

**Chenfull International Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2019 and 2018 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The board of directors and Shareholders
Chenfull International Co., Ltd.

Introduction

We have reviewed the accompanying consolidated financial statements of Chenfull International Co., Ltd. and its subsidiaries (the "Company") as of September 30, 2019 and 2018 the consolidated statement of comprehensive income, changes in equity and cash flows for the three-month period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting," endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No.65 "Review of Financial Information Performed by the Independent Auditor of the Entity" with the exception of the matter described in the following paragraph. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for conclusion

We draw attention to Note 11 to the financial report, which lists subsidiaries included in the consolidated financial statements without our reviewed. Total assets are 785,266 thousand dollars and 810,870 thousand dollars by 15.11% and 16.05% of consolidated total assets on September 30, 2019 and 2018. Total liabilities are 175,418 thousand dollars and 140,474 thousand dollars by 9.33% and 8.17% of consolidated total liabilities on September 30, 2019 and 2018. Comprehensive income are 9,651 thousand and 9,548 thousand dollars by 19.20% and 14.23% of consolidated comprehensive income for the three months ended September 30,2019 and 2018. Comprehensive income are 26,667 thousand dollars and 34,196 thousand dollars by 12.18% and 14.32% of consolidated comprehensive income for the nine months ended September 30,2019 and 2018.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Company as of September 30, 2019 and 2018, its consolidated financial performance for the three months ended September 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2019 and 2018 in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting," endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Lin, Yi Hui and Chen, Hui Min.

Deloitte and Touche

Chenfull International Co., Ltd. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2019 (Reviewed)	December 31, 2018 (Audited)	September 30, 2018 (Reviewed)
CURRENT ASSETS			
Cash and cash equivalents	\$ 547,880	\$ 557,425	\$ 400,224
Financial assets at fair value through profit or loss - current	76,453	101,498	329,967
Contract assets - current	532,457	590,550	488,722
Notes receivable	40,677	15,256	23,960
Trade receivables	552,317	663,181	480,542
Other receivables	34,144	851	14,165
Current tax assets	-	-	5,432
Inventories	778,708	794,894	768,764
Prepayments	45,601	46,749	80,617
Other financial assets - current	58,071	34,152	15,045
Other current assets	<u>7,303</u>	<u>7,086</u>	<u>7,302</u>
Total current assets	<u>2,673,611</u>	<u>2,811,642</u>	<u>2,614,740</u>
NON-CURRENT ASSETS			
Financial assets at fair value through other comprehensive income - non-current	28,518	28,176	27,990
Property, plant and equipment	1,674,457	1,765,230	1,682,486
Right-of-use asset	69,532	-	-
Investment property	168,778	-	-
Deferred tax assets	88,646	87,912	79,706
Long-term notes and trade receivables	448,776	473,447	482,610
Other non-current assets	<u>43,493</u>	<u>124,327</u>	<u>164,839</u>
Total non-current assets	<u>2,522,200</u>	<u>2,479,092</u>	<u>2,436,631</u>
TOTAL	<u>\$5,195,811</u>	<u>\$5,290,734</u>	<u>\$5,051,371</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term borrowings	230,000	-	150,000
Short-term bills payable	50,000	74,888	-
Contract liabilities - current	326,896	289,894	311,566
Trade payables	650,542	980,721	750,399
Other payables	367,514	379,543	361,685
Current tax liabilities	45,816	26,615	4,986
Lease liabilities- current	7,405	-	-
Other current liabilities	<u>2,279</u>	<u>2,580</u>	<u>2,929</u>
Total current liabilities	<u>1,680,452</u>	<u>1,754,241</u>	<u>1,581,565</u>
NON-CURRENT LIABILITIES			
Lease liabilities - non-current	67,169	-	-
Net defined benefit liabilities - non-current	131,043	139,179	137,049
Guarantee Deposits Received	<u>584</u>	<u>52</u>	<u>-</u>
Total non-current liabilities	<u>198,796</u>	<u>139,231</u>	<u>137,049</u>
Total liabilities	<u>1,879,248</u>	<u>1,893,472</u>	<u>1,718,614</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital			
Ordinary shares	<u>1,181,925</u>	<u>1,181,925</u>	<u>1,181,925</u>
Capital surplus	<u>880,638</u>	<u>879,934</u>	<u>879,934</u>
Retained earnings			
Legal reserve	403,335	373,042	373,042
Special reserve	15,791	16,197	16,197
Unappropriated earnings (or accumulated deficits)	<u>856,638</u>	<u>967,160</u>	<u>903,376</u>
Total retained earnings	<u>1,275,764</u>	<u>1,356,399</u>	<u>1,292,615</u>
Other equity	<u>(17,087)</u>	<u>(15,797)</u>	<u>(16,512)</u>
Treasury shares	<u>(5,205)</u>	<u>(5,205)</u>	<u>(5,205)</u>
Total equity attributable to owners of the Company	<u>3,316,563</u>	<u>3,397,262</u>	<u>3,332,757</u>
Total equity	<u>3,316,563</u>	<u>3,397,262</u>	<u>3,332,757</u>
TOTAL	<u>\$5,195,811</u>	<u>\$5,290,734</u>	<u>\$5,051,371</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated Nov. 4, 2019)

Chenfull International Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
OPERATING REVENUE (Note 4, 5, 11 & 21)				
Sales	\$ 617,758	\$ 547,505	\$ 1,930,182	\$ 1,441,483
Construction revenue	139,899	329,870	748,024	618,113
Service revenue	36,742	33,133	97,972	100,749
Total operating revenue	<u>794,399</u>	<u>910,508</u>	<u>2,776,178</u>	<u>2,160,345</u>
OPERATING COSTS (Note 12 & 22)				
Cost of goods sold	459,110	412,416	1,392,134	1,091,357
Construction costs	139,830	288,790	765,283	457,630
Service costs	32,026	30,064	87,801	86,288
Total operating costs	<u>630,966</u>	<u>731,270</u>	<u>2,245,218</u>	<u>1,635,275</u>
GROSS PROFIT/(LOSS)	<u>163,433</u>	<u>179,238</u>	<u>530,960</u>	<u>525,070</u>
OPERATING EXPENSES (Note 19 & 22)				
Selling and marketing expenses	30,609	32,346	103,928	97,041
General and administrative expenses	54,519	44,877	157,526	134,769
Research and development expenses	15,195	20,432	46,238	50,527
Expected credit loss	2,905	33	3,042	(72)
Total operating expenses	<u>103,228</u>	<u>100,688</u>	<u>310,734</u>	<u>282,265</u>
PROFIT/(LOSS) FROM OPERATIONS	<u>60,205</u>	<u>78,550</u>	<u>220,226</u>	<u>242,805</u>
NON-OPERATING INCOME AND EXPENSES (Note 22)				
Other income	6,660	6,363	27,874	33,416
Other gains and losses	(2,255)	1,219	21,802	4,910
Finance costs	(585)	(187)	(1,982)	(781)
Total non-operating income and expenses	<u>3,820</u>	<u>7,395</u>	<u>47,694</u>	<u>37,545</u>
PROFIT/(LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS	64,025	85,945	267,920	280,350
INCOME TAX EXPENSE/(BENEFIT) (Note 4, 5, & 23)	<u>(12,361)</u>	<u>(16,928)</u>	<u>(48,214)</u>	<u>(42,571)</u>
NET PROFIT/(LOSS) FOR THE PERIOD	<u>51,664</u>	<u>69,017</u>	<u>219,706</u>	<u>237,779</u>

(Continued)

Chenfull International Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
OTHER COMPREHENSIVE INCOME/(LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	-	-	-	1,713
Unrealized (gain)/loss on Fair value through other comprehensive income	317	-	342	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(1,718)	(1,908)	(1,110)	(745)
	(1,401)	(1,908)	(768)	968
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	\$ 50,263	\$ 67,109	\$ 218,938	\$ 238,747
NET PROFIT/(LOSS) ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 51,664</u>	<u>\$ 69,017</u>	<u>\$ 219,706</u>	<u>\$ 237,779</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 50,263</u>	<u>\$ 67,109</u>	<u>\$ 218,938</u>	<u>\$ 238,747</u>
EARNINGS PER SHARE (Note 24)				
From continuing operations				
Basic	<u>\$ 0.44</u>	<u>\$ 0.59</u>	<u>\$ 1.86</u>	<u>\$ 2.02</u>
Diluted	<u>\$ 0.44</u>	<u>\$ 0.58</u>	<u>\$ 1.85</u>	<u>\$ 2.01</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated Nov. 4, 2019)

(Concluded)

