

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

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2018 and 2017 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 June 30, 2018 and 2017 the consolidated statement of comprehensive income, changes in equity and cash flows for the six months 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 13 to the financial report, which lists subsidiaries included in the consolidated financial statements without our reviewed. Total assets are 139,671 thousand dollars and 94,717 thousand dollars by 2.87% and 1.96% of consolidated total assets on June 30, 2018 and 2017. Total liabilities are 44,812 thousand dollars and 11,508 thousand dollars by 2.79% and 0.69% of consolidated total liabilities on June 30, 2018 and 2017. Comprehensive income are 5,827 thousand and 7,050 thousand dollars by 8.09% and 5.60% of consolidated comprehensive income for the three months ended June 30, 2018 and 2017. Comprehensive income are 9,674 thousand dollars and 11,097 thousand dollars by 5.64% and 4.70% of consolidated comprehensive income for the six months ended June 30, 2018 and 2017.

### 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 June 30, 2018 and 2017, its consolidated financial performance for the three months ended June 30, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2018 and 2017 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 Guo, Nai Hua.

Deloitte and Touche

|   | June 30, 2018<br>(Reviewed) | December 31, 2017<br>(Audited) | June 30, 2017<br>(Reviewed) |
|---|-----------------------------|--------------------------------|-----------------------------|
| <b>ASSETS</b>   |                             |                                |                             |
| CURRENT ASSETS  |                             |                                |                             |
| Cash and cash equivalents (Note 6 & 27)   | \$ 631,670                  | \$ 1,133,524                   | \$ 1,129,008                |
| Financial assets at fair value through profit or loss (Note 4, 7 & 27)                | 330,975                     | -                              | 182,520                     |
| Available-for-sale financial assets (Note 4, 9, & 27)                                 | -                           | 59,617                         | 82,100                      |
| Contract assets (Note 4, 5, 21 & 27)  | 271,171                     | -                              | -                           |
| Notes receivable (Note 10 & 27)   | 18,049                      | 22,244                         | 11,218                      |
| Trade receivables (Note 4, 5, 10 & 27)  | 446,739                     | 515,217                        | 476,608                     |
| Amounts due from customers for construction contracts (Note 4, 5, 11 & 27)            | -                           | 328,454                        | 458,694                     |
| Other receivables (Note 9 & 27)   | 10,271                      | 3,719                          | 3,336                       |
| Current tax assets  | -                           | 501                            | 1                           |
| Inventories (Note 4, 5 & 12)  | 681,265                     | 602,201                        | 649,112                     |
| Prepayments (Note 15)   | 49,742                      | 40,024                         | 38,860                      |
| Other financial assets (Note 15, 27 & 29)   | 33,162                      | 23,773                         | 30,315                      |
| Other current assets (Note 15)  | <u>10,300</u>               | <u>7,456</u>                   | <u>6,839</u>                |
| Total current assets  | <u>2,483,344</u>            | <u>2,736,730</u>               | <u>3,068,611</u>            |
| NON-CURRENT ASSETS  |                             |                                |                             |
| Financial assets at fair value through other comprehensive income (Note 4, 5, 8 & 27) | 27,990                      | -                              | -                           |
| Available-for-sale financial assets (Note 4, 5, 9 & 27)                               | -                           | 27,990                         | 27,990                      |
| Property, plant and equipment (Note 4, 5 & 14)  | 1,699,573                   | 1,578,084                      | 984,296                     |
| Deferred tax assets (Note 4 & 5)  | 77,986                      | 71,467                         | 67,126                      |
| Long-term notes and trade receivables (Note 10 & 27)                                  | 489,741                     | 505,914                        | 538,316                     |
| Other financial assets (Note 15 & 27)   | -                           | -                              | 2,959                       |
| Other non-current assets (note 17)  | <u>94,307</u>               | <u>16,243</u>                  | <u>154,291</u>              |
| Total non-current assets  | <u>2,389,597</u>            | <u>2,199,698</u>               | <u>1,774,978</u>            |
| TOTAL   | <u>\$4,872,941</u>          | <u>\$4,936,428</u>             | <u>\$4,843,589</u>          |
| <b>LIABILITIES AND EQUITY</b>   |                             |                                |                             |
| CURRENT LIABILITIES   |                             |                                |                             |
| Short-term borrowings (Note 16 & 27)  | \$ -                        | \$ 120,000                     | \$ -                        |
| Short-term bills payable (Note 16 & 27)   | -                           | 109,911                        | -                           |
| Contract liabilities (Note 4, 5, 21, & 27)  | 242,329                     | -                              | -                           |
| Notes payable (Note 17 & 27)  | 714                         | 1,785                          | 3,927                       |
| Trade payables (Note 17 & 27)   | 545,356                     | 493,262                        | 563,095                     |
| Amounts due to customers for construction contracts (Note 4, 5, 11 & 27)              | -                           | 253,721                        | 239,659                     |
| Other payables (Note 18 & 27)   | 640,028                     | 309,855                        | 626,637                     |
| Current tax liabilities   | 34,750                      | 68,795                         | 71,397                      |
| Advance receipts  | -                           | 17,116                         | 2,161                       |
| Other current liabilities (Note 18)   | <u>4,633</u>                | <u>2,634</u>                   | <u>5,017</u>                |
| Total current liabilities   | <u>1,467,810</u>            | <u>1,377,079</u>               | <u>1,511,893</u>            |
| NON-CURRENT LIABILITIES   |                             |                                |                             |
| Net defined benefit liabilities (Note 4 & 5)  |                             |                                |                             |
| Total non-current liabilities   | <u>140,244</u>              | <u>146,980</u>                 | <u>156,416</u>              |
| Total liabilities   | <u>1,608,054</u>            | <u>1,524,059</u>               | <u>1,668,309</u>            |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)                                |                             |                                |                             |
| Share capital   |                             |                                |                             |
| Ordinary shares   | <u>1,181,925</u>            | <u>1,181,925</u>               | <u>1,181,925</u>            |
| Capital surplus   | <u>879,173</u>              | <u>879,173</u>                 | <u>878,413</u>              |
| Retained earnings   |                             |                                |                             |
| Legal reserve   | 373,042                     | 325,626                        | 325,626                     |
| Special reserve   | 16,197                      | 17,263                         | 17,263                      |
| Unappropriated earnings (or accumulated deficits)                                     | <u>834,359</u>              | <u>1,029,784</u>               | <u>793,955</u>              |
| Total retained earnings   | <u>1,223,598</u>            | <u>1,372,673</u>               | <u>1,136,844</u>            |
| Other equity  | <u>( 14,604)</u>            | <u>( 16,197)</u>               | <u>( 16,697)</u>            |
| Treasury shares   | <u>( 5,205)</u>             | <u>( 5,205)</u>                | <u>( 5,205)</u>             |
| Total equity attributable to owners of the Company                                    | <u>3,264,887</u>            | <u>3,412,369</u>               | <u>3,175,280</u>            |
| Total equity  | <u>3,264,887</u>            | <u>3,412,369</u>               | <u>3,175,280</u>            |
| TOTAL   | <u>\$4,872,941</u>          | <u>\$4,936,428</u>             | <u>\$4,843,589</u>          |

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

(With Deloitte & Touche review report dated Aug. 14, 2018)

