	December 31, 2017
Petty cash and cash on hand	$	1,040	1,118
Checking and demand deposits		2,145,066	2,249,161
Time deposits		2,160,764	1,139,760
Cash equivalent - repurchased commercial paper		117,861	536,851
	$	**4,424,731**	**3,926,890**

(Continued)

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

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

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

		December 31, 2018
Mandatorily measured at fair value through profit or loss:		
Non derivative financial assets		
Beneficiary securities - open-end funds	**$**	**310,257**

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

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

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

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

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

(iii) The financial assets were not pledged.

(d) Investment in financial assets

		December 31, 2017
Current:		
Available-for-sale financial assets		
Beneficiary securities - open-end funds	$	198,460
Non-current:		
Available-for-sale financial assets		
Holy Stone Healthcare Co., Ltd.		4,050
Financial assets carried at cost		
Taichung International Entertainment Co., Ltd. (under other non-current assets)		45
	$	**202,555**

(Continued)

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

(ii) The aforementioned investments held by the Group are measured at cost, less, impairment losses on the reporting date. The fair values of these investments cannot be measured reliably because the range of reasonable fair value estimates is wide and the probabilities for each estimate cannot be reasonably determined. These investments were classified as other non-current assets on December 31, 2018.

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

(iv) The financial assets were not pledged.

(e) The net of notes and accounts receivable

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

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

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

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

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

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

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

(i) Accounts receivable includes retained construction receivable, which amounted to $41,796 and $33,296 as of December 31, 2018 and 2017, respectively.

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

(f) Other receivables

		December 31, 2018	December 31, 2017
Other accounts receivable	$	46,266	124,321
Less: Loss allowance		(17,612)	(13,759)
	$	28,654	110,562

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

(Continued)

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

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

(g) Construction contracts

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

		2017
Construction revenue recognized in current profit or loss	**$**	**9,206,324**

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

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

(h) Inventories

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

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

No inventories were pledged as collaterals.

(i) Non-current assets held for sale

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

(j) Investment in equity-accounted investees

(i) Associates

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

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

(Continued)

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

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

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

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

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

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

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

The effects of the changes in shareholdings were as follows:

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

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

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

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

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

(l) Significant subsidiaries of non-controlling interest

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

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

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

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

(i) Information regarding of Nova Tech:

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

(Continued)

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

(ii) Information regarding of Enrich Tech:

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

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

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

(Continued)

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

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

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

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

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

(v) Information regarding of Sheng Huei Suzhou:

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

(Continued)

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

(m) Property, plant and equipment

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

(Continued)

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

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

(n) Investment Property

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

(Continued)

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

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

Term	Amount
2019.1.1~2019.10.31	**$ 416**

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

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

(iii) The investment property is not pledged.

(o) Short-term loans

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

(p) Provisions

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

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

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

(Continued)

(q) Advance sales receipts

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

(r) Employee benefits

(i) Defined benefit plans

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligation	$ 69,171	66,578
Fair value of plan assets	(19,330)	(21,120)
Defined benefit obligations	**$ 49,841**	**45,458**

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

1) Composition of plan assets

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

The Group’s labor pension reserve account balance in the Bank of Taiwan amounted to $19,330 as of December 31, 2018. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(Continued)

2) Movement in present value of the defined benefit obligations

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

	2018	2017
Balance, January 1	$ 66,578	59,466
Service cost and interest for the period	1,090	826
Remeasurements of the net defined benefit liability (asset)		
—Actuarial loss arising from changes in demographic assumptions	-	1,675
—Actuarial loss (gain) arising from changes in financial assumptions	2,900	(2,653)
—Actuarial loss arising from changes in experience adjustments	3,162	7,264
Benefits paid by the plan	(4,559)	-
Balance, December 31	**$ 69,171**	**66,578**

3) Movement in fair value of defined benefit plan assets

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

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

4) Expenses recognized in profit or loss

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

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

(Continued)

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

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

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

6) Actuarial assumptions

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

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

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

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

7) Sensitivity analysis

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

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

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

(Continued)

(ii) Defined contribution plans

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

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

(s) Taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable commencing 2018.

(i) Income tax expense

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

	2018	2017
Current income tax expense:		
Current period	$ 389,641	180,190
Prior years income tax adjustment	(10,347)	15,245
	379,294	195,435
Deferred tax expense:		
Origination and reversal of temporary differences	160,290	145,675
Adjustment in tax rate	34,087	-
Changes in deductible temporary difference without recognition	(598)	(2,396)
Recognition of previously unrecognized loss carry forward	(9,459)	(29,301)
	184,320	113,978
Income tax expense	**$ 563,614**	**309,413**

(Continued)

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

		2018	2017
Items that will be reclassified subsequently to profit or loss:			
Foreign currency translation differences－foreign operations	$	**(7,647)**	**(3,452)**

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

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

(ii) Deferred tax asset and liability

1) Unrecognized deferred tax asset

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

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

(Continued)

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

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

2) Recognized deferred tax asset and liabilities

Deferred tax asset:

	January 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2017	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2018
Warranty cost	$ 45,835	(3,135)	-	42,700	10,224	-	52,924
Loss on investment in foreign equity-accounted investee	9,737	(9,737)	-	-	-	-	-
Estimated construction loss	8,633	(8,035)	-	598	1,374	-	1,972
Loss carry forward	22,819	(22,819)	-	-	163	-	163
Allowance for decline in realizable value of inventory	1,860	246	-	2,106	(217)	-	1,889
Excessive provision of bad debt	57,959	(7,297)	-	50,662	2,271	-	52,933
Construction cost	35,182	(11,706)	-	23,476	(4,939)	-	18,537
Exchange of Unrealized Profits and Losses	262	6,228	-	6,490	(5,873)	-	617
Others	2,599	12,339	1,541	16,479	(500)	7,647	23,626
	$ 184,886	**(43,916)**	**1,541**	**142,511**	**2,503**	**7,647**	**152,661**

(Continued)

Deferred tax liability:

	January 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2017	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2018
Gains on investment in foreign equity-accounted investee	$ 170,258	69,825	-	240,083	183,602	-	423,685
Foreign currency translation differences for foreign operations	1,876	-	(1,876)	-	-	-	-
Others	1,008	237	-	1,245	3,221	-	4,466
	$ 173,142	70,062	(1,876)	241,328	186,823	-	428,151

(iii) Income tax examination and approval

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

(t) Capital and other equity

(i) Issuance of common stock

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

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

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

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

(Continued)

(ii) Capital surplus

The components of the capital surplus were as follows:

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

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

(iii) Retained earnings

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

1) Legal reserve

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

(Continued)

2) Special reserve

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

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

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

3) Earnings distribution

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

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

(Continued)

4) Other equity interest (net of tax)

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

(u) Share-based payment

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

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

(Continued)

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

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

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

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

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

1) The Company's financial performance is measured by the sum of operating revenue and profit before tax, less, share of gain of subsidiaries accounted for using equity method (gain on long-term investment) when it reaches the goal set by the Company in the following three years after the issuance.

2) Employees who are granted with restricted stock and serve in the Company before the vested period matures, and who do not violate against the labor contract or working rules, will be granted with restricted stock based on the following schedule and granted portion:

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

(Continued)

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

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

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

(ii) Relevant information on restricted stock to employee:

Information on restricted stock to employee was as follows:

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

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

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

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

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

(Continued)

(v) Earnings per share ("EPS")

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

(w) Revenue from contracts with customers

(i) Disaggregation of revenue

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

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

(ii) Contract balances

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

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

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

The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract liability balance at the beginning of the period was $1,004,186.

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

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no major changes in 2018.

(iii) Transaction price allocated to the remaining performance obligations

As of December 31, 2018, the aggregated amount of the transaction price from construction contracts allocated to the remaining performance obligation from construction contract was $3,790,004. The Group will recognize revenue gradually over time by the stage of completion of building and expected to recognize in the next 36 months.

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

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

(x) Revenue

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

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

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

(y) Remuneration to employees and directors

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

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

(z) Non-operating income and expenses

(i) Other revenue

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

(ii) Other income and losses

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

(Continued)

(aa) Reclassification adjustments of components of other comprehensive income

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

(ab) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

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

3) Receivables

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

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

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4 (g).