Chenfull International Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Retained Earnings					Other Equity				Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain/(Loss) on Available-for-sale Financial Assets	Equity Instrument Investments Measured At Fair Value Through Other Comprehensive Gains And Losses Are Not Assessed At Profit Or Loss	Treasury Shares	
BALANCE AT JANUARY 1, 2018	\$ 1,181,925	\$879,173	\$ 325,626	\$17,263	\$1,029,784	(\$ 15,767)	(\$ 430)	\$ -	(\$5,205)	\$3,412,369
Effect of retrospective application and retrospective restatement	-	-	-	-	(430)	-	430	-	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,181,925	879,173	325,626	17,263	1,029,354	(15,767)	-	-	(5,205)	3,412,369
Appropriations of prior year's earnings										
Legal capital reserve	-	-	47,416	-	(47,416)	-	-	-	-	-
Special capital reserve	-	-	-	(1,066)	1,066	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(319,120)	-	-	-	-	(319,120)
Issued to subsidiary dividend adjustment capital reserve		761								761
Net profit/(loss) for the nine months ended September 30, 2018	-	-	-	-	237,779	-	-	-	-	237,779
Other comprehensive income/(loss) for the nine months ended September 30, 2018 net of income tax	-	-	-	-	1,713	(745)	-	-	-	968
Total comprehensive income/(loss) for the nine months ended September 30, 2018	-	-	-	-	239,492	(745)	-	-	-	238,747
BALANCE AT SEPTEMBER 30, 2018	<u>\$1,181,925</u>	<u>\$879,934</u>	<u>\$373,042</u>	<u>\$16,197</u>	<u>\$ 903,376</u>	<u>(\$ 16,512)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 5,205)</u>	<u>\$ 3,332,757</u>
BALANCE AT JANUARY 1, 2019	\$1,181,925	\$879,934	\$373,042	\$16,197	\$ 967,160	(\$ 15,977)	\$ -	186	(\$ 5,205)	\$ 3,397,262
Effect of retrospective application and retrospective restatement	-	-	-	-	(4,860)	-	-	-	-	(4,860)
BALANCE AT JANUARY 1, 2019] AS RESTATED	\$1,181,925	\$879,934	\$373,042	\$16,197	\$ 962,300	(\$ 15,977)	-	186	(\$ 5,205)	\$ 3,392,402
Appropriations of prior year's earnings										
Legal capital reserve	-	-	30,293	-	(30,293)	-	-	-	-	-
Special capital reserve	-	-	-	(406)	406	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(295,481)	-	-	-	-	(295,481)
Issued to subsidiary dividend adjustment capital reserve		704								704
Net profit/(loss) for the nine months ended September 30, 2019	-	-	-	-	219,706	-	-	-	-	219,706
Other comprehensive income/(loss) for the nine months ended September 30, 2018, net of income tax	-	-	-	-	-	(1,110)	-	342	-	(768)
Total comprehensive income/(loss) for the nine months ended September 30, 2019	-	-	-	-	219,706	(1,110)	-	342	-	218,938
BALANCE AT SEPTEMBER 30, 2019	<u>\$1,181,925</u>	<u>\$880,638</u>	<u>\$403,335</u>	<u>\$15,791</u>	<u>\$ 856,638</u>	<u>(\$ 17,087)</u>	<u>\$ -</u>	<u>\$ 528</u>	<u>(\$ 5,205)</u>	<u>\$ 3,316,563</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche review report dated Nov.4. 2019)

Chenfull International Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 267,920	\$ 280,350
Adjustments for:		
Expected credit loss recognized/(reversed) on trade receivables	3,042	(72)
Depreciation expenses	113,187	81,806
Amortization expenses		
Amortization of prepayments		
Amortization of prepayments for leases		
Compensation costs of employee share options		
Finance costs	1,982	781
Recognition/(reversal) of provisions		
Reversal of deferred revenue		
Interest income	(8,941)	(10,633)
Dividend income	(6,412)	(4,251)
Write-downs of inventories	-	-
Reversal of write-downs of inventories	(1,588)	(4,248)
(Gain)/loss on disposal of property, plant and equipment	(865)	(5,362)
Net (gain)/loss on fair value changes of financial assets at fair value through profit or loss	(23,089)	9,182
Unrealized loss on foreign currency exchange	201	6,452
Net (gain)/loss on disposal of financial assets at fair value through profit or loss	(569)	(1,406)
Changes in operating assets and liabilities		
(Increase)/decrease in contract assets	58,093	(160,268)
(Increase)/decrease in notes receivable	(25,421)	(1,716)
(Increase)/decrease in trade receivables	132,499	84,751
(Increase)/decrease in inventories	16,217	59,057
(Increase)/decrease in prepayments	1,148	(40,593)
(Increase)/decrease in other current assets	(33,436)	(11,554)
(Increase)/decrease in other financial assets	(23,919)	8,728
(Increase)/decrease in contract liabilities	37,002	40,729
Increase/(decrease) in notes payable	-	(1,785)
Increase/(decrease) in trade payables	(330,179)	257,137
Increase/(decrease) in other payables	17,400	48,363
Increase/(decrease) in other current liabilities	(301)	295
Increase/(decrease) in provisions	(8,136)	(9,931)
Cash generated from/(used in) operations	185,835	373,154

(Continued)

Chenfull International Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2019	2018
Interest received	8,867	16,096
Interest paid	(1,860)	(661)
Income tax paid	<u>(29,470)</u>	<u>(117,240)</u>
Net cash generated from/(used in) operating activities	<u>163,372</u>	<u>271,349</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(1,454,176)	(5,534,894)
Proceeds from sale of financial assets at fair value through profit or loss	1,502,678	5,250,316
Increase in other assets-non-current	(17,539)	(147,549)
Payments for property, plant and equipment	(116,098)	(184,741)
Proceeds from disposal of property, plant and equipment	873	7,400
Dividend received	6,412	5,642
Decrease/(Increase) in refundable deposits	<u>1,013</u>	<u>(1,047)</u>
Net cash generated from/(used in) investing activities	<u>(76,837)</u>	<u>(604,873)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	230,000	30,000
Decrease in short-term bills payable	(24,986)	(110,068)
Increase in guarantee deposits received	532	-
Lease liabilities Principal repaymen	(5,455)	-
Cash dividends paid	<u>(294,777)</u>	<u>(318,360)</u>
Net cash generated from/(used in) financing activities	<u>(94,686)</u>	<u>(398,428)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(1,394)</u>	<u>(1,348)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(9,545)	(733,300)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>557,425</u>	<u>1,133,524</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 547,880</u>	<u>\$ 400,224</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated Nov. 4, 2019)

(Concluded)

Chenfull International Co., Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

ChenFull International Co., Ltd (ChenFull) was incorporated in the Republic of China (R.O.C) in April 1982. The Company mainly shoemaking machinery manufactures, aerospace, optoelectronic, semiconductor and water resources.

The Company's shares have been listed on the Taipei Exchange (TPEX) since March 2004.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Company's shares are listed on the Taipei Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on Nov.4 2019.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on ChenFull and its subsidiaries' (collectively as the "Company") accounting policies:

- 1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17, IFRIC4 and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest

method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group elects to apply IFRS 16 using the modified retrospective approach with the application of this standard recognized in remaining durable life of opening balance on January 1, 2019. Comparative information is not restated.

The following expedient also applies to the company:

(1) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

(2) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases. For leases previously classified as finance leases under IAS 17, the carrying amounts of the leased assets and lease liabilities on December 31, 2018 are used as the carrying amounts of the right-of-use assets and lease liabilities on January 1, 2019.

The weighted average of the increased borrowing interest rate applicable to the recognition of lease liabilities by the combining company on January 1, 2019 was 2.028%. The difference between the amount of this lease liability and the total future minimum lease payments that cannot be cancelled on December 31, 2018 described as follows:

The future minimum lease payments of non-cancellable operating lease on December 31, 2018	\$ 88,487
Undiscounted gross amounts on January 1, 2019	<u>\$ 88,487</u>
Discounted using the incremental borrowing rate on January 1, 2019	<u>\$ 80,030</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 80,030</u>

The Group as lessor

Except for sublease transactions, the Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Property, Plant and Equipment Right-of-use asset	\$ 1,765,230 _____ -	\$ - _____ 75,170	\$ 1,765,230 _____ 75,170
Total effect on assets	<u>\$ 1,765,230</u>	<u>\$ 75,170</u>	<u>\$ 1,840,400</u>
Lease liabilities - non-current	<u>\$ -</u>	<u>\$ 80,030</u>	<u>\$ 80,030</u>
Total effect on Retained earnings	<u>\$ 1,356,399</u>	(<u>\$ 4,860</u>)	<u>\$ 1,351,539</u>

- 2) IFRIC 23 “Uncertainty over Income Tax Treatments” IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority has full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty.
- 5) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.
- b. The IFRSs issued by IASB and endorsed and issued into effect by FSC in 2020

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 2)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

- c. The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note1)
Amendments to IFRS 9 ,IAS 39 and IFRS 7 “Interbank Offered Rate Changes”	January 1, 2021
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete

set of annual consolidated financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are 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); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

The Group engages in the construction business, which has an operating cycle of over 1 year. The normal operating cycle applies when considering the classification of the Group's construction-related assets and liabilities.

d. Basis of consolidation

- Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries, including structured entities).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the

consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

See Note 11 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for:

- 1) Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- 2) Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the Group entities (including subsidiaries, associates, joint ventures and branches in other countries that use currency different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Freehold land is not depreciated.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis. For a transfer from investment property carried at fair value to owner-occupied property or inventories, the fair value at the change of use is the 'cost' of the property under its new classification

h. Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is initially measured at cost, including transaction costs. Such cost should not include start-up costs, abnormal waste, or initial operating losses incurred before the investment property achieves the planned level of occupancy. On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss. For a transfer from investment property carried at fair value to owner-occupied property or inventories, the fair value at the change of use is the 'cost' of the property under its new classification. When an entity decides to sell an investment property without development, the property is not reclassified as inventory but is dealt with as investment property until it is derecognised.

i. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If corporate assets could be allocated to cash-generating units on a reasonable and consistent basis of allocation, they would be allocated to the individual cash-generating units.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at FVTOCI.

i. Financial asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 29.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and accounts receivable at amortized cost, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

ii) Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Cash equivalents include time deposits and repurchase agreements collateralized by commercial papers with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer

in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivables) and lease receivables.