# 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<br>June 30 |                | For the Six Months Ended<br>June 30 |                  |
|--|---------------------------------------|----------------|-------------------------------------|------------------|
|  | 2018                                  | 2017           | 2018                                | 2017             |
| OPERATING REVENUE (Note 4, 5,<br>11 & 21)                        |                                       |                |                                     |                  |
| Sales  | \$ 385,164                            | \$ 539,299     | \$ 893,978                          | \$ 1,078,593     |
| Construction revenue   | 106,613                               | 256,708        | 288,243                             | 549,572          |
| Service revenue  | 35,825                                | 26,844         | 67,616                              | 53,583           |
| Total operating revenue  | <u>524,602</u>                        | <u>822,851</u> | <u>1,249,837</u>                    | <u>1,681,748</u> |
| OPERATING COSTS (Note 12 & 22)                                   |                                       |                |                                     |                  |
| Cost of goods sold   | 283,038                               | 396,622        | 678,941                             | 767,556          |
| Construction costs   | 76,314                                | 156,318        | 168,840                             | 338,131          |
| Service costs  | 30,396                                | 26,107         | 56,224                              | 51,445           |
| Total operating costs  | <u>389,748</u>                        | <u>579,047</u> | <u>904,005</u>                      | <u>1,157,132</u> |
| GROSS PROFIT/(LOSS)  | <u>137,854</u>                        | <u>243,804</u> | <u>345,832</u>                      | <u>524,616</u>   |
| OPERATING EXPENSES (Note 19 &<br>22)                             |                                       |                |                                     |                  |
| Selling and marketing expenses                                   | 33,636                                | 35,415         | 64,695                              | 66,837           |
| General and administrative expenses                              | 45,732                                | 45,372         | 86,892                              | 88,527           |
| Research and development expenses                                | 13,323                                | 16,577         | 30,095                              | 32,645           |
| Expected credit loss   | 95                                    | -              | ( 105)                              | -                |
| Total operating expenses   | <u>92,786</u>                         | <u>97,364</u>  | <u>181,577</u>                      | <u>188,009</u>   |
| PROFIT/(LOSS) FROM<br>OPERATIONS                                 | <u>45,068</u>                         | <u>146,440</u> | <u>164,255</u>                      | <u>336,607</u>   |
| NON-OPERATING INCOME AND<br>EXPENSES (Note 22)                   |                                       |                |                                     |                  |
| Other income   | 17,063                                | 9,282          | 27,053                              | 17,613           |
| Other gains and losses   | 27,304                                | 8,048          | 3,691                               | ( 57,770)        |
| Finance costs  | ( 135)                                | -              | ( 594)                              | -                |
| Total non-operating income and<br>expenses                       | <u>44,232</u>                         | <u>17,330</u>  | <u>30,150</u>                       | <u>( 40,157)</u> |
| PROFIT/(LOSS) BEFORE INCOME<br>TAX FROM CONTINUING<br>OPERATIONS | 89,300                                | 163,770        | 194,405                             | 296,450          |
| INCOME TAX EXPENSE/(BENEFIT)<br>(Note 4, 5, & 23)                | ( 17,593)                             | ( 38,994)      | ( 25,643)                           | ( 60,993)        |
| NET PROFIT/(LOSS) FOR THE<br>PERIOD                              | <u>71,707</u>                         | <u>124,776</u> | <u>168,762</u>                      | <u>235,457</u>   |

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# 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<br>June 30 |                   | For the Six Months Ended<br>June 30 |                   |
|--|---------------------------------------|-------------------|-------------------------------------|-------------------|
|  | 2018                                  | 2017              | 2018                                | 2017              |
| OTHER COMPREHENSIVE<br>INCOME/(LOSS)   |                                       |                   |                                     |                   |
| Items that will not be reclassified<br>subsequently to profit or loss:                   |                                       |                   |                                     |                   |
| Remeasurement of defined benefit<br>plans  | -                                     | -                 | 1,713                               | -                 |
| Items that may be reclassified<br>subsequently to profit or loss:                        |                                       |                   |                                     |                   |
| Exchange differences on translating<br>the financial statements of foreign<br>operations | 300                                   | 1,125             | 1,163                               | ( 2,644)          |
| Unrealized gain/(loss) on<br>available-for-sale financial assets                         | <u>-</u>                              | <u>( 105)</u>     | <u>-</u>                            | <u>3,210</u>      |
|  | <u>300</u>                            | <u>1,020</u>      | <u>2,876</u>                        | <u>566</u>        |
| TOTAL COMPREHENSIVE<br>INCOME/(LOSS) FOR THE<br>PERIOD                                   | <u>\$ 72,007</u>                      | <u>\$ 125,796</u> | <u>\$ 171,638</u>                   | <u>\$ 236,023</u> |
| NET PROFIT/(LOSS)<br>ATTRIBUTABLE TO:  |                                       |                   |                                     |                   |
| Owners of the Company  | <u>\$ 71,707</u>                      | <u>\$ 124,776</u> | <u>\$ 168,762</u>                   | <u>\$ 235,457</u> |
| TOTAL COMPREHENSIVE<br>INCOME/(LOSS) ATTRIBUTABLE<br>TO:                                 |                                       |                   |                                     |                   |
| Owners of the Company  | <u>\$ 72,007</u>                      | <u>\$ 125,796</u> | <u>\$ 171,638</u>                   | <u>\$ 236,023</u> |
| EARNINGS PER SHARE (Note 24)   |                                       |                   |                                     |                   |
| From continuing operations   |                                       |                   |                                     |                   |
| Basic  | <u>\$ 0.61</u>                        | <u>\$ 1.06</u>    | <u>\$ 1.43</u>                      | <u>\$ 2.00</u>    |
| Diluted  | <u>\$ 0.61</u>                        | <u>\$ 1.05</u>    | <u>\$ 1.43</u>                      | <u>\$ 1.98</u>    |

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

(With Deloitte & Touche review report dated Aug. 14, 2018)

(Concluded)

Chenfull International Co., Ltd. and Subsidiaries

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

|   | Share Capital       | Capital Surplus   | Retained Earnings |                  |                         | Other Equity   |   | Treasury Shares   | Total Equity        |
|---|---------------------|-------------------|-------------------|------------------|-------------------------|--|---|-------------------|---------------------|
|   |                     |                   | 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 |                   |                     |
| BALANCE AT JANUARY 1, 2017  | \$ 1,181,925        | \$ 878,413        | \$ 272,428        | \$ 8,605         | \$ 939,474              | (\$ 13,562)  | (\$ 3,701)  | (\$ 5,205)        | \$ 3,258,377        |
| Appropriations of prior year's earnings   |                     |                   |                   |                  |                         |  |   |                   |                     |
| Legal capital reserve   | -                   | -                 | 53,198            | -                | ( 53,198)               | -  | -   | -                 | -                   |
| Special capital reserve   | -                   | -                 | -                 | 8,658            | ( 8,658)                | -  | -   | -                 | -                   |
| Cash dividends to shareholders  | -                   | -                 | -                 | -                | ( 319,120)              | -  | -   | -                 | ( 319,120)          |
| Net profit/(loss) for the six months ended June 30, 2017                                    | -                   | -                 | -                 | -                | 235,457                 | -  | -   | -                 | 235,457             |
| Other comprehensive income/(loss) for the six months ended June 30, 2017, net of income tax | -                   | -                 | -                 | -                | -                       | ( 2,644)   | 3,210   | -                 | 566                 |
| Total comprehensive income/(loss) for the six months ended June 30, 2017                    | -                   | -                 | -                 | -                | 235,457                 | ( 2,644)   | 3,210   | -                 | 236,023             |
| BALANCE AT JUNE 30, 2017  | <u>\$ 1,181,925</u> | <u>\$ 878,413</u> | <u>\$ 325,626</u> | <u>\$ 17,263</u> | <u>\$ 793,955</u>       | <u>(\$ 16,206)</u>   | <u>(\$ 491)</u>   | <u>(\$ 5,205)</u> | <u>\$ 3,175,280</u> |
| 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  | <u>\$ 1,181,925</u> | <u>\$ 879,173</u> | <u>\$ 325,626</u> | <u>\$ 17,263</u> | <u>\$ 1,029,354</u>     | <u>(\$ 15,767)</u>   | <u>\$ -</u>   | <u>(\$ 5,205)</u> | <u>\$ 3,412,369</u> |
| 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)          |
| Net profit/(loss) for the six months ended June 30, 2018                                    | -                   | -                 | -                 | -                | 168,762                 | -  | -   | -                 | 168,762             |
| Other comprehensive income/(loss) for the six months ended June 30, 2018, net of income tax | -                   | -                 | -                 | -                | 1,713                   | 1,163  | -   | -                 | 2,876               |
| Total comprehensive income/(loss) for the six months ended June 30, 2018                    | -                   | -                 | -                 | -                | 170,475                 | 1,163  | -   | -                 | 171,638             |
| BALANCE AT JUNE 30, 2018  | <u>\$ 1,181,925</u> | <u>\$ 879,173</u> | <u>\$ 373,042</u> | <u>\$ 16,197</u> | <u>\$ 834,359</u>       | <u>(\$ 14,604)</u>   | <u>\$ -</u>   | <u>(\$ 5,205)</u> | <u>\$ 3,264,887</u> |

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

(With Deloitte & Touche review report dated Aug. 14, 2018)