(Continued)

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

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

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5years	More than 5 years
December 31, 2018						
Non-derivative financial liabilities						
Secured bank loans	$ 89,075	90,113	90,113	-	-	-
Non-secured bank loans	46,203	46,203	46,203	-	-	-
Notes payable	175,364	175,364	175,364	-	-	-
Accounts payable (including related parties) and other accrued expenses	2,826,267	2,826,267	2,615,221	131,681	79,553	12
	$ 3,136,909	**3,137,947**	**2,926,901**	**131,681**	**79,553**	**12**
December 31, 2017						
Non-derivative financial liabilities						
Secured bank loans	$ 344,806	346,115	346,115	-	-	-
Notes payable	220,246	220,246	220,246	-	-	-
Accounts payable (including related parties) and other accrued expenses	2,711,187	2,711,187	2,375,042	206,039	130,101	5
	$ 3,276,239	**3,277,548**	**2,941,403**	**206,039**	**130,101**	**5**

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

(Continued)

(iii) Currency risk

1) Exposure to currency risk

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

	December 31, 2018			December 31, 2017		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 61,510	30.802	1,894,616	65,405	29.848	1,952,208
CNY	540,472	4.4862	2,424,663	333,972	4.5835	1,530,760
SGD	2,896	22.4235	64,946	2,054	22.3238	45,843
JPY	46,792	0.2777	12,994	1,894	0.2649	502
Financial liabilities						
Monetary items						
USD	8,397	30.802	258,655	13,547	29.848	404,342
CNY	335,631	4.4862	1,505,707	295,117	4.5835	1,352,669
SGD	179	22.4235	4,020	252	22.3238	5,636
JPY	56,308	0.2777	15,637	48,275	0.2649	12,788

2) Sensitivity analysis

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

3) Exchange gains and losses of monetary items

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

(iv) Interest rate analysis

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

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

(Continued)

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

(v) Other market price risk

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

	For the years ended December 31,			
	2018		2017	
Prices of securities at the reporting date	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increasing 3%	$ 95	9,308	6,075	-
Decreasing 3%	$ (95)	(9,308)	(6,075)	-

(vi) Fair value of financial instruments

1) The kinds of financial instruments and fair value

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

	December 31, 2018				
		Fair Value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	310,257	310,257	-	-	310,257
Financial assets at fair value through other comprehensive income					
Emerging stock	3,177	3,177	-	-	3,177
Financial assets measured at amortized cost					
Cash and cash equivalents	4,424,731	-	-	-	-
Contract assets	1,079,944	-	-	-	-
Notes receivable	323,497	-	-	-	-
Accounts receivable	3,143,806	-	-	-	-
Other receivables	28,654	-	-	-	-
Other current financial assets	614,238	-	-	-	-
Total	$ **9,928,304**	**313,434**	**-**	**-**	**313,434**

(Continued)

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

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

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

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

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

(Continued)

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

There were no transfers from one level to another for the year ended December 31, 2018 and 2017.

(ac) Financial risk management

(i) Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Risk management framework

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

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

(iii) Credit risk

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

(Continued)

1) Accounts receivable

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

2) Investment

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

3) Guarantee

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

(iv) Liquidity risk

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

(v) Market risk

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

1) Currency risk

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

2) Interest rate risk

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

(Continued)

3) Other market price risk

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

(ad) Capital management

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

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

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

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

	December 31, 2018	December 31, 2017
Total liabilities	$ 6,399,277	6,889,250
Less: cash and cash equivalents	(4,424,731)	(3,926,890)
Net debt	1,974,546	2,962,360
Total equity	4,349,126	3,874,293
Total capital	**$ 6,323,672**	**6,836,653**
Debt to capital ratio	**31.22%**	**43.33%**

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

(Continued)

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

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

			Non-cash changes		
	January 1,2018	**Cash flows**	**Foreign exchange movement**	**Fair value changes**	**December 31,2018**
Short-term borrowings	$ 344,806	(199,750)	(9,778)	-	135,278
Guarantee deposits	314	(230)	-	-	84
Total liabilities from financing activities	**$ 345,120**	**(199,980)**	**(9,778)**	**-**	**135,362**

(7) Related-party transactions:

(a) Names and relationship with related parties

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

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

(b) Other related party transactions

Construction cost, and related assets and liabilities:

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

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

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

(c) Key management personnel compensation

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

(Continued)

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

(8) Pledged assets:

The Group's pledged assets were as follows:

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

(9) Significant commitments and contingencies:

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

(a) Fulfillment and warranty guarantee (excluding related parties) for engaging in construction contracts amounted to $1,211,732 and $1,229,305, respectively.

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

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

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

(e) The Company has signed a construction contract with Walsin Technology Corporation (Walsin) in December, 2010. Walsin claimed that the Company did not perform the construction according to the contract, and therefore, filed a lawsuit to the Taipei District Court, claiming a compensation amounting to $42,189. The civil judgment of the first instance during December, 2015 has been pronounced by the Taipei District Court, requiring the Company to pay the amount of $14,666 to Walsin, which had been fully recognized as loss by the Company in 2015. The Company appealed to the Taiwan High Court and sent identification data to the Architecture Construction. As of December 31, 2018, the compensation of $8,376 has been recognized as other current liabilities and accrued expenses.

(Continued)

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

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

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

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

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

(Continued)

(13) Segment information:

(a) General information

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

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

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

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

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

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

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

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

(c) Information about the products and services

Revenue from external customers was as follows:

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

(d) Geographical information

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

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

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

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

(e) Information on significant customers

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

Independent Auditors' Report

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

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

Description of key audit matter

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

How the matter was addressed in our audit

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

2. Assessment of impairment of receivables

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

Description of key audit matter

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

How the matter was addressed in our audit

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

3. Provisions

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

Description of key audit matter

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

How the matter was addressed in our audit

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

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

Notes to Readers

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

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

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

ACTER CO., LTD.

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

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

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

See accompanying notes to financial statements.

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

ACTER CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

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

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

ACTER CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to financial statements.

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

ACTER CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

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

(Continued)

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

(1) Company history

Acter Co., Ltd. (the "Company") was incorporated on February 19, 1979, under the approval of the Ministry of Economic Affairs, R.O.C. The Company's registered office address is located at 19F-1, No.201, Sec.2, Wenxin Road, Xitun District., Taichung City 40758, Taiwan (R.O.C.). The Company is engaged in providing construction, design, and maintenance services related to air conditioners, environmental control services, clean room set-up, ice water machine trading, energy storing equipment trading, ventilation engineering, and energy technology services. Acter's common shares were publicly listed on the Taipei Exchange ("TPEx") on November 10, 2010.

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

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

(3) New standards, amendments and interpretations adopted:

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

(Continued)

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

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

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Company applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon its initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

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

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

1) Construction contracts

Before adopting IFRS 15, contract revenue includes the initial amount agreed in the contract, plus, any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

When a claim or variation is incurred, which leads to the change of completion progress or contract value, the Company reassess its contract position based on cumulative basis at each reporting date.

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

2) Impacts on financial statements

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

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

(Continued)

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

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

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

(Continued)

(ii) IFRS 9 "Financial Instruments"

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

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

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

1) Classification of financial assets and financial liabilities

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

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

2) Impairment of financial assets

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

3) Transition

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

- Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, and therefore, is not comparable to the information presented

(Continued)

for 2018 under IFRS 9.

・The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

—The determination of the business model within which a financial asset is held.

—The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

—The designation of certain investments in equity instruments not held for trading as at FVOCI.

・If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumes that the credit risk on its asset will not increase significantly since its initial recognition.

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

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as of January 1, 2018. (There is no change in both categories and carrying value of financial liabilities.)

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

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

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

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

(Continued)

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

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

(iii) Amendments to IAS 7 “Disclosure Initiative”

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

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

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

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

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

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

(Continued)

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

(i) IFRS 16 "Leases"

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

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

1) Determining whether an arrangement contains a lease

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

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

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

2) Transition

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

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

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

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

(Continued)

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

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

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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

(4) Summary of significant accounting policies:

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

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

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

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

(ii) Functional and presentation currency

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

(Continued)

(c) Foreign currency

(i) Foreign currency transactions

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

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

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

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

(ii) Foreign operations

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

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

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

(Continued)

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

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

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

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

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

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

(e) Cash and cash equivalents

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

(f) Financial instruments

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

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

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

(Continued)

model for managing its financial assets.

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

(Continued)

3) Fair value through profit or loss (FVTPL)

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

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

4) Impairment of financial assets

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

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

(Continued)

5) Derecognition of financial assets

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

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

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

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

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

1) Available-for-sale financial assets

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

(Continued)

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

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

2) Receivables

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

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

3) Impairment of financial assets

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

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

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

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

(Continued)

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

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

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

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

4) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity account unrealized gains or losses on available for sale financial assets are recognized in profit or loss under “other gains and losses, net”.

The Company separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss. and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

(Continued)

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

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

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

2) Other financial liabilities

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

3) Derecognition of financial liabilities

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

4) Offsetting of financial assets and liabilities

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

(Continued)

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

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

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

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

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

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

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

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

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

(h) Non-current assets held for sale

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

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

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

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

(Continued)

(i) Investment in associates

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

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

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

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

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

(j) Investment in subsidiaries

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

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

(k) Investment property

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

(Continued)

intended use and capitalized borrowing costs.

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

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

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

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

1) Buildings: 22~50 years

2) Other facilities: 3~9 years

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

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

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

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

(m) Lease

(i) Lessor

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

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

(ii) Lessee

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

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

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

(Continued)

(n) Intangible assets

(i) Other Intangible Assets

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

(ii) Subsequent Expenditure

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

(iii) Amortization

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

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

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

(o) Impairment of non-financial assets

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

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

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

(Continued)

(q) Provisions

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

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

(q) Revenue

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

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

1) Construction contracts

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

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

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

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

(Continued)

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

2) Financing components

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

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

Contract revenue includes the initial amount agreed in the contract, plus, any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred, unless they create an asset related to future contract activity.

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

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

1) Incremental costs of obtaining a contract

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

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

2) Costs to fulfill a contract

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

a) the costs relate directly to a contract or to an anticipated contract that the Company

(Continued)

can specifically identify;

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

c) the costs are expected to be recovered.

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

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

(Continued)

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

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

(iii) Short-term employee benefits

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

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

(s) Share-based payment

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

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

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

(t) Income Taxes

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

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

(Continued)

well as tax adjustments related to prior years.