The Group always recognizes lifetime Expected Credit Loss (i.e. ECL) for accounts receivables and lease receivables.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for financial assets stated above with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or

cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

k. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Revenue from the sale of property in the course of ordinary activities is recognized when the construction is completed and the property is transferred to the buyer. Until such revenue is recognized, deposits and installment payments received from sales of properties are carried in the consolidated balance sheets under current liabilities.

The sale of goods that results in awarded credits for customers under the Group's award scheme is accounted for as a multiple element revenue transaction, and the fair value of the consideration received or receivable is allocated between the goods supplied and the awarded credits granted. The consideration allocated to the awarded credits is measured by reference to their fair value, the amount for which the awarded credits could be sold separately. Such consideration is not recognized as revenue at the time of the initial sale transaction but is deferred and recognized as revenue when the awarded credits are redeemed and the Group's obligations have been fulfilled.

2) Rendering of services

Service income is recognized when services are provided.

3) Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract can be estimated reliably, revenue from cost plus contracts is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

1. Leasing

2019

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

a. The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The current lease contract of the Company are all operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

b. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are presented on a separate line in the consolidated balance sheets. Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the

end of the useful lives of the right-of-use assets or the end of the lease terms. Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate. Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b. The Company as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

c. Leasehold land for own use

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

m. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, and net interest on the net defined benefit liability (asset)) are

recognized as employee benefit expenses in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and other equity and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

n. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all [deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures] to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. If investment properties measured using the fair value model are non-depreciable assets, or are held under a business model whose objective is not to consume substantially all of the economic benefits embodied in the assets over time, the carrying amounts of

such assets are presumed to be recovered entirely through sale.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of financial assets

The provision for impairment of trade receivables, investments in debt instruments and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

6. CASH AND CASH EQUIVALENTS

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand	\$ 3,396	\$ 2,877	\$ 2,455
Checking accounts and demand deposits	404,857	372,587	312,699
Cash equivalents (investments with original maturities of less than 3 months)			
Time deposits	127,627	181,961	79,070
Repurchase agreements collateralized by bonds	<u>12,000</u>	<u>-</u>	<u>60,000</u>
	<u>\$ 547,880</u>	<u>\$ 557,425</u>	<u>\$ 400,224</u>

The market rate intervals of cash in the bank and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Bank balance	0.001%-0.38%	0.001%-0.48%	0.001%-0.43%
Time deposits	0.6%-1.95%	0.6%-2.4%	0.6%-1.9%
Repurchase agreements collateralized by bonds	0.42%-0.43%	-	0.4%-0.5%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Financial assets at FVTPL - current</u>			
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Dual Currency Investment	\$ -	\$ -	\$ 212,034
Non-derivative financial assets			
Domestic listed shares investments	2,280	-	-
Foreign listed shares investments	22,874	57,630	69,177
Mutual funds	51,299	43,868	48,756
	<u>\$ 76,453</u>	<u>\$ 101,498</u>	<u>\$ 329,967</u>

The Group entered into a dual currency investment. The dual currency investment includes a time deposit in foreign currency and foreign exchange option. At the end of the reporting period, outstanding dual currency investment were as follows:

Currency	Notional Amounts (In Thousands)	Maturity Date	Strike Rate
<u>September 30, 2018</u>			
AUD/USD	AUD 1,355	2018.09.27-2018.10.12	>0.742
USD/EUR	USD 1,000	2018.09.19-2018.10.03	<1.145
USD/EUR	USD 1,000	2018.09.28-2018.10.12	<1.157
USD/GBP	USD 1,000	2018.09.28-2018.10.15	<1.2825
USD/EUR	USD 1,000	2018.09.28-2018.10.15	<1.153
CAD/USD	CAD 1,333	2018.09.27-2018.10.11	<1.2787
NZD/USD	NZD 1,427	2018.09.25-2018.10.09	>0.682

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Non-current</u>			
Foreign investments			
Unlisted shares			
Ordinary shares	<u>\$ 28,518</u>	<u>\$ 28,176</u>	<u>\$ 27,990</u>

9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	September, 2019	December 31, 2018	September 30, 2018
<u>Notes receivable</u>			
Notes receivable - operating	\$ 40,958	\$ 15,537	\$ 24,241
Less: Allowance for impairment loss	(281)	(281)	(281)
	<u>\$ 40,677</u>	<u>\$ 15,256</u>	<u>\$ 23,960</u>

Trade receivables

At amortized cost			
Gross carrying amount	\$ 560,931	\$ 668,759	\$ 486,217
Less: Allowance for impairment loss	<u>(8,614)</u>	<u>(5,578)</u>	<u>(5,675)</u>
	<u>\$ 552,317</u>	<u>\$ 663,181</u>	<u>\$ 480,542</u>

Other receivables

Others	<u>\$ 34,144</u>	<u>\$ 851</u>	<u>\$ 14,165</u>
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Long-term notes and trade receivable

Long-term notes and trade receivable	\$ 481,610	\$ 505,914	\$ 513,955
Less: Due to 1 years of long-term notes and trade receivable	<u>(32,834)</u>	<u>(32,467)</u>	<u>(32,345)</u>
	<u>\$ 448,776</u>	<u>\$ 473,447</u>	<u>\$ 481,610</u>

a. Trade receivables

1) At amortized cost

The average credit period of sales of goods was 60 days. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Credit rating information is obtained from independent rating agencies where available or, if not available, the Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

September 30, 2019

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	Over 270 Days	Total
Expected credit loss rate	0%~0.84%	0.84%~1.96%	0.84%~22.18%	37.44%	100%	

Gross carrying amount	\$ 487,863	\$ 49,905	\$ 18,272	\$ 2,463	\$ 2,428	\$ 560,931
Loss allowance (Lifetime ECL)	(766)	(912)	(3,586)	(922)	(2,428)	(8,614)
Amortized cost	<u>\$ 487,097</u>	<u>\$ 48,993</u>	<u>\$ 14,686</u>	<u>\$ 1,541</u>	<u>\$ -</u>	<u>\$ 552,317</u>

December 31, 2018

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	Total
Expected credit loss rate	0.1%~1%	1%~1.68%	23.55%	34.11%	
Gross carrying amount	\$ 615,959	\$ 44,066	\$ 6,923	\$ 1,811	\$ 668,759
Loss allowance (Lifetime ECL)	(2,832)	(687)	(1,441)	(618)	(5,578)
Amortized cost	<u>\$ 613,127</u>	<u>\$ 43,379</u>	<u>\$ 5,482</u>	<u>\$ 1,193</u>	<u>\$ 663,181</u>

September 30, 2018

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	Over 270 Days	Total
Expected credit loss rate	0.12%~1%	1%~2.15%	1%~25.72%	36.65%	100%	
Gross carrying amount	\$ 453,800	\$ 23,475	\$ 5,240	\$ 3,406	\$ 296	\$ 486,217
Loss allowance (Lifetime ECL)	(2,290)	(499)	(1,342)	(1,248)	(296)	(5,675)
Amortized cost	<u>\$ 451,510</u>	<u>\$ 22,976</u>	<u>\$ 3,898</u>	<u>\$ 2,158</u>	<u>\$ -</u>	<u>\$ 480,542</u>

The movements of the loss allowance of trade receivables were as follows:

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Balance at January 1	\$ 5,578	\$ 5,753
Add: Impairment losses recognized on receivables	3,042	-
Less: Amounts written off (b)	-	(72)
Foreign exchange gains and losses	(6)	6
Balance at September 30	<u>\$ 8,614</u>	<u>\$ 5,675</u>

2). Long-term notes and trade receivables

Chenfull Water Resource Co. of the group has achieved in water resource by joining the construction and operation of Makung Desalination Plants of BOT Project that has been approved and certificated. At July 10th, 2012, Chenfull Water Resource Co. transferred operation of plants and rights to Taiwan Water Co. The amount of the construction in process was reclassified to long-term notes and trade receivables amortization by interest method over 20 years.