# Chenfull International Co., Ltd. and Subsidiaries

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

|  | Six Months Ended June 30 |            |
|--|--------------------------|------------|
|  | 2018                     | 2017       |
| CASH FLOWS FROM OPERATING ACTIVITIES   |                          |            |
| Income before income tax   | \$ 194,405               | \$ 296,450 |
| Adjustments for:   |                          |            |
| Expected credit loss recognized/(reversed) on trade receivables                                | (105)                    | -          |
| Impairment loss recognized/(reversed) on trade receivables                                     | -                        | 142        |
| Depreciation expenses  | 54,728                   | 50,105     |
| Amortization expenses  |                          |            |
| Amortization of prepayments  |                          |            |
| Amortization of prepayments for leases   |                          |            |
| Compensation costs of employee share options   |                          |            |
| Finance costs  | 594                      | -          |
| Recognition/(reversal) of provisions   |                          |            |
| Reversal of deferred revenue   |                          |            |
| Interest income  | (10,633)                 | (11,033)   |
| Dividend income  | (4,251)                  | (3,065)    |
| Write-downs of inventories   | -                        | 2,889      |
| Reversal of write-downs of inventories   | (7,171)                  | -          |
| (Gain)/loss on disposal of property, plant and equipment                                       | (200)                    | (282)      |
| Net (gain)/loss on fair value changes of financial assets at fair value through profit or loss | 5,037                    | -          |
| Net (gain)/loss on disposal of financial assets at fair value through profit or loss           | (401)                    | 3,362      |
| Unrealized loss on foreign currency exchange   | 6,195                    | 6,369      |
| Changes in operating assets and liabilities  |                          |            |
| (Increase)/decrease in contract assets   | 57,283                   | -          |
| (Increase)/decrease in notes receivable  | 4,195                    | (2,184)    |
| (Increase)/decrease in trade receivables   | 84,751                   | 200,654    |
| (Increase)/decrease in amounts due from customers for construction contracts                   | -                        | (120,026)  |
| (Increase)/decrease in inventories   | (71,893)                 | (23,645)   |
| (Increase)/decrease in prepayments   | (9,718)                  | (7,424)    |
| (Increase)/decrease in other current assets  | (8,477)                  | 2,572      |
| (Increase)/decrease in other financial assets  | (9,389)                  | 47,160     |
| (Increase)/decrease in contract liabilities  | (28,508)                 | -          |
| Increase/(decrease) in notes payable   | (1,071)                  | 2,195      |
| Increase/(decrease) in trade payables  | 52,094                   | 51,835     |
| Increase/(decrease) in other payables  | (4,077)                  | (355)      |
| Increase/(decrease) in amounts due to customers for contract work                              | -                        | (109,557)  |
| Increase/(decrease) in other current liabilities   | 1,999                    | 1,070      |
| Increase/(decrease) in provisions  | (6,736)                  | 867        |
| Cash generated from/(used in) operations   | 298,651                  | 388,099    |

(Continued)



# Chenfull International Co., Ltd. and Subsidiaries

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

|   | <b>Six Months Ended June 30</b> |                     |
|---|---------------------------------|---------------------|
|   | <b>2018</b>                     | <b>2017</b>         |
| Interest received   | 11,877                          | 11,948              |
| Interest paid   | ( 485)                          | -                   |
| Income tax paid   | ( 63,873)                       | (64,645)            |
| Net cash generated from/(used in) operating activities                                    | <u>246,170</u>                  | <u>335,402</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                 |                     |
| Purchase of financial assets at fair value through profit or loss                         | (4,179,712)                     | (3,178,032)         |
| Purchase of available-for-sale financial assets   | -                               | (48,616)            |
| Proceeds from sale of financial assets at fair value through profit or loss               | 3,897,523                       | 3,086,818           |
| Proceeds from sale of available-for-sale financial assets                                 | -                               | 97,050              |
| Increase in other assets-non-current  | (77,219)                        | (198,967)           |
| Payments for property, plant and equipment  | (161,038)                       | (30,701)            |
| Proceeds from disposal of property, plant and equipment                                   | 200                             | 467                 |
| Dividend received   | 2,088                           | 1,713               |
| Decrease in refundable deposits   | <u>(845)</u>                    | <u>(6)</u>          |
| Net cash generated from/(used in) investing activities                                    | <u>(519,003)</u>                | <u>(270,274)</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                                 |                     |
| Decrease in short-term loans  | (120,000)                       | -                   |
| Decrease in short-term bills payable  | <u>(110,068)</u>                | <u>-</u>            |
| Net cash generated from/(used in) financing activities                                    | <u>(230,068)</u>                | <u>-</u>            |
| <b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b> | <u>1,047</u>                    | <u>( 3,188)</u>     |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>                               | <u>(501,854)</u>                | <u>61,940</u>       |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>                             | <u>1,133,524</u>                | <u>1,067,068</u>    |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>                                   | <u>\$ 631,670</u>               | <u>\$ 1,129,008</u> |

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

(With Deloitte & Touche review report dated Aug. 14, 2018)

(Concluded)

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

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)**

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### **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 September 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 August 14, 2018.

### **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) Annual Improvements to IFRSs 2014-2016 Cycle

Several standards, including IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures," were amended in this annual improvement.

- 2) Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"

The amendments require that market conditions and non-vesting conditions should be taken into account and vesting conditions, other than market conditions, should not be taken into account when estimating the fair value of a cash-settled share-based payment at the measurement date. Instead, they should be taken into account by adjusting the number of awards included in the measurement of the liability arising from any cash-settled share-based payment transaction.

- 3) IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with

consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Please refer to Note 4 for information relating to the relevant accounting policies.

#### Classification, measurement and impairment of financial assets

The company elects not to restate prior reporting period when applying the requirements for the classification, measurement and impairment of financial assets and financial liabilities under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application.

The impact on measurement categories, carrying amount and related reconciliation for each class of the Company’s financial assets and financial liabilities when retrospectively applying IFRS 9 on January 1, 2018 is detailed below:

| Financial Assets  | <u>Measurement Category</u>               |  | <u>Carrying Amount</u>                   |                                     | <u>Note</u> |
|---|---|--|--|-------------------------------------|-------------|
|   | <u>IAS 39</u>                             | <u>IFRS 9</u>  | <u>IAS 39</u>                            | <u>IFRS 9</u>                       |             |
| Cash and Cash equivalents   | Loans and receivables                     | Amortized cost   | \$1,133,524                              | \$1,133,524                         |             |
| Equity securities   | Available-for-sale                        | Mandatorily at fair value through profit or loss (FVTPL) | 56,638                                   | 56,638                              | (2)         |
|   | Available-for-sale                        | Fair value through other comprehensive income (FVTOCI)   | 27,990                                   | 27,990                              | (2)         |
| Mutual funds  | Available-for-sale                        | FVTPL  | 2,979                                    | 2,979                               | (1)         |
| Time deposits with original maturities of less than 3 months                                    | Loans and receivables                     | Amortized cost   | 23,773                                   | 23,773                              |             |
| Notes receivable, account receivables, other receivables, long-term notes and trade receivables | Loans and receivables                     | Amortized cost   | 1,047,094                                | 1,047,094                           | (3)         |
| Amounts due from customers for construction contracts   | Loans and receivables                     | Amortized cost   | 328,454                                  | 328,454                             |             |
|   | Carrying Amount as of Jan 1, 2018 (IAS39) | Carrying Amount as of Jan. 1, 2018 (IFRS 9)              | Retained Earnings Effect on Jan. 1, 2018 | Other Equity Effect on Jan. 1, 2018 | <u>Note</u> |
| FVTPL   | \$ -                                      | \$ 59,617  | (\$ 430)                                 | \$ 430                              | (1),(2)     |
| Add: From available-for-sale  | 59,617                                    | ( 59,617)  | -  | -                                   | (1),(2)     |
|   | 59,617                                    | -  | ( 430)                                   | 430                                 |             |
| FVTOCI  | -   | 27,990   | -  | -                                   | (2)         |
| Add: From available-for-sale  | 27,990                                    | ( 27,990)  | -  | -                                   | (2)         |
|   | 27,990                                    | -  | -  | -                                   |             |
| Amortized cost  | -   | 2,532,845  | -  | -                                   | (3)         |
| Add: From loans and receivables   | 2,532,845                                 | ( 2,532,845)   | -  | -                                   | (3)         |
|   | 2,532,845                                 | -  | -  | -                                   |             |
| Total   | \$ 2,620,452                              | \$ -   | (\$ 430)                                 | \$ 430                              |             |

- (1) Mutual funds were previously classified as available-for –sale financial assets under IAS 39. Under IFRS 9, whose contractual cash flows are not solely payments of principal and interest on the principal outstanding and therefore are classified as at FVTPL.

- (2) As equity investments that were previously classified as available-for-sale financial assets under IAS 39. The Company elected to designate these investments as at FVTPL and FVTOCI under IFRS 9. As a result, the related other equity-unrealized gain/loss on available-for-sale financial assets of NT430 thousand is reclassified to retained earnings.

For those equity investments previously classified as measured at cost under IAS 39, the company elected to designate these investments as at FVTOCI under IFRS 9.