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

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

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

(iii) Initial recognition of goodwill.

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

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

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

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

1) levied by the same taxing authority; or

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

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

(u) Earnings per share

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

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

(Continued)

(v) Operating segments

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

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

The preparation of the parent-company-only financial statements in conformity with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

(a) Revenue recognition

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

(b) The loss allowance of trade receivable

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

(c) Recognition and measurement of provisions

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

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

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

(Continued)

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

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

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

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

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

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

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

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

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

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

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

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

(Continued)

(iii) The financial assets were not pledged.

(d) Investment in financial assets

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

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

(ii) The aforementioned investments held by the Company are measured at cost, less, impairment losses on the reporting date. The fair values of these investments cannot be measured reliably because the range of reasonable fair value estimates is wide and the probabilities for each estimate cannot be reasonably determined. These investments were classified as other non-current assets on December 31, 2018.

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

(iv) The financial assets were not pledged.

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

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

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

(Continued)

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
1 to 120 days	$ 672,122	-	-
121 to 180 days	6,526	0.50%	33
181 to 360 days	26,437	1%	264
361 to 540 days	9,368	40%	3,747
More than 541 days	6,327	100%	6,327
	$ 720,780		10,371

As of December 31, 2017, the Company applied the incurred loss model to consider the loss allowance on provision for notes and accounts receivable, and the aging analysis of notes and trade receivable, which were past due but not impaired, as follows:

	December 31, 2017
Past due 1-120 days	$ 36,545
Past due 121-180 days	1,651
Past due 181-360 days	-
Past due 361-540 days	1,008
	$ 39,204

The movement in the allowance for notes and trade receivable was as follows:

	2018	2017
Balance on January 1, 2018 and 2017 per IAS 39	$ 3,228	6,384
Adjustment on initial application of IFRS 9	-	-
Balance on January 1, 2018 per IFRS 9	3,228	-
Impairment losses	7,143	
Amounts written off	-	(2,929)
Impairment losses reversed	-	(227)
Balance on December 31, 2018 and 2017	$ 10,371	3,228

(i) Accounts receivable includes retained construction receivable, which amounted to $20,142 and $23,190 as of December 31, 2018 and 2017, respectively.

(ii) The notes and accounts receivable were not pledged.

(f) Other receivables

	December 31, 2018	December 31, 2017
Other accounts receivable	$ 1,296	74,094
Other accounts receivable to related parties	24,549	19,609
Less: Loss allowance	-	-
	$ 25,845	93,703

(Continued)

(i) As of December 31, 2017, other receivables were not past due nor impaired.

(ii) The movement in the allowance for other receivables was as follows:

	2017
Balance on January 1, 2017	$ 7,330
Amounts written off	(4,627)
Impairment losses reversed	(2,703)
Balance on December 31, 2017	$ -

(g) Construction contracts

Construction revenue recognized in profit or loss during the year ended December 31, 2017 was as follows:

	2017
Construction revenue recognized in current profit or loss	$ 3,854,220

	December 31, 2017
Accumulated construction costs incurred (including contract costs that relate to future activity)	$ 4,907,232
Add: Accumulated construction profit and losses	561,404
	5,468,636
Less: Progress billings	(5,040,821)
Net receivables (payables) of construction contracts	$ 427,815
Construction contracts receivable presented as an asset	$ 655,450
Construction contracts payable presented as a liability	(227,635)
	$ 427,815
Advance received before construction begins	$ 2,891

For the amount of contract balance on December 31, 2018 and revenue recognized during the year ended December 31, 2018, please see Note 6 (s).

(h) Non-current assets held for sale

On December 24, 2018, the Board of Directors of the Company resolved to sell the property, plant and equipment, which were located at Zhongming S. Rd., with an estimated selling price of $74,250; therefore, entered into an agreement with a buyer at the end of December 2018. The Company expects to complete the related legal procedures in the first quarter of 2019. Such Property, plant and equipment were reclassified to non-current assets held-for-sale. As of December 31, 2018, the carrying value of non-current assets held-for-sale amounted to $51,400.

(i) Investment in equity-accounted investees

The components of investments accounted for using the equity method at the reporting data were as follows:

(Continued)

		December 31, 2018	December 31, 2017
Subsidiaries	$	3,008,929	2,501,329
Associates		811	796
	$	3,009,740	2,502,125

(i) Subsidiaries

For the related information, please refer to consolidated financial statements for the year ended December 31, 2018.

(ii) Associates

The relevant information of the Company's equity-accounted investees is as follows:

Associates	Relationship with the Company	Main Business Location /Registered country	Percentage of ownership and voting share December 31, 2018	Percentage of ownership and voting share December 31, 2017
Global OneSource Life Sciences Company Ltd.	Service for project management and consulting of techniques and design for pharmacy and medical facilities, which is the Company's investment	Hong Kong	40%	40%

The Company's equity-accounted investment in all individually immaterial associates and the Company's share of the operating results are summarized below:

		December 31, 2018	December 31, 2017
The carrying amount of the Company's interests in all individually immaterial associates	$	2,027	1,991

		2018	2017
Profit attributable to the Company:			
Loss from continuing operation	$	(9)	(8)
Comprehensive income	$	(9)	(8)

(ii) The associates invested by the Company do not have any quoted price. Therefore, the investment accounted for using equity method was not pledged.

(j) Changes in a parent's ownership interest in a subsidiary

(i) Disposal of part of equity ownership of subsidiaries without losing control

The Company sold its 1.85% shares in Nova Tech in December, 2017.

The effects of the changes in shareholdings were as follows:

(Continued)

		2017
Book value of the shares disposed	$	(32,264)
Consideration transferred from the non-controlling interest		73,980
Capital surplus differences between the consideration and the carrying amounts subsidiaries acquired	**$**	**41,716**

1) In August 2018, The Company's subsidiary, Sheng Huei International, disposed 13.34% of its shares in Sheng Huei (Suzhou) due to the restructuring of the Company during 2018. Please refer to consolidated financial statements for the year ended December 31, 2018.

2) The ownership of Sheng Huei (Suzhou) decrease by 13.34%, resulting in the carrying amount of its investment to decrease by $17,439, which had been adjusted to capital surplus - changes in the ownership interest in its subsidiaries.

3) The Company's subsidiary, Enrich Tech, had a capital increase in July 2018, wherein 15% of the shares had been reserved for employee purchase. Therefore, the Company was not able to invest by proportion in the above capital increase, resulting in its shareholding in Enrich Tech to decrease by 3.06%; Hence, the carrying amount of its investment increased by $195, which had been adjusted to capital surplus-changes in the ownership interest in its subsidiaries.

4) The Company's subsidiary, Nova Tech, had issued common stock for cash in December, 2017, wherein the Company did not participate in; therefore, its shareholding decrease by 9.02%, resulting in the carrying amount of its investment to increase by $304,711, which had been adjusted to capital surplus-changes in the ownership interest in its subsidiaries.

(Continued)

(k) Property, plant and equipment

		Land	Building and construction	Other facilities	Total
Cost:					
Balance on January 1, 2018	$	107,113	47,852	27,297	182,262
Additions		-	-	1,796	1,796
Reclassification to non-current assets held for sale		(29,250)	(29,187)	(8,528)	(66,965)
Disposals		-	-	(780)	(780)
Balance on December 31, 2018	$	77,863	18,665	19,785	116,313
Balance on January 1, 2017	$	107,113	47,852	22,670	177,635
Additions		-	-	4,627	4,627
Balance on December 31, 2017	$	107,113	47,852	27,297	182,262
Depreciation:					
Balance on January 1, 2018	$	-	11,514	15,168	26,682
Depreciation		-	1,374	3,855	5,229
Reclassifications to non-current assets held for sale		-	(8,599)	(6,966)	(15,565)
Disposals		-	-	(650)	(650)
Balance on December 31,2018	$	-	4,289	11,407	15,696
Balance on January 1, 2017	$	-	10,139	11,843	21,982
Depreciation		-	1,375	3,325	4,700
Balance on December 31, 2017	$	-	11,514	15,168	26,682
Carrying amounts:					
Balance on December 31, 2018	$	77,863	14,376	8,378	100,617
Balance on January 1, 2017	$	107,113	37,713	10,827	155,653
Balance on December 31, 2017	$	107,113	36,338	12,129	155,580

The property, plant and equipment are not pledged as collateral.

(Continued)

(l) Investment Property

		Land and improvement	Building and construction	Facilities	Total
Cost:					
Balance on December 31, 2018 (Balance on January 1, 2018)	$	139,922	111,777	86	251,785
Balance on December 31, 2017 (Balance on January 1, 2017)	$	139,922	111,777	86	251,785
Depreciation:					
Balance on January 1, 2018	$	-	5,973	71	6,044
Depreciation		-	2,487	-	2,487
Balance on December 31, 2018	$	-	8,460	71	8,531
Balance on 1 January 2017	$	-	3,486	71	3,557
Depreciation		-	2,487	-	2,487
Balance on December 31, 2017	$	-	5,973	71	6,044
Carrying amounts:					
Balance on December 31, 2018	$	139,922	103,317	15	243,254
Balance on January 1, 2017	$	139,922	108,291	15	248,228
Balance on December 31, 2017	$	139,922	105,804	15	245,741
Fair value:					
Balance on December 31, 2018					$ 310,407
Balance on December 31, 2017					$ 278,263

On July 12, 2016, the board of directors of the Company resolved to acquire the building in Beitou District, Taipei and West District, Taichung, for non-operating purpose and recognized them as investment property.