10. INVENTORIES

	September 30, 2019	December 31, 2018	September 30, 2018
Finished goods	\$ 164,945	\$ 154,754	\$ 169,867

Work in progress	240,183	335,119	303,657
Raw materials	370,781	301,450	290,980
Merchandise	<u>2,799</u>	<u>3,571</u>	<u>4,260</u>
	<u>\$ 778,708</u>	<u>\$ 794,894</u>	<u>\$ 768,764</u>

For the three months ended September 30, 2019 and 2018, for the nine months ended September 30, 2019 and 2018, the cost of inventories recognized as cost of goods sold included reversals inventory write-downs \$2,745thousand, inventory write-downs \$2,923 thousand, reversals inventory write-downs \$1,588thousand, and reversals inventory write-downs \$4,248 thousand, respectively.

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Proportion of Ownership (%)			Remark
		September 30, 2019	December 31, 2018	September 30, 2018	
ChenFull International Co., Ltd.	Chenfeng Machinery & Enterprise Co., Ltd	100%	100%	100%	1
	ChenFull Water Resource Co., Ltd.	100%	100%	100%	1
	CHEN FULL HOLDING CO., LTD.	100%	100%	100%	1
	NEW OPPORTUNITY LIMITED	100%	100%	100%	1
	DONGGUAN CHENFENG MACHINERY CO., LTD.	100%	100%	100%	1

Remarks:

- 1) It is not a major subsidiary and its financial statements have not been audited.

12. PROPERTY, PLANT AND EQUIPMENT

a. 2019

	Freehold Land	Buildings	Equipment	Others	Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2019	\$ 566,564	\$ 1,065,277	\$ 767,492	\$ 402,883	\$ 200	\$ 2,802,416
Additions	-	11,507	3,928	23,454	-	38,889
Disposals	-	-	(4,012)	(16,835)	-	(20,847)
Reclassified	-	593	109,370	36,912	(200)	146,675
Effect of foreign currency exchange differences	-	-	(7)	(7)	-	(14)
Transfer to investment property	(139,064)	(32,572)	-	-	-	(171,636)
Balance at September 30, 2019	<u>\$ 427,500</u>	<u>\$ 1,044,805</u>	<u>\$ 876,771</u>	<u>\$ 446,407</u>	<u>\$ -</u>	<u>\$ 2,795,483</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2019	\$ -	\$ 227,093	\$ 572,747	\$ 237,346	\$ -	\$ 1,037,186
Disposals	-	-	(4,012)	(16,827)	-	(20,839)
Depreciation expense	-	32,111	34,783	40,241	-	107,135
Effect of foreign currency exchange differences	-	-	(8)	(5)	-	(13)
Transfer to investment property	-	(2,443)	-	-	-	(2,443)
Balance at September 30, 2019	<u>\$ -</u>	<u>\$ 256,761</u>	<u>\$ 603,510</u>	<u>\$ 260,755</u>	<u>\$ -</u>	<u>\$ 1,121,026</u>
Carrying amounts at December 31, 2018 and January 1, 2019	<u>\$ 566,564</u>	<u>\$ 838,184</u>	<u>\$ 194,745</u>	<u>\$ 165,537</u>	<u>\$ 200</u>	<u>\$ 1,765,230</u>
Carrying amounts at September 30, 2019	<u>\$ 427,500</u>	<u>\$ 788,044</u>	<u>\$ 273,261</u>	<u>\$ 185,652</u>	<u>\$ -</u>	<u>\$ 1,674,457</u>

The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful lives as follows:

Building	
Main buildings	5-56 years
Elevators	20-21years
Drainage	10-11years
Air-conditioning	7-9 years
Others	2-21years
Equipment	2-11years
Others	2-11years

b. 2018

	Freehold Land	Buildings	Equipment	Others	Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2018	\$ 572,298	\$ 731,511	\$ 778,606	\$ 323,894	\$ 160,305	\$ 2,566,614
Additions	-	2,752	19,815	22,840	141,859	187,266
Disposals	-	-	(35,582)	(8,715)	-	(44,297)
Reclassified	-	-	385	594	-	979
Effect of foreign currency exchange differences	-	-	(12)	(6)	-	(18)
Balance at September 30, 2018	<u>\$ 572,298</u>	<u>\$ 734,263</u>	<u>\$ 763,212</u>	<u>\$ 338,607</u>	<u>\$ 302,164</u>	<u>\$ 2,710,544</u>
<u>Accumulated depreciation and impairment</u>						
				\$ 209,123		
Balance at January 1, 2018	\$ -	\$ 198,260	\$ 581,147	(8,180)	\$ -	\$ 988,530
Disposals	-	-	(34,080)	31,274	-	(42,260)
Depreciation expense	-	21,004	29,528	(9)	-	81,806
Effect of foreign currency exchange differences	-	-	(9)	<u>232,208</u>	-	(18)
Balance at September 30, 2018	<u>\$ -</u>	<u>\$ 219,264</u>	<u>\$ 576,586</u>	<u>\$ 114,771</u>	<u>\$ -</u>	<u>\$ 1,028,058</u>
Carrying amounts at December 31, 2017 and January 1, 2018	<u>\$ 572,298</u>	<u>\$ 533,251</u>	<u>\$ 197,459</u>	<u>\$ 106,399</u>	<u>\$ 160,305</u>	<u>\$ 1,578,084</u>
Carrying amounts at September 30, 2018	<u>\$ 572,298</u>	<u>\$ 514,999</u>	<u>\$ 186,626</u>	<u>\$ 323,894</u>	<u>\$ 302,164</u>	<u>\$ 1,682,486</u>

The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful lives as follows:

Building	
Main buildings	5-56 years
Elevators	20-21years
Drainage	10-11years
Air-conditioning	7-9 years
Others	2-21years
Equipment	2-11 years
Others	2-11 years

13. LEASE AGREEMENT

a. Right-of-use asset 2019

	<u>September 30, 2019</u>
Right-of-use asset	
Land	<u>\$ 69,532</u>

	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Depreciation of Right-of-use asset		
Land	<u>\$ 1,879</u>	<u>\$ 5,637</u>

b. 2019 Lease liabilities

	September 30, 2019
Lease liabilities	
current	<u>\$ 7,405</u>
non-current	<u>\$ 67,169</u>

Range of discount rate for lease liabilities was as follows

	September 30, 2019
Land	2.028%

c. Important Leasing Activities and Terms

The company leases certain land for plant use. The lease period is from May 2009 to December 2028.

The lease agreement for the land lease located in the Republic of China may adjust the lease payment in accordance with the law.

14. INVESTMENT POROPERTY

	<u>Investment property</u>
<u>Cost</u>	
Balance at January 1, 2019	\$ -
Transfer from PP&E	<u>171,636</u>
Balance at September 30, 2019	<u>\$ 171,636</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2019	\$ -
Transfer from PP&E	2,443
Depreciation expense	<u>415</u>
Balance at September 30, 2019	<u>\$ 2,858</u>
Carrying amounts at September 30, 2019	<u>\$ 168,778</u>

The lease term for investment property is 1 year. The lessee does not have preferential off-take rights for investment property at the end of the lease.

The total amount of rental payments that will be collected in 2019 for lease of investment property under operating leases is as follows:

Year 1	<u>September 30, 2019</u>
	<u>\$ 1,221</u>

The fair value of investment property in September 30, 2019 is 187,611 thousand dollars. The fair value has not been evaluated by an independent evaluator, and is only evaluated by the management of the merged company with reference to market prices of similar real estate transaction prices in the neighboring areas.

15. OTHER ASSETS

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Current</u>			
Prepayments	\$ 45,601	\$ 46,749	\$ 80,617
Other Financial assets-current			
Time deposits over 3 months (a)	\$ 48,282	\$ 33,841	\$ 14,736
Time deposits pledged (a)	9,789	311	309
	<u>\$ 58,071</u>	<u>\$ 34,152</u>	<u>\$ 15,045</u>
Other current assets			
Temporary payments	\$ 6,491	\$ 6,502	\$ 6,726
Payment on behalf of others	12	12	12
Advances to Employees	800	572	564
	<u>\$ 7,303</u>	<u>\$ 7,086</u>	<u>\$ 7,302</u>
	September 30, 2019	December 31, 2018	September 30, 2018
<u>Non-current</u>			
Other non-current assets			
Other Receivables (b)			
Other Receivables	\$ 84,851	\$ 84,851	\$ 84,851
Less: Allowance	(84,851)	(84,851)	(84,851)
Prepayments for equipment	39,069	118,890	159,417
Conveyancing Land (c)	1,114	1,114	1,114
Refundable deposits	3,310	4,323	4,308
	<u>\$ 43,493</u>	<u>\$ 124,327</u>	<u>\$ 164,839</u>

a) As of September 30, 2019 to December 31, 2018 and September 30, 2018, simple interest rate range of time deposits with original maturities more than three months and pledged time deposits was 0.1%-2.6% and 0.8%-1.08% and 0.66%-1.6% respectively.