- (3) Notes receivable, trade receivables, other receivables, long-term notes receivable and long-term trade receivables that were previously classified as loan and receivables under IAS 39. The Company elected to financial assets at amortized cost and evaluate expected credit loss.

4) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18, “Revenue,” IAS 11, “Construction Contracts,” and a number of revenue-related interpretations. Please refer to Note 4 for information relating to the relevant accounting policies.

The company elected only to retrospectively apply IFRS 15 to contracts that were not completed on January 1, 2018 and elected not to restate prior reporting period with the cumulative effect of the initial application recognized at the date of initial application.

The impact on assets, liabilities and equity when retrospectively applying IFRS 15 on January 1, 2018 is detailed below:

|  | Carrying<br>Amount as of<br>Jan. 1, 2018<br><u>Per-applied</u> | Adjustments<br>Arising from<br>Initial<br><u>Application</u> | Carrying<br>Amount as of<br>Jan. 1, 2018<br><u>Application</u> |
|--|--|--|--|
| Amounts due from customers<br>for construction contracts | \$328,454  | (\$328,454)  | \$ -   |
| Contract assets - current                                | -  | 328,454  | 328,454  |
| Total effect on assets                                   | <u>\$328,454</u>   | <u>\$ -</u>  | <u>\$328,454</u>   |
| Amounts due to customers for<br>construction contracts   | \$253,721  | (\$253,721)  | \$ -   |
| Advance receipts   | 17,116   | (17,116)   | -  |
| Contract liabilities - current                           | -  | 270,837  | 270,837  |
| Total effect on liabilities                              | <u>\$270,837</u>   | <u>\$ -</u>  | <u>\$270,837</u>   |

5) Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount, and that the

estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

6) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after the beginning of the reporting period in which the entity first applies IFRIC 22.

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers for application starting from 2019 and the IFRSs issued by IASB and endorsed by FSC with effective date starting 2019

| <b>New, Revised or Amended Standards and Interpretations</b>               | <b>Effective Date Issued by IASB (Note1)</b> |
|--|--|
| Annual Improvements to IFRSs 2015-2017 Cycle                               | January 1, 2019                              |
| Amendments to IFRS 9 “Prepayment Features with Negative Compensation”      | January 1, 2019 (Note 2)                     |
| IFRS 16 “Leases”   | January 1, 2019                              |
| Amendment to IAS 19 “Plan Amendment, Curtailment or Settlement”            | January 1, 2019 (Note 3)                     |
| Amendment to IAS 28 “Long-term Interests in Associated and Joint Ventures” | January 1, 2019                              |
| IFRIC 23 “Uncertainty over Income Tax Treatments”                          | January 1, 2019                              |

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Company expects to recognise the lease contract of lessees in line with IFRS 16. However, the Company intends not to restate the financial statements of prior period (collectively referred herein as the “modified retrospective approach”), and the effects will be adjusted on January 1, 2019. In the first quarter of 2018, the Company reported to the Board of Directors that under IFRS 16, it is expected that ‘right-of-use asset’ and lease liability will be increased, but has no material impact to the Company’s equity. Affected amount will be continually assessed to the effective date.

Under initial application of IFRS 16, the Company anticipates applying retrospectively with the cumulative effect of this standard at the date of initial application, comparative information will not

be restated. As of the date the accompanying consolidated financial statements were issued, the related effect will be disclosed when the Company completes the evaluation.

Note 1: The Company 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, 2019 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2019.

As of the date the accompanying consolidated financial statements were issued, the Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed and issued into effect by the FSC.

##### **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 13 and Table 4 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.

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.

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.

h. Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets 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. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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 corresponding asset, cash-generating unit or assets related to contract costs 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, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

i. 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 FVTPL) 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 FVTPL 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.

a) Measurement category

2018

Financial assets are classified into the following categories:

i. Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or 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 dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 26.

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, trade receivables at amortized cost and notes receivable, are measured at amortized cost, which equals the 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 such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets.

Cash equivalents include time deposits 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 as 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, it 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.

2017

Financial assets are classified into the following categories:

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are either held for trading or designated as at FVTPL.

A financial asset may be designated as at FVTPL upon initial recognition if:

- i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at FVTPL are stated 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 dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 26.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets (relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

### iii. Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalents, debt investments with no active market and other receivables ) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits 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.

## b) Impairment of financial assets

### 2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables, lease receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs./For financial instruments and contract assets, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs 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 all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

### 2017

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of such financial assets, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as trade receivables and other receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with defaults on receivables, and other situations.

For a financial asset at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For a financial asset at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of such an investment can be objectively related to an event occurring after the recognition of the impairment loss.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables and other receivables that are written off against the 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.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, 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 a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, 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 which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

## 2) Financial liabilities

### a) Subsequent measurement

All 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.

## j. Revenue recognition

### [2018/Contracts applicable to IFRS 15]

#### 1) 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.

#### 2) Revenue from the rendering of services

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

#### 3) Construction contract revenue

Customers control properties while they are construction in progress, and thus, the Group recognizes revenue over time. The Group measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations. Contract assets are recognized during the construction and are reclassified to trade receivables at the point at which the customer is invoiced. If the milestone payments exceed the revenue recognized to date, then the Group recognizes contract liabilities for the difference. Certain payments, which are retained by the customer as specified in the contract,

are intended to ensure that the Group adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Group satisfies its performance obligations.

[2017/Contracts prior to 2018 without retrospective application of IFRS 15]

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) Revenue from the 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.

2) Revenue from the rendering of services

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

3) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

[2017/Construction contracts prior to 2018 without retrospective application of IFRS 15]

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognized with 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 that the amount can be measured reliably and its receipt is considered probable.

When contract costs incurred to date plus the recognized profit less the recognized deficits exceed progress billings, the surplus is shown as the gross amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus the recognized profit less the recognized deficits, the surplus is shown as the gross amount due to customers for contract work.

Amounts received before the related work is performed are included in the consolidated balance sheets as a liability under other current liabilities. Amounts billed for work performed but not yet paid by customers are included in the consolidated balance sheets under trade receivables.

k. 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.

l. Share-based payment arrangements

Employee share options

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vesting immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options/ expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

m. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence.

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. Business model assessment for financial assets

The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement about all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or fair value through other comprehensive income, and when assets are derecognized prior to their maturity, the Group understands the reason for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets is proper.

b. 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.

c. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

d. Write-down of inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value was based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

e. Useful lives of property, plant and equipment

As described in Note 4, the Group reviews the estimated useful lives of property, plant and equipment at each balance sheet date. During the current period, management determined that the useful lives of certain items of equipment should be shortened, due to developments in technology.

f. Recognition and measurement of defined benefit plans

The net defined benefit liabilities (assets) and the resulting defined benefit costs under the defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of expenses and liabilities.

g. Construction contract

Contract revenue and costs are recognized by reference to the stage of completion of each contract. The stage of completion of the contract is measured based on the proportion of contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentives are included in the contract revenue to the extent that the amounts can be measured reliably and collection is considered probable.

The estimated total contract costs and contractual items are assessed and determined by management based on the nature of the work, expected sub-contracting charges, construction periods, processes, methods, etc., for each construction contract. Changes in these estimates might affect the calculation of the percentage of completion and related profits and losses from the construction contracts.

#### h. Fair value measurements and valuation processes

If some of the Group's assets and liabilities measured at fair value have no quoted prices in active markets to determine whether to engage third party qualified valuers and to determine the appropriate valuation techniques for the fair value measurements.

Where Level 1 inputs are not available, the Group or engaged valuers would determine appropriate inputs by referring to the analyses of the financial position and the operation results of the investees, recent transaction prices, prices of the same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, valuation multiples of comparable entities. If the actual changes of inputs in the future differ from expectation, the fair value might vary accordingly.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in notes 27.