In November 2006, the board of directors of the Company resolved to purchase the building on Chiang Kai-Shek Road, Taichung, for self-use or lease purposes, with the lease commencing in 2007. As of December 31, 2018, the future receivable for the Company was as follows:

Term	Amount
2019.1.1~2019.10.31	$ 416

(Continued)

(i) The original recognition of investment property is measured at cost, and the subsequent measurement is also accounted for under cost model.

(ii) The depreciation is calculated by its depreciable amount after the original recognition of investment property, and market value is used as the fair value to asset its impairment.

(ii) The investment property is not pledged.

(m) Provisions

(i) The movement in the provisions with respect to warranties was as follows:

		2018	2017
Balance on January 1	$	30,844	32,080
Provisions made during the period		12,398	1,415
Provisions used during the period		(2,414)	(2,651)
Balance on December 31	**$**	**40,828**	**30,844**

(ii) The Company's warranty provision is estimated based on historical data of the construction contract. Most liabilities are expected to occur during the warranty period that is mentioned in the contract since completion of the construction.

(n) Employee benefits

(i) Defined benefit plans

The reconciliation in the present value of defined benefit obligations and fair value of plan assets were as follows:

		December 31, 2018	December 31, 2017
Present value of defined benefit obligation	$	27,532	26,914
Fair value of plan assets		(7,303)	(7,526)
Defined benefit obligations	**$**	**20,229**	**19,388**

The Company makes defined benefit plan contributions to the pension fund account in the Bank of Taiwan. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on the years of service and the average monthly salary for six months prior to retirement.

1) Composition of plan assets

The Company set aside pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to these funds, its minimum earnings in the annual distributions on the final financial statements shall not be less than the earnings from two-year time deposits with the interest rates offered by local banks.

(Continued)

The Company's labor pension reserve account balance in the Bank of Taiwan amounted to $7,303 as of December 31, 2018. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movement in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations for the Company were as follows:

		2018	2017
Balance, January 1	$	26,914	25,359
Service cost and interest for the period		437	349
Remeasurement of the net defined benefit liability (asset)			
－Actuarial loss arising from changes in demographic assumptions		-	1,675
－Actuarial loss (gain) arising from changes in financial assumptions		1,079	(1,044)
－Actuarial loss arising from changes in experience adjustments		814	575
Benefits paid by the plan		(1,712)	-
Balance, December 31	$	27,532	26,914

3) Movement in fair value of defined benefit plan assets

The movement in fair value of defined benefit plan assets for the Company were as follows:

		2018	2017
Balance, January 1	$	7,526	6,263
Contributions made		1,200	1,200
Interest revenue		132	94
Remeasurements of the net defined benefit liability		157	(31)
Benefits paid by the plan		(1,712)	-
Balance, December 31	$	7,303	7,526

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

		2018	2017
Net interest cost of net defined benefit liability(Operating expense)	$	305	255

(Continued)

5) Remeasurements of the net defined benefit liability recognized in other comprehensive income

The actuarial gains and losses are recognized in other comprehensive income for the Company were as follows:

	2018	2017
Actuarial loss arising from defined benefit obligation	$ 1,893	1,206
Actuarial loss (gain) arising from Fair value of plan assets	(157)	31
Actuarial loss recognized in the cunrrent period	$ 1,736	1,237

6) Actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation by the Company at the reporting date are as follows:

	December 31, 2018	December 31, 2017
Discount rate	1.375%	1.625%
Increases in future salary rate	3.00%	3.00%

The Company is expected to make a contribution payment of $1,200 to the defined benefit plans for the one year period after the reporting date.

The weighted – average duration of the defined benefit plans is 18.71 years.

7) Sensitivity analysis

	The impact on defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
Discount rate	$ (1,079)	1,130
Future salary increase (decrease)	1,095	(1,047)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There were no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

(ii) Defined contribution plans

The Company contribute an amount at the rates of 6% of their employee’s monthly wages to the Labor Pension personal account with the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company’s offshore subsidiaries contribute their pensions to their respective local social insurance agency in accordance with the provisions of their local acts. The Company’s contributions to the Bureau of the Labor Insurance or other local social insurance agency for the Company’s employee pension benefits require no further

(Continued)

additional payment of legal or constructive obligations.

For the years ended December 31, 2018 and 2017, the Company set aside $10,540 and $10,807, respectively, of the pension costs to the Bureau of Labor Insurance under the defined contribution plan.

(o) Taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable commencing 2018.

(i) Income tax expense

The amount of income tax expense for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Current income tax expense:			
Current period	$	107,533	60,306
Prior years income tax adjustment		(319)	159
		107,214	60,465
Deferred tax expense:			
Origination and reversal of temporary differences		62,509	28,950
Adjustment in tax rate		21,243	-
		83,752	28,950
Income tax expense	$	190,966	89,415

The amount of tax income expense (benefit) recognized in other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Items that will be reclassified subsequently to profit or loss:			
Foreign currency translation differences－foreign operations	$	(2,898)	(2,958)

(Continued)

Reconciliation of income tax expense (benefit) and income before tax were as follows:

	2018	2017
Profit before tax	$ 1,239,986	931,569
Tax rate according to the Company's location	$ 247,997	158,367
Adjustment in tax rate	21,243	-
Investments tax credits	(84,075)	(69,097)
10% surtax on undistributed earnings	5,682	154
Others	438	(168)
Prior years income tax adjustment	(319)	159
Total	**$ 190,966**	**89,415**

(ii) Deferred tax asset and liability

1) Recognized deferred tax asset and liabilities

Deferred tax asset:

	January 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2017	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2018
Warranty cost	$ 12,632	(4,362)	-	8,270	5,016	-	13,286
Estimated construction loss	1,127	(808)	-	319	360	-	679
Excessive provision of bad debt	1,246	-	-	1,246	852	-	2,098
Exchange of Unrealized Profits and Losses	-	581	-	581	41	-	622
Compensated absences	1,206	479	-	1,685	(222)	-	1,463
Foreign currency translation differences for foreign operations	-	-	1,082	1,082	-	2,898	3,980
	$ 16,211	**(4,110)**	**1,082**	**13,183**	**6,047**	**2,898**	**22,128**

Deferred tax liability:

	January 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2017	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2018
Gains on investment in foreign equity- accounted investee	$ 106,626	25,848	-	132,474	89,799	-	222,273
Foreign currency translation differences for foreign operations	1,876	-	(1,876)	-	-	-	-
Others	1,008	(1,008)	-	-	-	-	-
	$ 109,510	**24,840**	**(1,876)**	**132,474**	**89,799**	**-**	**222,273**

(iii) Income tax examination and approval

The income tax returns of the Company have been examined by the tax authorities through year 2016.

(Continued)

(p) Capital and other equity

(i) Issuance of common stock

As of December 31, 2018 and 2017, the authorized common stock was $720,000, while the issued common stock amounted to $542,028 and $471,529, respectively, with a par value of $10 per share.

The Company's board meeting on June 18, 2014 approved the issuance of restricted stock to employees, which are issued by batch, with a total shares of 1,200,000. The first batch of 480,000 shares had been issued at a total value of $4,800 in December 2014, with a par value of $10 per share, which had been approved by the Financial Supervisory Commission on January 12, 2015, with the record date of issuance on January 26, 2015. The Company filed an issuance of restricted stock to its employees on May 28, 2015 for 720,000 shares, with a total shares amounting to $7,200, at a par value of $10 per share, with the effective date of this issuance on June 12, 2015, at the record date of issuance on January 11, 2016.

On May 31, 2016, November 8, 2016, May 11, 2017, May 10, 2018 and November 9, 2018, the Company's board of directors approved to write off the restricted stock to employees of 28,000 shares, 71,000 shares, 84,000 shares, 4,000 shares and 19,000 shares, respectively, with the record date of capital reduction on June 8, 2016, November 15, 2016, June 1, 2017 and 2018, as well as November 12, 2018, respectively. The Company had finished the capital reduction registration.

On May 30, 2017, the company's stockholders' meeting approved the earnings distribution of stock dividends in the total amount of $70,729. The capital increase has been registered with and approved by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. The Company' s board of the directors resolved the date of the increase in capital to be July 3, 2018, and the registration procedures have been completed on August 2, 2018.

(ii) Capital surplus

The components of the capital surplus were as follows:

	December 31, 2018	December 31, 2017
From issuance of common stock	$ 946,809	919,074
Difference between the consideration and the carrying amount of subsidiaries acquired or disposed	72,098	72,098
Changes in ownership interest in subsidiaries	353,962	371,206
From insurance of restricted stocks for employees	20,370	49,720
	$ 1,393,239	**1,412,098**

(Continued)

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

According to the Company's articles of incorporation, 10% of the annual earnings, after offsetting any accumulated deficit and payment of income taxes due, if any, shall be set aside as a legal reserve. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside, and the remaining balance is partially reserved depending on the business environment, growth status, and long-term finance planning. After deducting the aforementioned partially reserve, the remaining balance, plus, any unappropriated earnings in previous years shall be used for distribution of stockholders' bonuses by the board of directors, depending on the capital status and economic development in the current year. Cash bonuses should not be less than 10% of the total stockholders' bonuses, and they will be recommended by the board of directors to be approved in the stockholders' meeting.