b) Other receivable – noncurrent

The Group's ChenFull International Co., Ltd. contracted the construction of Haohan Zhongxiao Construction Co., Ltd. Because of the dispute about contract interpretation, payments and amount between both side, the Group appealed to Haohan Co. for construction payments \$110,821 thousand. Subsequently on September 30, 2011, excluding \$7,368 thousand of continuing litigation, ChenFull International Co., Ltd. reached a settlement agreement and made a notarial certificate with Haohan Co. for Haohan Co. paying the other \$92,499 thousand (including construction receivable and performance guarantee \$84,851 thousand, and legal fee \$7,468 thousand reported in other noncurrent assets). Regarding the lawsuit above, on March 25, 2014 the high court judged that Haohan Co. have to pay ChenFull Co. construction payments plus interest \$9,383 thousand, which was issued for debt obligation on record by the court. In addition, because Haohan Co. did not pay as agreement settled, ChenFull Co. has applied for compulsory execution to the court on record. It won the lawsuit affirmed and got debt obligation on record from the court for appealing to \$92,499 thousand by the endorsement responsibility of former person in charge of Haohan Co., Chen Shui-Tu.

c) Conveyancing Land

For the need of plant expansion operation, the Group purchased the 6,454 square meter farmland with land number 1065-0086 and 0015 at Xucuo harbor, Dayuan Township, Taoyuan County, costing \$25,120 thousand. Due to statute of limitations for the Group's ChenFull Co. with no registration of farmland ownership, ChenFull Co. entered into agreement on October 21, 2002 with the ChenFull's former chairmen with yeoman identity, Xu Zhi-Hong, to Xu Zhi-Hong sold the farmland on behalf of

ChenFull Co., and transferred on November 5, 2002. Both sides expressed in the contract that concerning the ownership of the farmland, Xu Zhi-Hong must provide the necessary documents for the transfer unconditionally and no difficult or excuses to request mark up when he agree to abandon any claim unconditionally as the farmland transfer relax law passes or urban planning change can be transferred. ChenFull Co. obtained the approval letter of changing part of land categories from the competent authority and transferred in August, 2009. At the end of 2011, new plant in Dayuan completed and served as production base of factory engineering tube manufacturing.

As of September 30, 2019, ChenFull still had land number 1065-0091 and 1065-0092 286.28 square meter farmland split out from 1065-0015, reserved for government execution of waterway management plan and reported in other noncurrent assets – other for \$1,114 thousand.

16. BORROWINGS

a. Short-term borrowings

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Unsecured borrowings</u>			
Line of credit borrowings	\$ 230,000	\$ -	\$ 150,000

The range of interest rates on bank loans per annum as of September 30, 2019 and September 30, 2018 were 0.93%-0.95% and 0.94%-0.97% respectively.

b. Short-term bills payable

	September 30, 2019	December 31, 2018	September 30, 2018
Commercial paper	\$ 5,000	\$ 75,000	\$ -
Less: Unamortized discounts on bills payable	-	(112)	-
	<u>\$ 5,000</u>	<u>\$ 74,888</u>	<u>\$ -</u>

Outstanding short-term bills payable were as follows:

September 30, 2019

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
<u>Commercial paper</u>						
A Bank	\$ 5,000	\$ -	\$ 5,000	0.968%	N.A.	\$ -

December 31, 2018

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
<u>Commercial paper</u>						
A Bank	\$ 75,000	\$ 112	\$ 74,888	0.9%-1.09%	N.A.	\$ -

17. NOTES PAYABLE AND TRADE PAYABLES

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Trade payables</u>			
Operating	\$ 650,542	\$ 980,721	\$ 750,399

The average credit period on purchases of certain goods from 1 to 4 months, and no interest was charged on the account payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

18. OTHER LIABILITIES

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Current</u>			
Other payables			
Payables for purchases of equipment	\$ 12,042	\$ 41,495	\$ 17,917
Payables for salaries and premium	78,066	89,604	76,295
Payables for bonuses	48,858	28,067	50,257
Payable for compensation	2,970	4,000	2,970
Payable for annual leave	12,146	12,412	12,355
Others	<u>213,432</u>	<u>203,965</u>	<u>201,891</u>
	<u>\$ 367,514</u>	<u>\$ 379,543</u>	<u>\$ 361,685</u>
Other liabilities			
Temporary receipts	\$ 96	\$ 4	\$ 101
Receipts under custody	<u>2,183</u>	<u>2,576</u>	<u>2,838</u>
	<u>\$ 2,279</u>	<u>\$ 2,580</u>	<u>\$ 2,929</u>

19. RETIREMENT BENEFIT PLANS

The defined benefit plan adopted by the Company of the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of state-managed defined contribution plan as of December 31, 2018 and 2017. For the three months ended September 30, 2019 and 2018, for the nine months ended September 30, 2019 and 2018, the Company contribute amounts \$550 thousand, \$655 thousand, \$1,705 thousand, and \$2,030 thousand, respectively.

20. EQUITY

a. Share capital

Ordinary shares

	September 30, 2019	December 31, 2018	September 30, 2018
Number of shares authorized (in thousands)	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
Shares authorized	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>118,193</u>	<u>118,193</u>	<u>118,193</u>
Shares issued	<u>\$ 1,181,925</u>	<u>\$ 1,181,925</u>	<u>\$ 1,181,925</u>

b. Capital surplus

	September 30, 2019	December 31, 2018	September 30, 2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital			
Issuance of ordinary shares	\$ 268,062	\$ 268,062	\$ 268,062
Conversion of bonds	215,084	215,084	215,084
Treasury share transactions	79,467	78,763	78,763
Consolidation excess	<u>318,025</u>	<u>318,025</u>	<u>318,025</u>

\$ 880,638 \$ 879,934 \$ 879,934

Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital limited to a certain percentage of the Company's capital surplus and to once a year.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 21-6.

The Company's Articles also stipulate a dividends policy whereby the issuance of stock dividends takes precedence over the payment of cash dividends. In principle, cash dividends are limited to 10% of the total dividends distributed.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490, Rule No. 1030006415 and IFRSs issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2018 and 2017 were proposed by the board of directors on May 31, 2019 and approved in the shareholders' meetings on May 29, 2018, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2018	2017	2018	2017
Legal reserve	\$ 30,293	\$ 47,416	\$ -	\$ -
Special reserve	(406)	(1,066)	-	-
Cash dividends	295,481	319,120	2.5	2.7

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Nine Months Ended	
	September 30	
	2019	2018
Balance at January 1	(\$ 15,977)	(\$ 15,767)
Recognized during the period		
Exchange differences on translating the financial statements of foreign operations	(1,110)	(745)
Balance at September 30	<u>(\$ 17,087)</u>	<u>(\$ 16,512)</u>

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Nine Months Ended September 30	
	2019	2018
Balance at January 1	\$ <u>186</u>	\$ <u>-</u>
Generated in the year		
Equity instrument	\$ <u>342</u>	\$ <u>-</u>
Other comprehensive profit and loss	<u>342</u>	<u>-</u>
Balance at September 30	\$ <u>528</u>	\$ <u>-</u>

e. Treasury shares

Purpose of Buy-Back	Shares Transferred to Employees (In Thousands of Shares)	Shares Dividend (In Thousands of Shares)	Shares Held by Its Subsidiaries (In Thousands of Shares)	Total (In Thousands of Shares)
Number of shares at January 1, 2018	<u>-</u>	<u>63</u>	<u>219</u>	<u>282</u>
Number of shares at September 30, 2018	<u>-</u>	<u>63</u>	<u>219</u>	<u>282</u>
Number of shares at January 1, 2019	<u>-</u>	<u>63</u>	<u>219</u>	<u>282</u>
Number of shares at September 30, 2019	<u>-</u>	<u>63</u>	<u>219</u>	<u>282</u>

The Company's shares held by its subsidiaries at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Price
<u>September 30, 2019</u>			
Chenfeng Machinery & Enterprise Co., Ltd	282	\$ <u>10,200</u>	\$ <u>10,200</u>
<u>December 31, 2018</u>			
Chenfeng Machinery & Enterprise Co., Ltd	282	\$ <u>9,270</u>	\$ <u>9,270</u>
<u>September 30, 2018</u>			
Chenfeng Machinery & Enterprise Co., Ltd	282	\$ <u>10,636</u>	\$ <u>10,636</u>

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote. The subsidiaries holding treasury shares, however, retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

21. REVENUE

	For the Three Months Ended September 30, <u>2019</u>	For the Three Months Ended September 30, <u>2018</u>	For the Nine Months Ended September 30, <u>2019</u>	For the Nine Months Ended September 30, <u>2018</u>
Customer contract revenue				
Sale of goods revenue	\$ 617,758	\$ 547,505	\$ 1,930,182	\$ 1,441,483
Service revenue	139,899	\$ 329,870	\$ 748,024	\$ 618,113
Construction revenue	<u>\$ 36,742</u>	<u>\$ 33,133</u>	<u>\$ 97,972</u>	<u>\$ 100,749</u>
	<u>\$ 794,399</u>	<u>\$ 910,508</u>	<u>\$ 2,776,178</u>	<u>\$ 2,160,345</u>

Description of the customer contract

a. Revenue from the sale of goods

As the goods are delivered to the customer's designated place, the customer has the right to set the price and use of the goods and has the primary responsibility for reselling, and bears the risk of obsolescence of the goods. The combined company recognizes the income and receivable at that time.

b. Revenue from the rendering of services

Service revenue is derived from the operational services provided under the service concession agreement.

c. Construction contract revenue

Property is a property construction contract controlled by the client during the construction process, and the combined company gradually recognises revenue over time.