#### i. Income taxes

As of June 30, 2018, 2017, and December 31, 2017, the carrying amount of deferred tax assets was \$77,986 thousand, \$71,467 thousand, and \$67,126 thousand respectively. The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

## 6. CASH AND CASH EQUIVALENTS

|   | June 30,<br>2018  | December 31,<br>2017 | June 30,<br>2017    |
|---|-------------------|----------------------|---------------------|
| Cash on hand  | \$ 2,033          | \$ 2,200             | \$ 2,105            |
| Checking accounts and demand deposits   | 383,557           | 839,080              | 715,844             |
| Cash equivalents (investments with original maturities of less than 3 months) |                   |                      |                     |
| Time deposits   | 86,080            | 258,744              | 251,059             |
| Repurchase agreements collateralized by bonds                                 | 160,000           | 33,500               | 160,000             |
|   | <u>\$ 631,670</u> | <u>\$ 1,133,524</u>  | <u>\$ 1,129,008</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:

|   | <b>June 30,<br/>2018</b> | <b>December 31,<br/>2017</b> | <b>June 30,<br/>2017</b> |
|---|--------------------------|------------------------------|--------------------------|
| Bank balance                                  | 0.001%-0.35%             | 0.001%-0.35%                 | 0.001%-0.35%             |
| Time deposits                                 | 0.6%-2%                  | 0.6%-1.5%                    | 0.59%-1.2%               |
| Repurchase agreements collateralized by bonds | 0.38%-0.5%               | 0.4%-0.5%                    | 0.4%-0.5%                |

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

|  | <b>June 30,<br/>2018</b> | <b>December 31,<br/>2017</b> | <b>June 30,<br/>2017</b> |
|--|--------------------------|------------------------------|--------------------------|
| <u>Financial assets at FVTPL - current</u>               |                          |                              |                          |
| Financial assets designated as at FVTPL                  |                          |                              |                          |
| Structured deposits                                      | \$ -                     | \$ -                         | \$ 182,520               |
| Financial assets mandatorily classified as at FVTPL      |                          |                              |                          |
| Derivative financial assets (not under hedge accounting) |                          |                              |                          |
| Dual Currency Investment                                 | 211,558                  | -                            | -                        |
| Non-derivative financial assets                          |                          |                              |                          |
| Foreign listed shares investments                        | 68,300                   | -                            | -                        |
| Mutual funds   | 51,117                   | -                            | -                        |
|  | <u>\$ 330,975</u>        | <u>\$ -</u>                  | <u>\$ 182,520</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:

| <b>Currency</b>      | <b>Notional Amounts<br/>(In Thousands)</b> | <b>Maturity Date</b>  | <b>Strike Rate</b> |
|----------------------|--|-----------------------|--------------------|
| <u>June 30, 2018</u> |  |                       |                    |
| AUD/USD              | AUD 1,350                                  | 2018.06.29-2018.07.06 | > 0.75             |
| USD/AUD              | USD 1,000                                  | 2018.06.21-2018.07.05 | < 0.723            |
| USD/NZD              | USD 1,000                                  | 2018.06.22-2018.07.06 | < 0.673            |
| USD/GBP              | USD 1,000                                  | 2018.06.29-2018.07.13 | < 1.299            |
| EUR/USD              | EUR 848                                    | 2018.06.26-2018.07.11 | > 1.18             |
| CAD/USD              | CAD 1,325                                  | 2018.06.26-2018.07.03 | < 1.3135           |
| NZD/USD              | NZD 1,420                                  | 2018.06.27-2018.07.11 | > 0.705            |
| <u>June 30, 2017</u> |  |                       |                    |
| USD/NZD              | USD 3,000                                  | 2017.06.28-2017.07.14 | <= 0.715-0.72      |
| USD/GBP              | USD 3,000                                  | 2017.06.22-2017.07.12 | <= 1.24-1.262      |

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

Investments in equity instruments at FVTOCI

|                     | <b>June 30, 2018</b> |
|---------------------|----------------------|
| <u>Non-current</u>  |                      |
| Foreign investments |                      |
| Unlisted shares     |                      |
| Ordinary shares     | <u>\$ 27,990</u>     |

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

|                      | December 31,<br>2017 | June 30,<br>2017 |
|----------------------|----------------------|------------------|
| <u>Current</u>       |                      |                  |
| Domestic investments |                      |                  |
| Mutual funds         | \$ 2,979             | \$ 42,612        |
| Listed shares        | 6,288                | 13,974           |
| Foreign investments  |                      |                  |
| Mutual funds         | -                    | 24,058           |
| Listed shares        | 50,350               | 1,456            |
|                      | <u>\$ 59,617</u>     | <u>\$ 82,100</u> |
| <u>Non-current</u>   |                      |                  |
| Domestic investments |                      |                  |
| Unlisted shares      | <u>\$ 27,990</u>     | <u>\$ 27,990</u> |

Refer to Note 27 for information relating to available-for-sale financial assets.

## 10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

|  | June 30,<br>2018  | December 31,<br>2017 | June 30,<br>2017  |
|--|-------------------|----------------------|-------------------|
| <u>Notes receivable</u>                                      |                   |                      |                   |
| At amortized cost  |                   |                      |                   |
| Gross carrying amount  | \$ 18,330         | \$ 22,525            | \$ 11,499         |
| Less: Allowance for impairment loss                          | ( 281)            | ( 281)               | ( 281)            |
|  | <u>\$ 18,049</u>  | <u>\$ 22,244</u>     | <u>\$ 11,218</u>  |
| <u>Trade receivables</u>                                     |                   |                      |                   |
| At amortized cost  |                   |                      |                   |
| Gross carrying amount  | \$ 452,392        | \$ 520,970           | \$ 482,295        |
| Less: Allowance for impairment loss                          | ( 5,653)          | ( 5,753)             | ( 5,687)          |
|  | <u>\$ 446,739</u> | <u>\$ 515,217</u>    | <u>\$ 476,608</u> |
| <u>Other receivables</u>                                     |                   |                      |                   |
| Others   | <u>\$ 10,271</u>  | <u>\$ 3,719</u>      | <u>\$ 3,336</u>   |
| <u>Long-term notes and trade receivable</u>                  |                   |                      |                   |
| Long-term notes and trade receivable                         | \$ 521,965        | \$ 537,898           | \$ 570,061        |
| Less: Due to 1 years of long-term notes and trade receivable | ( 32,224)         | ( 31,984)            | ( 31,745)         |
|  | <u>\$ 489,741</u> | <u>\$ 505,914</u>    | <u>\$ 538,316</u> |

### a. Trade receivables

For the six months ended June 30, 2018

#### 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.

June 30, 2018

|                               | <b>Not Past<br/>Due</b> | <b>1 to 90 Days</b> | <b>91 to 180<br/>Days</b> | <b>181 to 270<br/>Days</b> | <b>Over 270<br/>Days</b> | <b>Total</b>      |
|-------------------------------|-------------------------|---------------------|---------------------------|----------------------------|--------------------------|-------------------|
| Expected credit loss rate     | 0.11%~1%                | 1%~2.26%            | 26.78%                    | 38.57%                     | 100%                     |                   |
| Gross carrying amount         | \$ 377,593              | \$ 64,910           | \$ 5,770                  | \$ 3,188                   | \$ 931                   | \$ 452,392        |
| Loss allowance (Lifetime ECL) | ( 545)                  | ( 1,402)            | ( 1,545)                  | ( 1,230)                   | ( 931)                   | (5,653)           |
| Amortized cost                | <u>\$ 377,048</u>       | <u>\$ 63,508</u>    | <u>\$ 4,225</u>           | <u>\$ 1,958</u>            | <u>\$ -</u>              | <u>\$ 446,739</u> |

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

|   | <b>Six Months Ended<br/>June 30, 2018</b> |
|---|---|
| Balance at January 1, 2018 per IAS 39       | \$ 5,753                                  |
| Adjustment on initial application of IFRS 9 | -   |
| Balance at January 1, 2018 per IFRS 9       | 5,753                                     |
| Less: Amounts written off                   | (105)                                     |
| Foreign exchange gains and losses           | 5   |
| Balance at June 30, 2018                    | <u>\$ 5,653</u>                           |

For the six months ended June 30, 2017

The Group applied the same credit policy in 2018 and 2017. The average credit period of sales of goods was 60 days. Allowance for impairment loss was recognized by reference to past default experience of the counterparties and an analysis of their current financial position.

The aging of receivables was as follows:

|               | <b>December 31,<br/>2017</b> | <b>June 30,<br/>2017</b> |
|---------------|------------------------------|--------------------------|
| Up to 90 days | \$ 473,393                   | \$ 445,576               |
| 91-180 days   | 41,991                       | 30,548                   |
| 181-360 days  | 4,045                        | 3,748                    |
| Over 361 days | <u>1,541</u>                 | <u>2,423</u>             |
| Total         | <u>\$ 520,970</u>            | <u>\$ 482,295</u>        |

The above aging schedule was based on the invoice date.