1) Legal reserve

In accordance with the Company Act, 10 percent of net income should be set aside after offsetting accumulated deficits, if any, as legal reserve, until it is equal to issued common stock. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the legal reserve, either by new shares or by cash of up to 25 percent of the paid-in capital.

2) Special reserve

In Accordance with Ruling No.1010012865 issued by the FSC on April 6, 2012, the difference between the total net reduction of other shareholders' equity and the carrying amount of special earnings reserve as stated above shall be reclassified as special earnings reserve during earnings distribution. Other prior accumulated debit balance of stockholders' equity was recognized as additional special reserve from prior undistributed earnings since distributions were prohibited. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

According to the Letter No.1010051600 issued by the FSC on November 21, 2012, the "Unearned employee benefit" arising from issuing restricted stock to employees is deemed as unrealized gains and losses, therefore, there is no need to set aside any special reserve.

As of December 31, 2018 and 2017, the Company's balance of special reserve were \$56,560 and \$44,052.

(Continued)

3) Earnings distribution

On May 30, 2018 and May 26, 2017, the meeting of the shareholders approved the distribution plan of retained earnings proposed by the Board of Directors. The information about dividends per share for 2017 and 2016 is as follows:

	2017		2016	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Dividends distributed to ordinary shareholders				
Cash	$ 13.00	612,986	8.00	377,895
Shares	1.50	70,729	-	-
Total	$ 14.50	683,715	8.00	377,895

4) Other equity interest (net of tax)

	Foreign currency translation differences for foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Investment in available-for-sale financial assets	Other Equity-Unearned employee benefit	Total
Balance, January1, 2018	$ (52,599)	-	(3,962)	(10,088)	(66,649)
Effects of retrospective application		(4,700)	3,962	-	(738)
Balance at January 1, 2018 after adjustments	(52,599)	(4,700)	-	(10,088)	(67,387)
Foreign currency translation differences (net of tax)	(10,638)		-	-	(10,638)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(873)	-	-	(873)
Unearned employee benefit	-	-	-	9,312	9,312
Balance, December 31, 2018	$ (63,237)	(5,573)	-	(776)	(69,586)
Balance, January1, 2017	$ (38,155)	-	(5,898)	(34,798)	(78,851)
Foreign currency translation differences (net of tax)	(14,444)	-	-	-	(14,444)
Unrealized gains(losses) on available-for-sale financial assets	-	-	1,936	-	1,936
Unearned employee benefit	-	-	-	24,710	24,710
Balance, December 31, 2017	$ (52,599)	-	(3,962)	(10,088)	(66,649)

(Continued)

(q) Share-based payment

The Company's shareholders' meeting on June 18, 2014 approved the issuance of restricted stock to employees, with a total shares amounting to 1,200,000, and issued by batch. The first batch amounting to 480,000 shares has been issued and its total value amounted to $4,800 in December 2014, with a par value $10, approbated by the Financial Supervisory Commission, effective on January 12, 2015. The record date of issuance of restricted stock to employees resolved by the Board of Directors was January 26, 2015. The Company filed an issuance of restricted stock to employees on May 28, 2015 for 720,000 shares, with a total shares amounting to $7,200 and a par value $10. The effective date of this issuance is June 12, 2015. The record date of issuance of restricted stock to employees resolved by the Board of Directors was January 11, 2016.

Employees with restricted stock awards are entitled to purchase the Company's shares without charge, provided that these employees continue to work for the Company for another three years, upon reaching their goals of financial performance. 20%, 30% and 50% of the restricted shares are vested in year 1, 2 and 3, respectively, when the above conditions are met. The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. These shares are entitled to the right as the holders of common shares once issued, except for those shares kept by a trust or shares that do not meet the vesting condition. If the shares remain unvested after the vesting period, the Company will repurchase all the unvested shares at the issuance price, and cancel the shares thereafter.

The relevant information of restricted stock to employee is as follows:

Unit: In thousand shares	**2018**	**2017**
Balance, beginning of the period	703	1,011
Vested	(389)	(224)
Forfeited	(23)	(84)
Balance, end of the period	**291**	**703**

The Company has two share-based payment trade as of December 31, 2018：

	Equity-settled Restricted stock to employee	**Equity-settled Restricted stock to employee**
Grant date	2016.1.11	2015.1.26
Grant (Unit：In thousand shares)	720	480
Contractual life	2016.1.11~2019.1.11	2015.1.26~2018.1.26
Object of grant	The Company's employees who have formal employment relationship with the Company and serve as supervisors or above managerial level related to business operation	The Company's employees who have formal employment relationship with the Company and serve as supervisors or above managerial level related to business operation
Vesting conditions	Note 1	Note 1

(Continued)

Note1: A restricted stock is vested when the Company's financial performance is rendered and employees' service years are met.

1) The Company's financial performance is measured by the sum of operating revenue and profit before tax, less, share of gain of subsidiaries accounted for using equity method (gain on long-term investment) when it reaches the goal set by the Company in the following three years after the issuance.

2) Employees who are granted with restricted stock and serve in the Company before the vested period matures, and who do not violate against the labor contract or working rules, will be granted with restricted stock based on the following schedule and granted portion:

Year/Goal	Granted Service Years	Granted Percentage when Goals Reached
First year	1 year	20%
Second year	2 years	30%
Third year	3 years	50%

(i) The Company used the Black-Scholes options pricing model to measure the fair value of the share-based payment at grant date, and the main inputs to the pricing model were as follows:

	2018	**2017**
	Restricted stock to employee	**Restricted stock to employee**
Fair value at grant date	61.5 & 74.1	61.5 & 74.1
Stock price at grant date	82.5 & 80	82.5 & 80
Exercise price	-	-
Expected price volatility (%)	29.02% & 0.46%	29.02% & 0.46%
Life of option (year)	3	3
Expected price volatility (%)	9.76% & 2.52%	9.76% & 2.52%
Risk-free rate (%)	1.21% & 1.13%	1.21% & 1.13%

Expected price volatility is based on the weighted average of historical volatility, and it is adjusted when there is additional market information about the volatility. Life of option is determined by the Company's regulation regarding the issuance of restricted stock. Expected divided yield rate is determined based on the annual cash dividend yield rate measured by weighted stock index. Risk-free rate is determined based on rate of time deposits. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

(Continued)

(ii) Relevant information on restricted stock to employee:

Information on restricted stock to employee was as follows:

(Expressed in thousand unit)	2018 Weighted-Average Exercise Price	2018 Number of Exercisable Shares	2017 Weighted-Average Exercise Price	2017 Number of Exercisable Shares
Balance, beginning of the period	$ -	703	-	1,011
Forfeited	-	(389)	-	(224)
Exercised	-	(23)	-	(84)
Balance, end of the period		**291**		**703**

	December 31, 2018	December 31, 2017
Weighted-average remaining contractual life	0.03	0.07~1.03

(iii) Expenses and liabilities resulting from share-based payments

The Company incurred expenses from shares-based payments transactions as follows:

	2018	2017
Expenses resulting from issuance of restricted stock to employees	$ 7,467	17,885

(r) Earnings per share ("EPS")

	2018	2017
Profit attributable to common shareholders	$ 1,049,020	842,154
Weighted average number of common shares (In thousand shares)	53,751	53,430
Basic Earnings per share (In New Taiwan Dollars)	$ 19.52	15.76
Profit attributable to common shareholders	$ 1,049,020	842,154
Weighted average number of common shares (In thousand shares)	53,751	53,430
Add: effect on dilutive potential common stock		
Employee bonuses (In thousand shares)	526	326
Restricted stock to employees (In thousand shares)	1,005	967
Diluted weighted average number of common shares (In thousand shares)	55,282	54,723
Diluted Earnings per share (In New Taiwan Dollars)	$ 18.98	15.39

(Continued)

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

		2018
Primary geographical markets		
Taiwan	**$**	**4,234,865**
Major products		
Cleanroom electromechanical integration engineering	$	3,018,367
Biomedical integration engineering		843,081
Consumer industry electromechanical integration engineering		363,492
High-tech equipment and materials sales and services		9,925
	$	**4,234,865**

For details of revenue for the year ended December 31, 2017, please refer to note 6 (g) and (t).

(ii) Contract balances

		December 31, 2018	January 1, 2018
Accounts receivable(including related parties)	$	659,816	793,764
Less: allowance for impairment		(10,371)	(3,228)
	$	**649,445**	**790,536**
Contract assets-Construction and equipment	$	492,538	655,450
Less: allowance for impairment		-	-
	$	**492,538**	**655,450**
Contract liabilities-Construction and equipment	**$**	**524,744**	**227,635**

For details on accounts receivable and allowance for impairment, please refer to note 6 (e).

For details on construction contracts as of December 31, 2017, please refer to note 6 (g).

The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract liability balance at the beginning of the period was $209,737.

The contract assets primarily relate to the Company had recognized contract revenue but yet to issue bill on reporting date. The contract assets are transferred to receivables when the rights to consideration become unconditional.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no major changes in 2018.