Contact balances

	September 30, 2019	December 31, 2018	September 30, 2018
Trade receivables (Note 9)	<u>\$ 552,317</u>	<u>\$ 663,181</u>	<u>\$ 480,542</u>
Contract assets-current	<u>\$ 532,457</u>	<u>\$ 590,550</u>	<u>\$ 488,722</u>
Contract liabilities			
Sale of goods	\$ 154,129	\$ 95,732	\$ 108,892
Construction	<u>172,767</u>	<u>194,162</u>	<u>202,674</u>
	<u>\$ 326,896</u>	<u>\$ 289,894</u>	<u>\$ 311,566</u>

22. NET PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS

1) Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Rental income	178	-	178	-
Interest income				
Bank deposits	\$ 840	\$ 2,013	\$ 3,288	\$ 7,920
Long-term trade receivables	1,957	2,078	5,632	5,994
Repurchase agreements collateralized by bonds	15	110	21	280
Other	-	-	-	640
Dividends	950	1,391	6,412	5,642
Others	<u>2,720</u>	<u>771</u>	<u>12,343</u>	<u>12,940</u>
	<u>\$ 6,660</u>	<u>\$ 6,363</u>	<u>\$ 27,874</u>	<u>\$ 33,416</u>

2) Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Gain/(loss) on disposal of property, plant and equipment	\$ 11	\$ 5,162	\$ 865	\$ 5,362
Gain/(loss) on disposal of financial assets				
Financial assets at FVTPL	558	1,005	569	1,406
Fair value changes of financial assets				
Financial assets at FVTPL	6,619	(4,145)	23,089	(9,182)
Net foreign exchange gains/(losses)	(8,949)	(730)	(1,840)	7,754
Other loss	<u>494</u>	<u>(73)</u>	<u>(881)</u>	<u>(430)</u>
	<u>(\$ 2,255)</u>	<u>\$ 1,219</u>	<u>\$ 21,802</u>	<u>\$ 4,910</u>

3) Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Interest on bank loans	\$ 201	\$ 187	\$ 802	\$ 781
Interest on Lease liabilities	384	-	1,180	-
	<u>\$ 585</u>	<u>\$ 187</u>	<u>\$ 1,982</u>	<u>\$ 781</u>

4) Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Property, plant and equipment	\$ 36,701	\$ 27,078	\$ 107,135	\$ 81,806
Investment property	\$ 415	\$ -	\$ 415	\$ -
Right-of-use asset	\$ 1,879	\$ -	\$ 5,637	\$ -
An analysis of depreciation by function				
Operating costs	\$ 31,427	\$ 21,222	\$ 92,534	\$ 63,412
Operating expenses	7,568	5,856	20,653	18,394
	<u>\$ 38,995</u>	<u>\$ 27,078</u>	<u>\$ 113,187</u>	<u>\$ 81,806</u>

5) Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Post-employment benefits				
Defined contribution plans	\$ 5,390	\$ 11,990	\$ 16,019	\$ 22,525
Defined benefit plans (Note 19)	550	655	1,705	2,030
	5,940	12,645	17,724	24,555
Other employee benefits	159,315	165,833	497,661	459,871
Total employee benefits expense	<u>\$ 165,255</u>	<u>\$ 178,478</u>	<u>\$ 515,385</u>	<u>\$ 484,426</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 107,648	\$ 124,524	\$ 343,306	\$ 327,190
Operating expenses	57,607	53,954	172,079	157,236
	<u>\$ 165,255</u>	<u>\$ 178,478</u>	<u>\$ 515,385</u>	<u>\$ 484,426</u>

6) Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 2% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the three months ended September 30, 2019 and 2018, for the nine months ended September 30, 2019 and 2018, the employees' compensation and the remuneration of directors and supervisors were as follows:

Accrual rate

	For the Nine Months Ended September 30	
	2019	2018
Employees' compensation	7.22%	6.26%
Remuneration of directors and supervisors	1.03%	0.98%

<u>Amount</u>	For the Three Months Ended September 30, 2019		For the Three Months Ended September 30, 2018	
	Cash	Shares	Cash	Shares
Employees' compensation Remuneration of directors and supervisors	\$ 6,110	\$ -	\$ 8,570	\$ -
	990	-	1,670	-
	For the Nine Months Ended September 30, 2019		For the Nine Months Ended September 30, 2018	
	Cash	Shares	Cash	Shares
Employees' compensation Remuneration of directors and supervisors	\$ 20,880	\$ -	\$ 18,970	\$ -
	2,970	-	2,970	-

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The appropriations of employees' compensation and remuneration of directors and supervisors for 2018 and 2017 having been resolved by the board of directors on March 11, 2019 and March 7, 2018, respectively, were as below:

	For the Year Ended December 31			
	2018		2017	
	Cash	Shares	Cash	Shares
Employees' compensation Remuneration of directors and supervisors	\$ 26,025	\$ -	\$ 30,900	\$ -
	4,000	-	4,000	-

There was no difference between the amounts of the bonus to employees and the remuneration of directors and supervisors resolved by the board of directors in 2018 and 2017, and the amounts recognized in the consolidated financial statements on 2018 and 2017

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

23 INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of tax expense (income) were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Current tax				
In respect of the current period	\$ 16,305	\$ 18,173	\$ 46,389	\$ 42,760
Income tax on unappropriated earnings	-	-	-	10,583
Income tax adjustments on prior years	-	(2)	2,281	(4,841)
	<u>16,305</u>	<u>18,171</u>	<u>48,670</u>	<u>48,500</u>
Deferred tax				
In respect of the current period	(4,124)	(1,243)	(690)	4,642
Loss deduction	180	-	234	-
Adjustments to deferred tax attributable to changes in tax rates and laws	-	-	-	(10,571)
	<u>(3,944)</u>	<u>(1,243)</u>	<u>(456)</u>	<u>(5,929)</u>
Income tax expense recognized in profit or loss	<u>\$ 12,361</u>	<u>\$ 16,928</u>	<u>\$ 48,214</u>	<u>\$ 42,571</u>

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. The effect of the change in tax rate on deferred tax income/expense to be recognized in profit or loss. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax assessments

The tax returns of ChenFull International Co., Ltd. And Chenfeng Machinery & Enterprise Co., Ltd through 2017 have been assessed by the tax authorities. The tax returns of ChenFull Water Resource Co., Ltd. through 2016 have been assessed by the tax authorities.

24 EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Earnings used in the computation of basic earnings per share	\$ 51,664	\$ 69,017	\$ 219,706	\$ 237,779
Earnings used in the computation of diluted earnings per share	\$ 51,664	\$ 69,017	\$ 219,706	\$ 237,779

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Weighted average number of ordinary shares in the computation of basic earnings per share	117,911	117,911	117,911	117,911
Effect of potentially dilutive ordinary shares: Employees' compensation	577	503	747	669
Weighted average number of ordinary shares used in the computation of diluted earnings per share	118,488	118,414	118,658	118,580

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

25. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

26.FINANCIAL INSTRUMENTS

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

September 30, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	2,280			2,280
Listed securities in other countries	22,874	-	-	22,874
Mutual funds	51,299	-	-	51,299
	<u>\$ 76,453</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,453</u>
Financial assets at FVTOCI				
Domestic unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,518</u>	<u>\$ 28,518</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Listed securities in other countries	\$ 57,630	\$ -	\$ -	\$ 57,630
Mutual funds	43,868	-	-	43,868
	<u>\$ 101,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,498</u>
Financial assets at FVTOCI		-		
Domestic unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,176</u>	<u>\$ 28,176</u>

September 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Dual Currency Investment	\$ -	\$ 212,034	\$ -	\$ 212,034
Listed securities in other countries	69,177	-	-	69,177
Mutual funds	48,756	-	-	48,756
	<u>\$ 117,933</u>	<u>\$ 212,034</u>	<u>\$ -</u>	<u>\$ 329,967</u>
Financial assets at FVTOCI				
Domestic unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,990</u>	<u>\$ 27,990</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in the following ways:

The fair values of financial assets and financial liabilities are determined by market price. If no market price is available for reference, it is estimated using an evaluation method. The estimates and assumptions used by the combining company in the evaluation method are consistent with the

information used by market participants as estimates and assumptions when pricing financial products.

Unlisted equity securities

The fair values of unlisted equity securities - ROC were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.

c. Categories of financial instruments

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Financial assets</u>			
FVTPL			
Mandatorily at FVTPL	\$ 76,543	\$ 101,498	329,967
Financial assets at amortized cost (1)	2,214,322	2,334,862	1,904,268
Refundable deposits	3,310	4,323	4,308
Financial assets at FVTOCI			
Equity instruments	28,518	28,176	27,990
<u>Financial liabilities</u>			
Financial assets at amortized cost (2)	1,405,245	1,491,676	1,319,424

- 1) The balances include cash and cash equivalents, other financial assets, and trade and other receivables loans and receivables measured at amortized cost, which comprise.
- 2) The balances include short-term loans, short-term bills payable, trade and other payables, and contract liabilities measured at amortized cost, which comprise.

d. Financial risk management objectives and policies

The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

a) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 30.