The movements of the allowance for doubtful trade receivables were as follows:

|   | <b>Individually<br/>Assessed for<br/>Impairment</b> | <b>Collectively<br/>Assessed for<br/>Impairment</b> | <b>Total</b>    |
|---|---|---|-----------------|
| Balance at January 1, 2017                          | \$ 5,551  | \$ -  | \$ 5,551        |
| Add: Impairment losses recognized on<br>receivables | 142   | -   | 142             |
| Foreign exchange translation gains and losses       | (6)   | -   | (6)             |
| Balance at June 30, 2017                            | <u>\$ 5,687</u>                                     | <u>\$ -</u>   | <u>\$ 5,687</u> |

b. Notes receivable

The aging of notes receivables was as follows:

|               | <b>December 31,<br/>2017</b> | <b>June 30,<br/>2017</b> |
|---------------|------------------------------|--------------------------|
| Up to 90 days | <u>\$ 22,525</u>             | <u>\$ 11,499</u>         |

The above aging schedule was based on the invoice date.

The movements of the allowance for doubtful notes receivable were as follows:

|                            | <b>Individually<br/>Assessed for<br/>Impairment</b> | <b>Collectively<br/>Assessed for<br/>Impairment</b> | <b>Total</b>  |
|----------------------------|---|---|---------------|
| Balance at January 1, 2017 | \$ 281  | \$ -  | \$ 281        |
| Balance at June 30, 2017   | <u>\$ 281</u>                                       | <u>\$ -</u>   | <u>\$ 281</u> |

c. 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 10<sup>th</sup>, 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.

## 11. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONSTRUCTION CONTRACTS

|   | December 31,<br>2017 | June 30,<br>2017  |
|---|----------------------|-------------------|
| <u>Amount due from customers for construction contracts</u>                                 |                      |                   |
| Construction costs incurred plus recognized profits less<br>recognized losses to date       | \$ 1,349,214         | \$ 1,423,936      |
| Less: Progress billings   | ( 1,020,760)         | ( 965,242)        |
| Amount due from customers for construction contracts  | <u>\$ 328,454</u>    | <u>\$ 458,694</u> |
| <u>Amount due to customers for construction contracts</u>                                   |                      |                   |
| Progress billings   | \$ 1,274,481         | \$ 1,204,901      |
| Less: Construction costs incurred plus recognized profits<br>less recognized losses to date | ( 1,020,760)         | ( 965,242)        |
| Amount due to customers for construction contracts  | <u>\$ 253,721</u>    | <u>\$ 239,657</u> |

The revenue from construction contracts for the three months ended June 30, 2017, for the six months ended June 30, 2017 were \$256,708 thousand and \$549,572 thousand respectively.

## 12. INVENTORIES

|                  | June 30,<br>2018  | December 31,<br>2017 | June 30,<br>2017  |
|------------------|-------------------|----------------------|-------------------|
| Finished goods   | \$ 137,983        | \$ 142,051           | \$ 131,751        |
| Work in progress | 306,764           | 216,951              | 255,933           |
| Raw materials    | 231,240           | 237,251              | 256,710           |
| Merchandise      | 5,278             | 5,948                | 4,718             |
|                  | <u>\$ 681,265</u> | <u>\$ 602,201</u>    | <u>\$ 649,112</u> |

For the three months ended June 30, 2018 and 2017, for the six months ended June 30, 2018 and 2017, the cost of inventories recognized as cost of goods sold included reversals inventory write-downs \$4,808 thousand, inventory write-downs \$647 thousand, reversals inventory write-downs \$7,171 thousand, and inventory write-downs \$2,889 thousand, respectively.

## 13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

| Investor                         | Investee                                 | Proportion of Ownership (%) |                      |                  | Remark |
|----------------------------------|--|-----------------------------|----------------------|------------------|--------|
|                                  |  | June 30,<br>2018            | December<br>31, 2017 | June 30,<br>2017 |        |
| ChenFull International Co., Ltd. | Chenfeng Machinery & Enterprise Co., Ltd | 100%                        | 100%                 | 100%             | 1      |
|                                  | ChenFull Water Resource Co., Ltd.        | 100%                        | 100%                 | 100%             | 2      |
|                                  | CHEN FULL HOLDING CO., LTD.              | 100%                        | 100%                 | 100%             | 1      |
|                                  | NEW OPPORTUNITY LIMITED                  | 100%                        | 100%                 | 100%             | 1      |
|                                  | DONGGUAN CHENFENG MACHINERY<br>CO., LTD. | 100%                        | 100%                 | 100%             | 1      |

Remarks:

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

## 14. PROPERTY, PLANT AND EQUIPMENT

|   | Freehold Land     | Buildings         | Equipment         | Others            | Construction in Progress | Total               |
|---|-------------------|-------------------|-------------------|-------------------|--------------------------|---------------------|
| <b>Cost</b>   |                   |                   |                   |                   |                          |                     |
| Balance at January 1, 2017                                | \$ 168,042        | \$ 658,572        | \$ 655,889        | \$ 307,056        | \$ 2,108                 | \$ 1,791,667        |
| Additions   | -                 | 1,209             | 3,601             | 12,468            | 25,163                   | 42,441              |
| Disposals   | -                 | ( 129 )           | ( 601 )           | ( 16,960 )        | -                        | ( 17,690 )          |
| Reclassified  | -                 | 806               | 121,796           | 1,747             | ( 806 )                  | 123,543             |
| Effect of foreign currency exchange differences           | -                 | -                 | ( 16 )            | ( 15 )            | -                        | ( 31 )              |
| Balance at June 30, 2017                                  | <u>\$ 168,042</u> | <u>\$ 660,458</u> | <u>\$ 780,669</u> | <u>\$ 304,296</u> | <u>\$ 26,465</u>         | <u>\$ 1,939,930</u> |
| <b>Accumulated depreciation and impairment</b>            |                   |                   |                   |                   |                          |                     |
| Balance at January 1, 2017                                | \$ -              | \$ 172,407        | \$ 548,346        | \$ 202,310        | \$ -                     | \$ 923,063          |
| Disposals   | -                 | ( 7 )             | ( 601 )           | ( 16,897 )        | -                        | ( 17,505 )          |
| Depreciation expense                                      | -                 | 12,223            | 18,704            | 19,178            | -                        | 50,105              |
| Effect of foreign currency exchange differences           | -                 | -                 | ( 15 )            | ( 14 )            | -                        | ( 29 )              |
| Balance at June 30, 2017                                  | <u>\$ -</u>       | <u>\$ 184,623</u> | <u>\$ 566,434</u> | <u>\$ 204,577</u> | <u>\$ -</u>              | <u>\$ 955,634</u>   |
| Carrying amounts at December 31, 2016 and January 1, 2017 | <u>\$ 168,042</u> | <u>\$ 486,165</u> | <u>\$ 107,543</u> | <u>\$ 104,746</u> | <u>\$ 2,108</u>          | <u>\$ 868,604</u>   |
| Carrying amounts at June 30, 2017                         | <u>\$ 168,042</u> | <u>\$ 475,835</u> | <u>\$ 214,235</u> | <u>\$ 99,719</u>  | <u>\$ 26,465</u>         | <u>\$ 984,296</u>   |
| <b>Cost</b>   |                   |                   |                   |                   |                          |                     |
| Balance at January 1, 2018                                | \$ 572,298        | \$ 731,511        | \$ 778,606        | \$ 323,894        | \$ 160,305               | \$ 2,566,614        |
| Additions   | -                 | 1,596             | 19,041            | 15,785            | 138,981                  | 175,403             |
| Disposals   | -                 | -                 | ( 201 )           | ( 5,475 )         | -                        | ( 5,676 )           |
| Reclassified  | -                 | -                 | 385               | 428               | -                        | 813                 |
| Effect of foreign currency exchange differences           | -                 | -                 | 3                 | 9                 | -                        | 12                  |
| Balance at June 30, 2018                                  | <u>\$ 572,298</u> | <u>\$ 733,107</u> | <u>\$ 797,834</u> | <u>\$ 334,641</u> | <u>\$ 299,286</u>        | <u>\$ 2,737,166</u> |
| <b>Accumulated depreciation and impairment</b>            |                   |                   |                   |                   |                          |                     |
| Balance at January 1, 2018                                | \$ -              | \$ 198,260        | \$ 581,147        | \$ 209,123        | \$ -                     | \$ 988,530          |
| Disposals   | -                 | -                 | ( 201 )           | ( 5,475 )         | -                        | ( 5,676 )           |
| Depreciation expense                                      | -                 | 14,458            | 19,431            | 20,839            | -                        | 54,728              |
| Effect of foreign currency exchange differences           | -                 | ( 1 )             | 4                 | 8                 | -                        | 11                  |
| Balance at June 30, 2018                                  | <u>\$ -</u>       | <u>\$ 212,717</u> | <u>\$ 600,381</u> | <u>\$ 224,495</u> | <u>\$ -</u>              | <u>\$ 1,037,593</u> |
| Carrying amounts at December 31, 2017 and January 1, 2018 | <u>\$ 572,298</u> | <u>\$ 533,251</u> | <u>\$ 197,459</u> | <u>\$ 114,771</u> | <u>\$ 160,305</u>        | <u>\$ 1,578,084</u> |
| Carrying amounts at June 30, 2018                         | <u>\$ 572,298</u> | <u>\$ 520,390</u> | <u>\$ 197,453</u> | <u>\$ 110,146</u> | <u>\$ 299,286</u>        | <u>\$ 1,699,573</u> |