(iii) Transaction price allocated to the remaining performance obligations

As of December 31, 2018, the aggregated amount of the transaction price from construction contracts allocated to the remaining performance obligation from construction contract was

(Continued)

$2,263,729. The Company will recognize revenue gradually over time by the stage of completion of building and expected to recognize in the next 36 months.

If the contract of construction has an original expected duration of less than one year, the Company shall apply the practical expedient of IFRS 15 and shall not disclose the information about the transaction price allocated to the remaining performance obligations of the contract.

All consideration from contracts with customers are included in the transaction price disclosed above.

(t) Revenue

The details of revenue for the year ended December 31, 2017 was as follows:

		2017
Contract revenue	$	3,854,220
Other operating revenue		12,016
	$	3,866,236

For details of revenue for the year ended December 31, 2018, please refer to note 6 (s).

(u) Remuneration to employees and directors

The Company's articles of incorporation require that earnings shall first be offset against any deficit, then, a minimum of 3% shall be distributed as employee remuneration, and a maximum of 5% as remuneration to directors and supervisors.

For the years ended December 31, 2018 and 2017, the Company estimated its employee remuneration amounting to $81,757 and $61,369, and its directors' and supervisors' remuneration amounting to $40,879 and $30,685, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were recognized under operating costs or operating expenses during 2018 and 2017. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2018 and 2017.

(v) Non-operating income and expenses

(i) Other revenue

		2018	2017
Interest income	$	5,215	4,036
Rental income		990	967
Others		22,248	18,968
	$	28,453	23,971

(Continued)

(ii) Other income and losses

	2018	2017
Exchange gain (loss) on foreign currency	$ 6,440	(10,056)
Gain (Loss) on disposals of property, plant and equipment	(130)	-
Gain (Loss) on disposal of investment	-	1,531
Net (loss) gain on financial assets measured at fair value through profit and loss	(3,336)	-
Others	-	2,930
	$ 2,974	(5,595)

(w) Reclassification adjustments of components of other comprehensive income

	2018	2017
Available-for-sale financial assets		
Net change in fair value	$ -	1,936
Equity instruments at fair value through other comprehensive income	-	-
Net change in fair value	(873)	-
Net change in fair value recognized in other comprehensive income	$ (873)	1,936

(x) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the Company's maximum credit exposure.

2) Concentration of credit risk

As of December 31, 2018 and 2017, the accounts receivable (including related parties) from the Company's top four and five customers representing 56% and 60% of the accounts receivable, respectively, which exposes the Company to credit risk.

3) Receivables

For credit risk exposure of note and trade receivables, please refer to note 6 (e).

Other financial assets at amortized cost include other receivables and other financial assets. For the details on other receivables and loss allowance on December 31, 2017, please refer to note 6 (f).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses.

(Continued)

Regarding how the financial instruments are considered to have low credit risk, please refer to note 4 (f). There is no loss allowance provision recognized for the year of 2018.

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payment and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5years	More than 5 years
December 31, 2018						
Non-derivative financial liabilities						
Notes payable	$ 2,950	2,950	2,950	-	-	-
Accounts payable (including related parties) and other accrued expenses	858,300	858,300	838,997	16,316	2,975	12
	$ 861,250	**861,250**	**841,947**	**16,316**	**2,975**	**12**

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5years	More than 5 years
December 31, 2017						
Non-derivative financial liabilities						
Notes payable	$ 2,098	2,098	2,098	-	-	-
Accounts payable (including related parties) and other accrued expenses	834,390	834,390	808,782	22,382	3,209	17
	$ 836,488	**836,488**	**810,880**	**22,382**	**3,209**	**17**

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to currency risk

The Company's significant exposures to foreign currency risk were as follows:

	December 31, 2018			December 31, 2017		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 1,930	30.802	59,448	3,617	29.848	107,960
CNY	5	4.4862	22	4,820	4.5835	22,093
Financial liabilities						
Monetary items						
USD	8	30.802	246	2	29.848	54
CNY	-	4.4862	-	3,496	4.5835	16,025

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, financial assets at fair value through profit and loss (available-for-sale financial assets), loans, accounts payable and other payables that are denominated in foreign currency. A 1% of appreciation or depreciation of the TWD

(Continued)

against the USD and CNY as of December 31, 2018 and 2017 would have increased or decreased the before-tax net income by $592 and $1,140, respectively. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses of monetary items

The exchange gains and losses of monetary items (including both realized and unrealized) of the Company were as follow:

	2018		2017	
	Exchange gains and losses	**Average exchange Rate**	**Exchange gains and losses**	**Average exchange Rate**
CNY	$ 4,629	4.5591	(647)	4.5052
USD	1,810	30.163	(9,408)	30.4425
JPY	1	0.2732	(1)	0.2714
IDR	(1)	0.002119	-	0.002275
MYR	1	7.4747	-	7.0817
	$ 6,440		(10,056)	

(iv) Other market price risk

For the years ended December 31, 2018 and 2017, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	For the years ended December 31,			
	2018		2017	
Prices of securities at the reporting date	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increasing 3%	$ 95	4,911	2,427	-
Decreasing 3%	$ (95)	(4,911)	(2,427)	-

(v) Fair value of financial instruments

1) The kinds of financial instruments and fair value

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income (available-for sale financial assets) is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

	December 31, 2018				
		Fair Value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	163,697	163,697	-	-	163,697
Financial assets at fair value through other comprehensive income					
Emerging stock	3,177	3,177	-	-	3,177

(Continued)

	December 31, 2018				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	1,235,082	-	-	-	-
Contract assets	492,538	-	-	-	-
Notes receivable	60,964	-	-	-	-
Accounts receivable	617,721	-	-	-	-
Accounts receivable to the related parties	31,724	-	-	-	-
Other receivables	1,296	-	-	-	-
Other receivables to the related parties	24,549	-	-	-	-
Other current financial assets	289,424	-	-	-	-
Total	$ 2,920,172	166,874	-	-	166,874
Financial liabilities at amortized cost					
Notes payable	$ 2,950	-	-	-	-
Accounts payable	834,955	-	-	-	-
Accounts payable to related parties	1,209	-	-	-	-
Other accrued expenses	22,136	-	-	-	-
Total	$ 861,250	-	-	-	-

	December 31, 2017				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets - current	76,837	76,837	-	-	76,837
Available-for-sale financial assets - noncurrent	4,050	4,050	-	-	4,050
Financial asset at cost (recognized as other non-current assets)	45	-	-	-	-
Loans and receivables					
Cash and cash equivalents	883,359	-	-	-	-
Notes receivable	32,541	-	-	-	-
Accounts receivable	741,812	-	-	-	-
Accounts receivable to related parties	48,724	-	-	-	-
Other receivables	74,094	-	-	-	-
Other receivables to related parties	19,609	-	-	-	-
Other accrued expenses	5,050	-	-	-	-
Total	$ 1,886,121	80,887	-	-	80,887
Financial liabilities at amortized cost					
Notes payable	$ 2,098	-	-	-	-
Accounts payable	794,789	-	-	-	-
Accounts payable to related parties	16,405	-	-	-	-
Other accrued expenses	23,196	-	-	-	-
Total	$ 836,488	-	-	-	-

(Continued)

2) Fair value valuation technique of financial instruments measured at fair value

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or regulators and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high bid-ask spreads is an indication of non-active market.

The Company's financial instruments are classified by their category, and the attributes of their fair value are as follows if such financial instruments are traded in active markets: beneficiary securities－open-end fund and emerging stock, whose fair value was determined based on market quoted prices.

There were no transfers from one level to another for the year ended December 31, 2018 and 2017.

(y) Financial risk management

(i) Overview

The Company is exposed to the following risks due to its use in financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note discloses the exposure risk information, and the Company's objectives, policies and procedures of measuring and managing risks. For more quantitative disclosure information, please refer to notes of the financial statements.

(ii) Risk management framework

The Company's finance department provides business services for the overall internal department. It coordinates the domestic and international financial market operations, as well as supervises and manages financial risks related to the Company's operation based on internal risk report about exposure to risk, with the analysis of the extent and width of risk. Operation of derivative financial instruments is subject to the policy approved by the Board of Directors, which is documented based on exchange rate risk, interest risk, credit risk, operation of derivative and non-derivative financial instruments, and investment in the remaining current capital. The internal auditors of the Company continue with the review of the compliance with the policy and the extent of the exposure to risk. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(Continued)

The Company's audit committee oversees how management supervision is in compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by the Company. The internal auditors assist the Company's audit committee in oversight, maintain control on risk management and procedures of both regular and exceptional reviews, and report the review results to the audit committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations that arise principally from the Company's accounts receivable, investments in securities and financial guarantees.

1) Accounts receivable

The Company goes through the process of credit assessment on the trading parties pertaining to company size, industry perspective and general impression from the same industry before transaction begins. The engineering department also conducts an on-site interview, and the finance department will check to financial institutions for any abnormal dishonored check. The engineering department also establishes credit lines for each client, and updates the credit lines on a timely basis to reduce the transaction risk. The Company follows every uncollected receivable monthly. The administrative and the engineering department are responsible for gaining understandings about the overdue receivables and their anticipated date of collection, gaining understandings about clients' financial position, negotiations with the clients or demanding pledges or installment payment.

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and open-end fund investments are measured and monitored by the Company's finance department. Since, the Company deals with banks and other external parties with good credit standing, the Company believes that there is no significant impact on credit risk.