Sensitivity analysis

The Group is mainly exposed to the Currency USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e. the functional currency) against the relevant foreign currencies. [The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	Currency USD Impact	
	For the Nine Months Ended	
	September 30	
	2019	2018
Profit or loss	\$ 4,043	\$ 5,219

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite ensuring the most cost-effective hedging strategies are applied.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Fair value interest rate risk			
Financial assets	\$ 197,698	\$ 216,113	\$ 200,115
Financial liabilities	280,000	74,888	150,000
Cash flow interest rate risk			
Financial assets	404,857	372,587	312,699
Financial liabilities	-	-	-

The interest rate risk arises from holding fixed-rate deposits and loan. However, the loan are fixed interest rates and the Group are not engaged in the operating activities of various derivative financial instruments. Therefore, the risks arising from changes in interest rates in the combined companies on September 30, 2019 and 2018 are not significant.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group's concentration of credit risk of 52%、66% and 54% of total trade receivables as of September 30, 2019, December 31, 2018 and September 30, 2018, respectively, was on the Group's largest customer and the five largest customers in the property construction business segment.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group had available unutilized short-term bank loan facilities set out in (b) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

September 30, 2019

	On Demand or Less than 1 Year	1-2 Years	2-3 Years	3+ Years	Total
Short-term bills payable	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Notes payable	230,000	-	-	-	230,000

Trade payables	650,54	-	-	-	650,542
Contracts liability	172,767	8,849	8,849	55,304	172,767
Lease liabilities	8,849				81,851
Other payable	<u>220,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>220,085</u>
	<u>\$1,332,243</u>	<u>\$ 8,849</u>	<u>\$ 8,849</u>	<u>\$ 55,304</u>	<u>\$1,405,245</u>

Lease liabilities further analysis

	On Demand or Less than 1 Year	1-2 Years	2-3 Years	3+ Years	Total
<u>Lease liabilities</u>	<u>\$ 8,849</u>	<u>\$ 17,698</u>	<u>\$ 26,546</u>	<u>\$ 28,758</u>	<u>\$ 81,851</u>

December 31, 2018

	On Demand or Less than 1 Year	1-2 Years	2-3 Years	3+ Years	Total
Short-term bills payable	\$ 74,888	\$ -	\$ -	\$ -	\$ 74,888
Notes payable	980,721	-	-	-	980,721
Contracts liability	194,162	-	-	-	194,162
Other payable	<u>241,905</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>241,905</u>
	<u>\$1,491,676</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,491,676</u>

September 30, 2018

	On Demand or Less than 1 Year	1-2 Years	2-3 Years	3+ Years	Total
Short-term bank loan	150,000				150,000
Trade payables	750,399	-	-	-	750,399
Contracts liability	202,674	-	-	-	202,674
Other payable	<u>216,351</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>216,351</u>
	<u>\$1,319,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,319,424</u>

b) Financing facilities

	September 30, 2019	December 31, 2018	September 30, 2018
Unsecured bank overdraft facilities, reviewed annually and payable on demand:			
Amount used	\$ 510,000	\$ 327,110	\$ 442,235
Amount unused	<u>843,000</u>	<u>1,049,420</u>	<u>840,986</u>
	<u>\$ 1,353,000</u>	<u>\$ 1,376,530</u>	<u>\$ 1,283,221</u>

27. TRANSACTIONS WITH RELATED PARTIES

The Company's parent is Chenfull Company. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Short-term employee benefits	\$ 3,542	\$ 4,669	\$ 10,686	\$ 11,075
Post-employment benefits	<u>162</u>	<u>178</u>	<u>486</u>	<u>472</u>
	<u>\$ 3,704</u>	<u>\$ 4,847</u>	<u>\$ 11,172</u>	<u>\$ 11,547</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, the tariffs of imported raw materials guarantees or the deposits for hiring foreign workers:

	September 30, 2019	December 31,2018	September 30, 2018
Pledge deposits-current	<u>\$ 9,789</u>	<u>\$ 311</u>	<u>\$ 309</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of March 31, [CY], December 31, [PY] and March 31, [PY] were as follows:

Significant commitments

- As of June 30, 2019, unused letters of credit for purchases of machinery and equipment amounted to approximately \$1,126,972 thousand dollars.
- As of June 30, 2019, deposit guaranteed notes of the Chenfull Water Company amounted to approximately \$367,000 thousand and guarantee for custom amounted to approximately \$222,957 thousand dollars.
- As of June 30, 2019, the Company receive deposit guaranteed notes of provider amounted to approximately \$237,328 thousand dollars.
- As of June 30, 2019, the Chenfull Water Company receive deposit guaranteed notes of provider amounted to approximately \$3,176 thousand dollars.
- Since 2006, the Company has been actively involved in the development of water resources market, the construction and operation of 5,500-ton desalination plant in Ma-Gong, the operation of 7,000-ton desalination plant in Ma-Gong and the reconstruction and operation of 400-ton desalination plant in Wan-An. The water company must pay Chenfull Company's plant construction costs 320,000 thousand dollars, and 10.41 and 27.6 per CMD for the desalination plant in Ma-Gong and Wan-An monthly. The water company also pays operation and maintenance costs of 11.85 and 50.83 per CMD for the desalination plant in Ma-Gong and Wan-An and the replacement fee of 6.68 and 6.78 monthly the payment will be adjusted based on changes in prices and electricity costs from the start of operation.
- As of March 31, 2019, the Company purchase equipment and factory construction contract amounted to approximately \$107,473 thousand and unpaid contract amounted to approximately \$20,723 thousand dollars.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

September 30, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 14,430	31.04(USD:NTD)	\$ 447,906
RMB	731	4.35(RMB:NTD)	3,182
EUR	2,697	33.95(EUR:NTD)	91,559
JPY	5,267	0.288(JPY:NTD)	1,516
AUD	3,943	20.965(AUD:NTD)	82,667
NZD	1,430	19.45(NZD:NTD)	27,820
			<u>\$ 654,650</u>

Financial liabilities

Monetary items			
USD	1,405	31.04(USD:NTD)	\$ 43,617
JPY	5,153	0.288(JPY:NTD)	1,483
			<u>\$ 45,100</u>

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 12,752	30.715 (USD:NTD)	\$ 391,663
RMB	498	4.472 (RMB:NTD)	2,226
EUR	2,878	35.2 (EUR:NTD)	101,305
JPY	7,299	0.278 (JPY:NTD)	2,031
AUD	3,942	21.665 (AUD:NTD)	85,410
NZD	1,430	20.62 (NZD:NTD)	29,478
CAD	1,334	23.46 (CAD:NTD)	31,298
			<u>\$ 643,411</u>

Financial liabilities

Monetary items			
USD	1,633	30.715 (USD:NTD)	\$ 50,173
JPY	7,785	0.278(JPY:NTD)	2,166
			<u>\$ 52,339</u>

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>September 30, 2018</u>			
<u>Financial assets</u>			
Monetary items			
USD	\$ 17,527	30.525(USD:NTD)	\$ 535,001
RMB	462	4.436(RMB:NTD)	2,048
EUR	247	35.48(EUR:NTD)	8,779
JPY	18,534	0.2692(JPY:NTD)	4,989
AUD	1,358	22.035(AUD:NTD)	29,915
NZD	4,004	20.18(NZD:NTD)	80,794
CAD	1,333	23.46(CAD:NTD)	31,281
			<u>\$ 692,807</u>

Financial liabilities

Monetary items

USD	428	30.525(USD:NTD)	\$ 13,081
JPY	18,396	0.2692(JPY:NTD)	4,952
EUR	11	35.48(EUR:NTD)	<u>397</u>
			<u>\$ 18,430</u>

For the three months ended September 30, 2019 and 2018, for the nine months ended September 30, 2019 and 2018, realized and unrealized net foreign exchange losses were \$8,949 thousand, \$730 thousand, \$1,840 thousand, and gains \$7,754 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Endorsements/guarantees provided (Table 1)
- 2) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 2)
- 3) Intercompany relationships and significant intercompany transactions (Table 5)
- 4) Information on investees (Table 3)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 4)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 6):
 - a) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period

32. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

Engineering Division - Facility system

Machinery Division- shoemaking machinery and precision technology

a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

	Engineering Division	Machinery Division	Common	Eliminations	Total
<u>As of September 30, 2019</u>					

Revenues from external customers	\$ 883,414	\$ 1,892,764	\$ -	\$ -	\$ 2,776,178
Inter-segment revenues	-	4,545	-	(4,545)	-
Interest revenues	-	-	8,941	-	8,941
Segment revenues	<u>\$ 883,414</u>	<u>\$ 1,897,309</u>	<u>\$ 8,941</u>	<u>(\$ 4,545)</u>	<u>\$ 2,785,119</u>
Interest Expense	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,982</u>	<u>\$ -</u>	<u>\$ 1,982</u>
Depreciation and amortization	<u>\$ 21,731</u>	<u>\$ 76,280</u>	<u>\$ 15,176</u>	<u>\$ -</u>	<u>\$ 113,187</u>
Profit before tax (continuing operations)	<u>(\$ 31,904)</u>	<u>\$ 304,215</u>	<u>(\$ 4,391)</u>	<u>\$ -</u>	<u>\$ 267,920</u>