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

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



## 15. OTHER ASSETS

|                                    | June 30,<br>2018         | December 31,<br>2017         | June 30,<br>2017         |
|------------------------------------|--------------------------|------------------------------|--------------------------|
| <u>Current</u>                     |                          |                              |                          |
| Prepayments                        | \$ 49,742                | \$ 40,024                    | \$ 38,860                |
| Other Financial assets-current     |                          |                              |                          |
| Time deposits over 3 months        | \$ 32,511                | \$ 23,080                    | \$ 36,065                |
| Time deposits pledged              | 651                      | 693                          | 250                      |
|                                    | <u>\$ 33,162</u>         | <u>\$ 23,773</u>             | <u>\$ 30,315</u>         |
| Other current assets               |                          |                              |                          |
| Temporary payments                 | \$ 9,771                 | \$ 6,662                     | \$ 6,473                 |
| Payment on behalf of others        | 12                       | 12                           | 27                       |
| Advances to Employees              | 517                      | 782                          | 339                      |
|                                    | <u>\$ 10,300</u>         | <u>\$ 7,456</u>              | <u>\$ 6,839</u>          |
|                                    | <b>June 30,<br/>2018</b> | <b>December 31,<br/>2017</b> | <b>June 30,<br/>2017</b> |
| <u>Non-current</u>                 |                          |                              |                          |
| Other Financial assets-non-current |                          |                              |                          |
| Time deposits over 1 year          | \$ -                     | \$ -                         | \$ 2,959                 |
| Other non-current assets           |                          |                              |                          |
| Other Receivables                  |                          |                              |                          |
| Other Receivables                  | \$ 84,851                | \$ 84,851                    | \$ 84,851                |
| Less: Allowance                    | ( 84,851)                | ( 84,851)                    | ( 84,851)                |
| Prepayments for equipment          | 89,087                   | 11,868                       | 149,574                  |
| Conveyancing Land                  | 1,114                    | 1,114                        | 1,114                    |
| Anti-guarantee deposits            | -                        | -                            | 800                      |
| Refundable deposits                | 4,106                    | 3,261                        | 2,803                    |
|                                    | <u>\$ 94,307</u>         | <u>\$ 16,243</u>             | <u>\$ 154,291</u>        |

## 16. BORROWINGS

### a. Short-term borrowings

|                             | June 30,<br>2018 | December 31,<br>2017 | June 30,<br>2017 |
|-----------------------------|------------------|----------------------|------------------|
| <u>Unsecured borrowings</u> |                  |                      |                  |
| Line of credit borrowings   | \$ -             | \$ 120,000           | \$ -             |

The range of interest rates on bank loans was 0.92%-0.93% per annum as of December 31, 2017.

### b. Short-term bills payable

|  | June 30,<br>2018 | December 31,<br>2017 | June 30,<br>2017 |
|--|------------------|----------------------|------------------|
| Commercial paper                             | \$ -             | \$ 110,000           | \$ -             |
| Less: Unamortized discounts on bills payable | -                | ( 89)                | -                |
|  | <u>\$ -</u>      | <u>\$ 109,911</u>    | <u>\$ -</u>      |

Outstanding short-term bills payable were as follows:

December 31, 2017

| <b>Promissory<br/>Institution</b> | <b>Nominal<br/>Amount</b> | <b>Discount<br/>Amount</b> | <b>Carrying<br/>Amount</b> | <b>Interest Rate</b> | <b>Collateral</b> | <b>Carrying<br/>Amount of<br/>Collateral</b> |
|-----------------------------------|---------------------------|----------------------------|----------------------------|----------------------|-------------------|--|
| <u>Commercial paper</u>           |                           |                            |                            |                      |                   |  |
| A Bank                            | \$ 80,000                 | \$ 82                      | \$ 79,918                  | 0.9%-0.99%           | N.A.              | \$ -   |
| B Bank                            | 30,000                    | 7                          | 29,993                     | 0.9%-0.99%           | N.A.              | -  |
|                                   | <u>\$ 110,000</u>         | <u>\$ 89</u>               | <u>\$ 109,911</u>          |                      |                   | <u>\$ -</u>                                  |

## 17. NOTES PAYABLE AND TRADE PAYABLES

|                       | <b>June 30,<br/>2018</b> | <b>December 31,<br/>2017</b> | <b>June 30,<br/>2017</b> |
|-----------------------|--------------------------|------------------------------|--------------------------|
| <u>Notes payable</u>  |                          |                              |                          |
| Operating             | <u>\$ 714</u>            | <u>\$ 1,785</u>              | <u>\$ 3,927</u>          |
| <u>Trade payables</u> |                          |                              |                          |
| Operating             | <u>\$ 545,356</u>        | <u>\$ 493,262</u>            | <u>\$ 563,095</u>        |

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

|                                     | <b>June 30,<br/>2018</b> | <b>December 31,<br/>2017</b> | <b>June 30,<br/>2017</b> |
|-------------------------------------|--------------------------|------------------------------|--------------------------|
| <u>Current</u>                      |                          |                              |                          |
| Other payables                      |                          |                              |                          |
| Payables for purchases of equipment | \$ 29,591                | \$ 14,413                    | \$ 27,000                |
| Payables for salaries and premium   | 62,692                   | 90,138                       | 63,915                   |
| Payables for bonuses                | 41,687                   | 31,097                       | 65,210                   |
| Payable for compensation            | 5,300                    | 4,000                        | 5,800                    |
| Payable for annual leave            | 11,750                   | 9,240                        | 7,785                    |
| Payable for dividends               | 319,120                  | -                            | 319,120                  |
| Others                              | 169,888                  | 160,967                      | 137,807                  |
|                                     | <u>\$ 640,028</u>        | <u>\$ 309,855</u>            | <u>\$ 626,637</u>        |
| Other liabilities                   |                          |                              |                          |
| Temporary receipts                  | \$ 1,899                 | \$ 59                        | \$ 2,493                 |
| Receipts under custody              | 2,734                    | 2,575                        | 2,524                    |
|                                     | <u>\$ 4,633</u>          | <u>\$ 2,634</u>              | <u>\$ 5,017</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, 2017 and 2016. For the three months ended June 30, 2018 and 2017, for the six months ended June 30, 2018 and 2017, the Company contribute amounts \$680 thousand, \$872 thousand, \$1,375 thousand, and \$1,744 thousand, respectively.

## 20. EQUITY

### a. Share capital

#### 1) Ordinary shares

|   | June 30,<br>2018    | December 31,<br>2017 | June 30,<br>2017    |
|---|---------------------|----------------------|---------------------|
| Number of shares authorized (in thousands)            | 150,000             | 150,000              | 150,000             |
| 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) | 118,193             | 118,193              | 118,193             |
| Shares issued   | <u>\$ 1,181,925</u> | <u>\$ 1,181,925</u>  | <u>\$ 1,181,925</u> |

A holder of issued common shares with par value of NT\$10 per share is entitled to vote and to receive dividends.

### b. Capital surplus

|   | June 30,<br>2018  | December 31,<br>2017 | June 30,<br>2017  |
|---|-------------------|----------------------|-------------------|
| 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   | 78,002            | 78,002               | 77,242            |
| Consolidation excess  | 318,025           | 318,025              | 318,025           |
|   | <u>\$ 879,173</u> | <u>\$ 879,173</u>    | <u>\$ 878,413</u> |

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 22-6.