3) Guarantee

The Company's policy stated that financial guarantee may be rendered to subsidiaries and trading parties running construction business.

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows.

(v) Market risk

Market risk is a risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the US Dollars (USD) and Chinese Yuan (CNY) as well.

2) Other market price risk

The Company is exposed to equity price risk due to the investments in equity securities. This is a strategic investment and is not held for trading. The Company does not actively trade in these investments as the management of the Company minimizes the risk by holding different investment portfolios. The Company assigned a specific team to supervise and assess the equity price risk so as to avoid or minimize the risk from the hedging position.

(z) Capital management

The Company meets its objectives for managing capital to safeguard the capacity to continue to operate and provide a return on its shareholders; also, to benefit other related parties, as well as to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares or sell assets to settle any liabilities.

The Company and other entities in the similar industry use the debt-to-equity ratio to manage capital. This ratio uses the total net debt to be divided by the total capital. The net debt from the balance sheet is derived from the total liabilities, less, cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings and other equity, plus, net debt.

The Company's debt to capital ratios at the balance sheet date were as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 2,032,911	1,617,712
Less: cash and cash equivalents	(1,235,082)	(883,359)
Net debt	797,829	734,353
Total equity	4,349,126	3,874,293
Total capital	**$ 5,146,955**	**4,608,646**
Debt to capital ratio	**15.50%**	**15.93%**

The management believes that there were no changes in the Company's approach to capital management for the year ended December 31, 2018.

(aa) Investing and financing activities not affecting current cash flow

The Company's financing activities which did not affect the current cash flow in the years ended December 31, 2018, was as follows:

(Continued)

			Non-cash changes		
	January 1,2018	**Cash flows**	**Foreign exchange movement**	**Fair value changes**	**December 31,2018**
Guarantee deposits	$ 314	(230)	-	-	84
Total liabilities from financing activities	**$ 314**	**(230)**	**-**	**-**	**8**

(7) Related-party transactions:

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the financial statements and its subsidiaries.

Name of related party	**Relationship with the Company**
Nova Technology Corp. (Nova Tech)	The Subsidiary
HerSuo Engineering Co., Ltd. (HerSuo)	The Subsidiary
Enrich Tech Co., Ltd. (Enrich Tech)	The Subsidiary
Winmega Technology Corp. (Winmega)	The Subsidiary
Suzhou Winmax Technology Corp. (Suzhou Winmax)	The Subsidiary
Novatech Engineering & Construction Pte., Ltd. (NTEC)	The Subsidiary
Sheng Huei International Co., Ltd. (Sheng Huei International)	The Subsidiary
Acter International Ltd.(Acter International)	The Subsidiary
Nova Technology Singapore Pte., Ltd.(NTS)	The Subsidiary
Nova Technology Malaysia Sdn. Bhd. (NTM)	The Subsidiary
PT. Novamex Indonesia. (NMI)	The Subsidiary
Acter Engineering Co., Ltd. (Acter Engineering)	The Subsidiary
New Point Group Ltd.(New Point)	The Subsidiary
Winmax Technology Corp. (Winmax)	The Subsidiary
Sheng Huei Engineering Technology Co., Ltd. (Sheng Huei Engineering)	The Subsidiary
Sheng Huei (Suzhou) Engineering Co., Ltd. (Sheng Huei Suzhou)	The Subsidiary
Sheng Huei (Shenzhen) Engineering Co., Ltd. (Sheng Huei Shenzhen)	The Subsidiary
Shenzhen Ding –Mao Trade Co., Ltd. (Shenzhen Ding –Mao)	The Subsidiary
Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd. (Fuyu)	The Subsidiary
Johnwell Ent Co.,Ltd.	The key management personnel of the parent company's directors

(Continued)

(b) Other related party transactions

(i) Construction revenue, related assets and liabilities:

1) Revenue and accounts receivable to the related parties

The amounts of significant sale transactions and outstanding receivable between the Company and its related parties were as follows:

	Revenue		Receivable to Related Parties	
	2018	**2017**	**December 31, 2018**	**December 31, 2017**
Subsidiaries	$ 229,297	54,129	31,724	48,724

2) Contract assets and liabilities

	December 31, 2018	
	Contract assets	**Contract liabilities**
Subsidiaries	$ -	9,915

3) Construction contracts receivable and payable

The balance of accounts receivable resulting from transaction with related parties were as follows:

	December 31, 2017
Accumulated construction costs incurred (including contract costs that relate to future activity)	$ 43,247
Add: Accumulated construction profit and losses	(330)
	42,917
Less: Progress billings	(66,697)
Net receivables (payables) of construction contracts	$ (23,780)
Construction contracts payable presented as a liability	$ (23,780)

There were no differences in the purchase price and terms of payments offered to related parties and those of third-party vendors.

(ii) Construction cost and related liabilities

The amounts of significant purchase transactions and outstanding payables for goods and equipment between the Company and its related parties were as follows:

(Continued)

	Construction cost		Payables to Related Parties	
	2018	**2017**	**December 31, 2018**	**December 31, 2017**
Subsidiaries	$ 8,377	71,984	812	16,024
Entity under the key management's control	1,228	1,475	397	381
	$ 9,605	73,459	1,209	16,405

(iii) Load to related parties:

The amounts of the Company loan to related parties and recognized as other receivable to the related parties were as follows:

	December 31, 2017	
	Highest balance of loan	**Balance of loan**
Subsidiaries	$ 61,260	16,405

For the year ended December 31, 2017, the Company recognized interest income from loan to related parties amounting to $696 under interest rate 2.56 %, which was recognized as other receivable to related parties. As of December 31, 2017, the other receivable to related parties has been collected.

(iv) Collections and payment transfer:

For the year ended December 31, 2017, the Company collected construction progress billing on the behalf of subsidiaries amounting to $104,472 which was recognized as other payable to related parties.

For the years ended December 31, 2018 and 2017, the Company paid the expenses on the behalf of subsidiaries amounting to $0 and $320, which were recognized as other receivable to related parties. As of December 31, 2018 and 2017, the balance of other receivable to related parties amounting to $326 and $320.

The Company paid on the behalf of subsidiary amounting to $7,330 after measured the probable of being recovered and recognized the allowance for impairment in December 2015. The Company wrote off the other receivable to related parties and allowance for impairment in February 2017.

(v) Endorsements to the related parties:

For the years ended December 31, 2018 and 2017, the Company provide credit loan, Stand by L/C, Bank guarantee letter and promissory note for engaging in bank guarantee loan and construction fulfillment amounting to $3,517,634 and $2,271,505, respectively.

For the years ended December 31, 2018 and 2017, the Company charged interest expenses to related parties from endorsements amounting to $18 and $1,233, which were recognized as other receivable

(Continued)

to related parties. As of December 31, 2018 and 2017, the balance of other receivable to related parties amounting to $233 and $1,233.

For the years ended December 31, 2018 and 2017, the Company's subsidiaries acquired bank loan credit from abovementioned bank guarantee loan amounting to $2,347,289 and $1,403,600 and actual usage amounting to $ 159,119 and 352,172, respectively.

(v) Guarantees from the related parties:

For the years ended December 31, 2018 and 2017, the subsidiaries provided guarantees to the Company for fulfillment and warranty guarantee for engaging in construction contracts amounting to $364,934 and $407,604, respectively.

(vi) Others:

For the years ended December 31, 2018 and 2017, the Company estimated its directors' and supervisors' remuneration from subsidiaries amounting to $23,990 and $18,057, which were recognized as other receivable to related parties. As of December 31, 2018 and 2017, the balance of other receivable to related parties amounting to $23,990 and $18,057, respectively.

(c) Key management personnel compensation

		2018	2017
Short-term employee benefits	$	93,869	64,449
Post-employment benefits		542	309
Share based payments		5,122	8,228
	$	**99,533**	**71,986**

For details of the related share based payments, please refer to Note 6 (q).

(8) Pledged assets: None.

(9) Significant commitments and contingencies:

Significant commitments and contingencies for the Company as of December 31, 2018, and 2017 were as follows:

(a) Fulfillment and warranty guarantee (excluding related parties) for engaging in construction contracts amounted to $463,800 and $512,274, respectively.

(b) The amounts pledged to the bank for engaging in construction contracts amounted to $607,229 and $283,879, respectively.

(c) For already-signed but not-yet-finished significant construction contracts, please refer to note 6 (g) and (s).

(d) The Company has signed a construction contract with Walsin Technology Corporation (Walsin) in December, 2010. Walsin claimed that the Company did not perform the construction according to the contract, and therefore, filed a lawsuit to the Taipei District Court, claiming a compensation amounting to $42,189. The civil judgment of the first instance during December, 2015 has been pronounced by the Taipei District Court, requiring the Company to pay the amount of $14,666 to Walsin, which had been fully recognized as loss by the Company in 2015. The Company appealed to the Taiwan High Court and sent identification data to the Architecture Construction. As of December 31, 2018, the compensation of $8,376 has been recognized as other current liabilities and accrued expenses.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

(a) The employee benefits, depreciation and amortization expenses categorized by function were as follows:

By item	2018			2017		
	Operating costs	**Operating expense**	**Total**	**Operating costs**	**Operating expense**	**Total**
Employee benefit						
Salary	320,014	78,441	398,455	296,065	75,703	371,768
Labor, health and social insurance	14,542	6,911	21,453	15,438	5,702	21,140
Pension	8,817	2,028	10,845	9,262	1,800	11,062
Remuneration of directors	-	44,743	44,743	-	33,806	33,806
Other	6,637	6,215	12,852	7,516	6,416	13,932
Depreciation	-	5,229	5,229	10	4,690	4,700
Amortization	-	2,735	2,735	-	1,952	1,952

Note: Depreciation for investment property for the year ended December 31, 2018 and 2017 was $2,487, respectively, and was recorded in non-operating expense.