As of September 30, 2018

Revenues from external customers	\$ 732,598	\$ 1,427,747	\$ -	\$ -	\$ 2,160,345
Inter-segment revenues	-	9,060	-	(9,060)	-
Interest revenues	-	-	14,834	-	14,834
Segment revenues	<u>\$ 732,598</u>	<u>\$ 1,436,807</u>	<u>\$ 14,834</u>	<u>(\$ 9,060)</u>	<u>\$ 2,175,179</u>
Interest Expense	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 781</u>	<u>\$ -</u>	<u>\$ 781</u>
Depreciation and amortization	<u>\$ 23,771</u>	<u>\$ 52,875</u>	<u>\$ 5,160</u>	<u>\$ -</u>	<u>\$ 81,806</u>
Profit before tax (continuing operations)	<u>\$ 151,653</u>	<u>\$ 157,479</u>	<u>(\$ 28,782)</u>	<u>\$ -</u>	<u>\$ 280,350</u>

Inter-segment revenues were accounted for according to market prices.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognized on the disposal of interest in former associates, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, exchange gain or loss, valuation gain or loss on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	Engineering Division	Machinery Division	Common	Eliminations	Total
<u>For the three months ended September 30, 2019</u>					
Assets					
Non-current assets capitalize cost	<u>\$ 17,360</u>	<u>\$ 67,207</u>	<u>\$ 2,078</u>	<u>\$ -</u>	<u>\$ 83,645</u>
Segment assets	<u>\$ 1,683,858</u>	<u>\$ 2,205,071</u>	<u>\$ 1,306,882</u>	<u>\$ -</u>	<u>\$ 5,195,811</u>
Segment liabilities	<u>\$ 526,372</u>	<u>\$ 879,139</u>	<u>\$ 473,737</u>	<u>\$ -</u>	<u>\$ 1,879,248</u>
<u>For the year ended December 31, 2018</u>					
Assets					
Non-current assets capitalize cost	<u>\$ 30,497</u>	<u>\$ 242,932</u>	<u>\$ 24,238</u>	<u>\$ -</u>	<u>\$ 297,667</u>
Segment assets	<u>\$ 1,884,906</u>	<u>\$ 2,133,303</u>	<u>\$ 1,272,525</u>	<u>\$ -</u>	<u>\$ 5,290,734</u>
Segment liabilities	<u>\$ 954,721</u>	<u>\$ 714,580</u>	<u>\$ 224,171</u>	<u>\$ -</u>	<u>\$ 1,893,472</u>
<u>For the three months ended September 30, 2018</u>					
Assets					
Non-current assets capitalize cost	<u>\$ 27,273</u>	<u>\$ 158,771</u>	<u>\$ 2,201</u>	<u>\$ -</u>	<u>\$ 188,245</u>
Segment assets	<u>\$ 1,652,465</u>	<u>\$ 2,074,510</u>	<u>\$ 1,324,396</u>	<u>\$ -</u>	<u>\$ 5,051,371</u>
Segment liabilities	<u>\$ 652,544</u>	<u>\$ 753,848</u>	<u>\$ 312,222</u>	<u>\$ -</u>	<u>\$ 1,718,614</u>

CHEN FULL INTERNATIONAL CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	CHEN FULL INTERNATIONAL CO., LTD.	ChenFull Water Resource Co., Ltd.	(2)	\$1,658,282	\$620,000	\$353,000	\$209,243	-	10.64%	\$1,658,282	Y	N	N

CHEN FULL INTERNATIONAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2019			
				Shares	Carrying Amount	Percentage of Ownership	Fair Value
CHEN FULL INTERNATIONAL CO., LTD.	Mutual funds						
	iShares Dow Jones US Home Const. (ETF)	N.A.	Financial assets at fair value through income– current	28,000	\$37,641 (USD 1,213)	-	\$37,641 (USD 1,213)
	Annaly Capital Management Inc.	N.A.	Financial assets at fair value through income– current	50,000	13,658 (USD 440)	-	13,658 (USD 440)
					<u>\$51,299</u>	-	<u>\$51,299</u>
	Listed securities in other countries						
	Santanfar Finance Preferred SA Unpersonal Floating Rate Non-Cumulative Seriesb	N.A.	Financial assets at fair value through income– current	31,654	<u>\$22,874</u> (USD 737)	-	<u>\$22,874</u> (USD 737)
						-	12,567
	Domestic listed shares						
	Merry Electronics CO.,LTD.	N.A.	Financial assets at fair value through income– current	15,000	<u>\$2,280</u>		<u>\$2,280</u>
	Domestic unlisted shares						
MAING CHAU enterprise Co., Ltd.	N.A.	Financial assets at fair value through other comprehensive income– non-current	2,703,905	\$20,928	9.45	20,928	
Taiwan Incubator Develop Corporation	N.A.	Financial assets at fair value through other comprehensive income– non-current	854,360	<u>7,590</u> <u>\$28,518</u>	1.21	<u>7,590</u> <u>\$28,517</u>	
Chenfeng Machinery & Enterprise Co., Ltd	Domestic listed shares						
	CHEN FULL INTERNATIONAL CO., LTD.	Parent company	Financial assets at fair value through income–non current	281,759	<u>\$10,200</u>	0.24	<u>\$10,200</u>
	Domestic unlisted shares						
	Imagic CO., LTD.	N.A.	Financial assets at fair value through other comprehensive income–non current	46,750	\$ -	0.19	-
	IGIANT OPTICS CO., LTD.	N.A.	Financial assets at fair value through other comprehensive income–non current	66,000	- <u>\$ -</u>	0.20	-
Unpublic stocks							
EnviroLink Co., Ltd.	N.A.	Financial assets at fair value through income–non current	35,000	<u>\$ -</u> -	0.25	-	

CHEN FULL INTERNATIONAL CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2019			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				September 30, 2019	September 30, 2018	Shares	%	Carrying Amount			
CHEN FULL INTERNATIONAL CO., LTD.	Chenfeng Machinery & Enterprise Co., Ltd	4F., No.99, Sec. 1, Nankan Rd., Luzhu, Taoyuan, Taiwan 33859, R.O.C.	Business Center	\$ -	\$ -	-	-	\$ -	\$ -	\$ -	Subsidiary
	CHEN FULL HOLDING CO., LTD.	Offshore Chambers, P.O.Box 217, Apia, Samoa	Holding company	70,078 (USD 2,000)	70,078 (USD 2,000)	-	100	91,349	9,402	9,402	Subsidiary
	ChenFull Water Resource Co., Ltd.	9F., No.99, Sec. 1, Nankan Rd., Luzhu, Taoyuan, Taiwan 33859, R.O.C.	Water purification facility	418,000	418,000	41,800,000	100	488,052	11,714	11,714	Subsidiary
CHEN FULL HOLDING CO., LTD.	NEW OPPORTUNITY LIMITED	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	Holding company	60,448 (USD 2,000)	60,448 (USD 2,000)	-	100	73,844 (USD 2,379)	9,157 (USD 295)	9,157 (USD 295)	Subsidiary
NEW OPPORTUNITY LIMITED	ChenFeng Machinery (Dongguan) Co., Ltd.	No. 11, Lane 3, Baona Road, Xintang Community, Houjie Town, Dongguan City, Guangdong Province, China	Shoe-making machinery manufacturer	60,448 (USD 2,000)	60,448 (USD 2,000)	-	100	73,844 (USD 2,379)	9,157 (USD 295)	9,157 (USD 295)	Subsidiary

CHEN FULL INTERNATIONAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of June 30, 2019	Accumulated Repatriation of Investment Income as of June 30, 2019
					Outflow	Inflow						
ChenFeng Machinery (Dongguan) Co., Ltd.	Shoe-making machinery manufacturer	\$60,448 (USD 2,000)	(2)	\$60,448 (USD 2,000)	-	-	\$60,448 (USD 2,000)	\$9,157 (USD295)	100	\$9,157 (USD 295) (2)-3	73,844 (USD 2,379)	\$-

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$60,448 (USD 2,000)	\$60,448 (USD 2,000)	\$1,989,938 (USD 64,109)

CHEN FULL INTERNATIONAL CO., LTD. AND SUBSIDIARIES

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Investee Company	Counterparty	Relationship	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets
0	CHEN FULL INTERNATIONAL CO., LTD.	Chenfeng Machinery & Enterprise Co., Ltd	Subsidiary	Rent revenue	\$ 150	same	-
		ChenFeng Machinery (Dongguan) Co., Ltd	Subsidiary	contract liability	11,984	same	0.23%
		ChenFeng Machinery (Dongguan) Co., Ltd	Subsidiary	Sales revenue	4,545	same	0.16%
		ChenFull Water Resource Co., Ltd.	Subsidiary	Other receivables	19,163	same	0.37%

CHEN FULL INTERNATIONAL CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
ChenFeng Machinery (Dongguan) Co., Ltd.	Operating	\$ 4,545	-	Same	Same	Same	\$ -	-	\$ -	