In 2018 and 2017, the Company had 268 and 277 employees, of which 6 directors were not in concurrent employment, respectively.

(13) Segment information:

For the related information, please refer to consolidated financial statements for the year ended December 31, 2018.

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Statement of Cash and Cash Equivalents

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash	Cash in hand	$ 80
	Foreign Currency cash in hand (USD1.219 thousands x 30.802 MYR0.501 thousands x 7.3751 RMB2.711 thousands x 4.4862 JPY99 thousands x 0.2777)	81
Bank deposit	Demand deposit	270,550
	Note deposit	616
	Foreign currency deposits (USD4.5835 thousands x 30.802 RMB3 thousands x 2,078 IDR9,952 thousands x 0.002112)	53,268
	Time deposit	910,487
		$ 1,235,082

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

Statement of Financial Assets Measured at Fair Value through Profit or Loss - Current

December 31, 2018

(In Thousands of New Taiwan Dollars)

				Fair value	
Name of financial instrument	**Description**	**Shares or units**	**Acquisition cost**	**Unit price (in dollars)**	**Total amount**
Jih Sun Asian High Yield Bond	Asian High Yield Bond	1,182	15,000	11.963	14,139
Jih Sun China High Yield Bond	CNY High Yield Bond	577	6,000	10.536	6,081
Shin Kong US Harvest Balanced-TWD- A	USD Balanced Fund	296	3,009	9.59	2,843
JPMorgan Global Corporate Bond Fund-USD-A- Accumulate	Corporate Bond Fund	12	6,165	16.72	6,160
Taishin Asia-Australia High Yield Bond Fund	Asia-Australia High Yield Bond Fund	497	6,000	11.7988	5,869
Nomura Global Short Duration Bond Fund	Asian High Yield Bond	586	6,000	10.1791	5,964
Eastspring Global High Yield Bond Fund-A	Global High Yield Bond	490	6,000	11.7023	5,739
PineBridge Preferred Securities Income Fund	Preferred Securities Income Fund	781	8,000	9.65	7,539
Allianz Global Investors All Seasons Harvest Fund of Bond Funds-A	Fund of Bond Funds-TWD	799	10,000	11.9533	9,556
Nomura EMD & High Yield Bond Portfolio Accumulate	Emerging Market High Yield Bond	832	10,000	11.3278	9,424
Franklin Templeton Sinoam Money Market Fund	Money Market Fund	4,866	50,000	10.3209	50,217
Allianz Global Investors Taiwan Money Market Fund	Money Market Fund	1,605	20,000	12.5115	20,083
Jih Sun Money Market Fund	Money Market Fund	1,358	20,000	14.7935	20,083
Total			166,174		**163,697**
Less: Adjustments at fair value			(2,477)		
			$ 163,697		

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

Statement of Notes Receivable
December 31, 2018
(In Thousands of New Taiwan Dollars)

Client Name		Amount
A company	$	30,966
B company		9,754
C company		7,711
D company		3,411
Others((Each amount is less than 5% of notes receivable)		9,122
	$	**60,964**

Statement of Account Receivable

Client Name		金額
A company	$	152,297
B company		113,765
C company		67,755
D company		36,015
Others((Each amount is less than 5% of account receivable)		258,260
		628,092
Less: Allowance for impairment		(10,371)
	$	**617,721**

Statement of Contract Assets and Liabilities

"Statement of Contract Assets and Liabilities", Please refer to Note 6(s).

ACTER CO., LTD. AND SUBSIDIARIES
Notes to the Parent-Company-Only Financial Statements

Statement of Other Current Financial Assets
December 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount
Contract refundable deposit	$ 19,338
Restricted assets-current	269,974
Others((Each amount is less than 5% of other current financial assets)	112
	$ 289,424

Statement of Other Current Assets

Item	Amount
Project advance payments	$ 12,615
Payments for others	6,188
Temporary payments	6,841
Others((Each amount is less than 5% of other current assets)	1,481
	$ 27,125

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

Statement of Changes in Financial Assets Measured at Fair Value through Other Comprehensive income - Non-current

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Name of financial instrument	Beginning Balance		Addition(decrease)		Others(Note 1)		Ending Balance		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	
Holy Stone Healthcare Co., Ltd.	250	$ 4,050	-	-	-	(873)	250	3,177	None

Note 1: The others are the unrealized gains (losses) from financial assets measured at fair value through other comprehensive income.

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

Statement of Changes in Investments Accounted for Using the Equity Method
For the year ended December 31, 2018
(In Thousands of New Taiwan Dollars)

	Beginning Balance		Addition(decrease)						Ending Balance				Collateral
Name of investee	Shares	Amount	Shares	Amount	Gains (losses) on investment	Exchange differences in transaction foreign financial statements	Cash dividends	Others (Note1)	Shares	Amount	Percentage of owner ship	Net Assets value	
Nova Technology Corp. (Nova Tech)	21,098	$ 1,242,234	-	-	348,152	(8,870)	(210,982)	63,339	21,098	1,433,873	62.19	1,433,873	None
HerSuo Engineering Co., Ltd. (HerSuo)	10,000	213,612	-	-	54,374	-	(38,236)	(1,518)	10,000	228,232	100.00	228,232	None
Sheng Huei International Co., Ltd.	4,205	940,132	-	-	332,911	(2,861)	-	(19,188)	4,205	1,250,994	100.00	1,250,994	None
Nova Technology Singapore Pte., Ltd.	2,700	46,405	(2,700)	(43,794)	(806)	(1,805)	-	-	-	-		-	None
Enrich Tech Co., Ltd. (Enrich Tech)	3,600	59,742	2,094	26,052	17,851	-	(7,200)	196	5,694	96,641	56.94	96,641	None
		$ 2,502,125		(17,742)	752,482	(13,536)	(256,418)	42,829		3,009,740			

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

Statement of Changes in Property, Plant and Equipment

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

"Statement of in Property, Plant and Equipment", Please refer to Note 6(k).

Statement of Changes in Accumulated Depreciation of Property, Plant and Equipment

"Statement of Changes in Accumulated Depreciation of Property, Plant and Equipment", Please refer to Note 6(k).

Statement of Change in Investment Property

"Statement of Statement of Change in Investment Property", Please refer to Note 6(l).

Statement of Changes in Accumulated Depreciation of Investment Property

"Statement of Changes in Accumulated Depreciation of Investment Property", Please refer to Note 6(l).

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

Statement of Deferred Tax Assets

December 31, 2018

(In Thousands of New Taiwan Dollars)

“Statement of Deferred Tax Assets”, Please refer to Note 6(l).

Statement of Other Non-current Assets

Item	Amount
Computer software	$ 3,756
Refundable deposit	3,800
The other non-current financial assets	45
	$ 7,601

Statement of Notes Payable

Vendor Name	Amount
A company	$ 1,611
B company	600
Others (Each amount is less than half million)	739
	$ 2,950

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

Statement of Trade Payables

December 31, 2018

(In Thousands of New Taiwan Dollars)

Vendor Name		Amount
A company	$	45,358
B company		34,155
C company		25,222
Others (Each amount is less than 3% of account payable)		730,220
	$	834,955

Statement of Accrued Expenses and Other Current Liabilities

Item		Amount
Employee remuneration payable	$	98,177
Directors remuneration payable		40,879
Accrued expenses		13,760
Value-Added tax payable		9,894
Other payable-others		8,376
Others (Each amount is less than 5% of accrued expenses and other current liabilities)		1,497
	$	172,583

Statement of Deferred Tax Liabilities

“Statement of Deferred Tax Liabilities”, Please refer to Note 6(o).

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

Statement of Operating Revenue

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount
Construction revenue	$ 4,223,537
Maintenance revenue	1,403
Labor service revenue	9,925
	$ 4,234,865

Statement of Operating Cost

Item		Amount
Construction cost		
Construction outsourcing		$ 1,947,162
Raw material and equipment		1,186,896
Direct labor salary		340,024
Direct expenses		79,736
Maintenance cost		1,260
		3,555,078
Labor cost		9,716
Operation cost		**$ 3,564,794**

ACTER CO., LTD. AND SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

Statement of Operating Expenses
For the year ended December 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Selling Expenses	Administrative Expenses
Salary and wages expenses	$ 10,995	67,446
Directors remuneration	-	44,743
Entertainment expenses	3,572	5,337
Rent expenses	1,374	11,900
Others (Each amount is less than 5% of operating expenses)	6,533	54,950
	$ 22,474	184,376

Statement of the Net Other Income

"Statement of the Net Other Income", Please refer to Note 6(v).

Statement of the Net Other Gains and Losses

"Statement of the Net Other Gains and Losses", Please refer to Note 6(v).

Acter Co., Ltd.

Chairman: Chin-Li Liang

Printed on March 31, 2019