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 2017 and 2016 were approved in the shareholders’ meetings on May 29, 2018 and June 8, 2017, were as follows:

|                 | <b>Appropriation of Earnings</b> |             | <b>Dividends Per Share (NT\$)</b> |             |
|-----------------|----------------------------------|-------------|-----------------------------------|-------------|
|                 | <b>For the Year Ended</b>        |             | <b>For the Year Ended</b>         |             |
|                 | <b>December 31</b>               |             | <b>December 31</b>                |             |
|                 | <b>2017</b>                      | <b>2016</b> | <b>2017</b>                       | <b>2016</b> |
| Legal reserve   | \$ 47,416                        | \$ 53,198   | \$ -                              | \$ -        |
| Special reserve | -                                | 8,658       | -                                 | -           |
| Cash dividends  | 319,120                          | 319,120     | 2.7                               | 2.7         |

d. Other equity items

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

|  | <b>For the Six Months Ended</b> |                    |
|--|---------------------------------|--------------------|
|  | <b>June 30</b>                  |                    |
|  | <b>2018</b>                     | <b>2017</b>        |
| Balance at January 1   | (\$ 15,767)                     | (\$ 13,562)        |
| Recognized during the period   |                                 |                    |
| Exchange differences on translating the financial statements of foreign operations | 1,163                           | ( 2,644)           |
| Balance at June 30   | <u>(\$ 14,604)</u>              | <u>(\$ 16,206)</u> |

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

|   |                 |
|---|-----------------|
| Balance at January 1, 2017  | (\$ 3,701)      |
| Recognized during the period  |                 |
| Unrealized gain on revaluation of available-for-sale financial assets | 3,210           |
| Balance at June 30, 2017  | <u>(\$ 491)</u> |
| Balance at January 1, 2018 per IAS 39                                 | (\$ 430)        |
| Adjustment on initial application of IFRS 9                           | 430             |
| Balance at January 1, 2018 per IFRS 9                                 | <u>\$ -</u>     |

e. Treasury shares

| <b>Purpose of Buy-Back</b>          | <b>Shares Transferred to Employees (In Thousands of Shares)</b> | <b>Shares Dividend (In Thousands of Shares)</b> | <b>Shares Held by Its Subsidiaries (In Thousands of Shares)</b> | <b>Total (In Thousands of Shares)</b> |
|-------------------------------------|---|---|---|---------------------------------------|
| Number of shares at January 1, 2017 | <u>63</u>   | <u>-</u>  | <u>219</u>  | <u>282</u>                            |
| Number of shares at June 30, 2017   | <u>63</u>   | <u>-</u>  | <u>219</u>  | <u>282</u>                            |
| Number of shares at January 1, 2018 | <u>63</u>   | <u>-</u>  | <u>219</u>  | <u>282</u>                            |
| Number of shares at June 30, 2018   | <u>63</u>   | <u>-</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:

| <b>Name of Subsidiary</b>                | <b>Number of<br/>Shares Held<br/>(In Thousands<br/>of Shares)</b> | <b>Carrying<br/>Amount</b> | <b>Market Price</b> |
|--|---|----------------------------|---------------------|
| <u>June 30, 2018</u>                     |   |                            |                     |
| Chenfeng Machinery & Enterprise Co., Ltd | 282   | <u>\$ 11,918</u>           | <u>\$ 11,918</u>    |
| <u>December 31, 2017</u>                 |   |                            |                     |
| Chenfeng Machinery & Enterprise Co., Ltd | 282   | <u>\$ 13,905</u>           | <u>\$ 13,905</u>    |
| <u>June 30, 2017</u>                     |   |                            |                     |
| Chenfeng Machinery & Enterprise Co., Ltd | 282   | <u>\$ 13,708</u>           | <u>\$ 13,708</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

### Contact balances

|                             |                      |
|-----------------------------|----------------------|
|                             | <b>June 30, 2018</b> |
| Trade receivables (Note 10) | <u>\$ 446,739</u>    |
| Contract assets-current     | <u>\$ 271,171</u>    |
| Contract liabilities        |                      |
| Sale of goods               | \$ 38,918            |
| Construction                | <u>203,411</u>       |
|                             | <u>\$ 242,329</u>    |

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

### 1) Other income

|  | <b>For the Three Months<br/>Ended June 30</b> |                 | <b>For the Six Months<br/>Ended June 30</b> |                  |
|--|---|-----------------|---|------------------|
|  | <b>2018</b>                                   | <b>2017</b>     | <b>2018</b>                                 | <b>2017</b>      |
| Interest income                                  |   |                 |   |                  |
| Bank deposits                                    | \$ 2,774                                      | \$ 3,941        | \$ 5,907                                    | \$ 6,456         |
| Long-term trade receivables                      | 1,888   | 2,117           | 3,916                                       | 4,263            |
| Repurchase agreements collateralized<br>by bonds | 112   | 166             | 170   | 314              |
| Other  | -   | -               | 640   | -                |
| Dividends  | 3,218   | 1,809           | 4,251                                       | 3,065            |
| Others   | <u>9,071</u>                                  | <u>1,249</u>    | <u>12,169</u>                               | <u>3,515</u>     |
|  | <u>\$ 17,063</u>                              | <u>\$ 9,282</u> | <u>\$ 27,053</u>                            | <u>\$ 17,613</u> |

2) Other gains and losses

|  | <b>For the Three Months<br/>Ended June 30</b> |                 | <b>For the Six Months<br/>Ended June 30</b> |                  |
|--|---|-----------------|---|------------------|
|  | <b>2018</b>                                   | <b>2017</b>     | <b>2018</b>                                 | <b>2017</b>      |
| Gain/(loss) on disposal of property, plant and equipment | \$ 200  | \$ 448          | \$ 200                                      | \$ 282           |
| Gain/(loss) on disposal of financial assets              |   |                 |   |                  |
| Financial assets at FVTPL                                | 217   | -               | 401   | -                |
| Available-for-sale financial assets                      | -   | ( 1,970)        | -   | ( 3,362)         |
| Fair value changes of financial assets                   |   |                 |   |                  |
| Financial assets at FVTPL                                | ( 2,935)                                      | -               | ( 5,037)                                    | -                |
| Net foreign exchange gains/(losses)                      | 30,016  | 9,687           | 8,484                                       | ( 54,566)        |
| Other loss   | ( 194)  | ( 117)          | ( 357)                                      | ( 124)           |
|  | <u>\$ 27,304</u>                              | <u>\$ 8,048</u> | <u>\$ 3,691</u>                             | <u>\$ 57,770</u> |

3) Finance costs

|                        | <b>For the Three Months<br/>Ended June 30</b> |             | <b>For the Six Months<br/>Ended June 30</b> |             |
|------------------------|---|-------------|---|-------------|
|                        | <b>2018</b>                                   | <b>2017</b> | <b>2018</b>                                 | <b>2017</b> |
| Interest on bank loans | \$ 135  | \$ -        | \$ 594                                      | \$ -        |

4) Depreciation and amortization

|   | <b>For the Three Months<br/>Ended June 30</b> |                  | <b>For the Six Months<br/>Ended June 30</b> |                  |
|---|---|------------------|---|------------------|
|   | <b>2018</b>                                   | <b>2017</b>      | <b>2018</b>                                 | <b>2017</b>      |
| Property, plant and equipment           | <u>\$ 27,659</u>                              | <u>\$ 25,747</u> | <u>\$ 54,728</u>                            | <u>\$ 50,105</u> |
| An analysis of depreciation by function |   |                  |   |                  |
| Operating costs                         | \$ 21,345                                     | \$ 21,350        | \$ 42,190                                   | \$ 41,312        |
| Operating expenses                      | 6,314   | 4,397            | 12,538                                      | 8,793            |
|   | <u>\$ 27,659</u>                              | <u>\$ 25,747</u> | <u>\$ 54,728</u>                            | <u>\$ 50,105</u> |

5) Employee benefits expense

|  | <b>For the Three Months<br/>Ended June 30</b> |                   | <b>For the Six Months<br/>Ended June 30</b> |                   |
|--|---|-------------------|---|-------------------|
|  | <b>2018</b>                                   | <b>2017</b>       | <b>2018</b>                                 | <b>2017</b>       |
| Post-employment benefits                             |   |                   |   |                   |
| Defined contribution plans                           | \$ 5,206                                      | \$ 5,181          | \$ 10,535                                   | \$ 10,269         |
| Defined benefit plans (Note 19)                      | 680   | 872               | 1,375                                       | 1,744             |
|  | 5,886   | 6,053             | 11,910                                      | 12,013            |
| Other employee benefits                              | 148,971                                       | 154,830           | 294,038                                     | 304,956           |
| Total employee benefits expense                      | <u>\$ 154,857</u>                             | <u>\$ 160,883</u> | <u>\$ 305,948</u>                           | <u>\$ 316,969</u> |
| An analysis of employee benefits expense by function |   |                   |   |                   |
| Operating costs                                      | \$ 102,274                                    | \$ 104,780        | \$ 202,666                                  | \$ 208,592        |
| Operating expenses                                   | 52,583  | 56,103            | 103,282                                     | 108,377           |
|  | <u>\$ 154,857</u>                             | <u>\$ 160,883</u> | <u>\$ 305,948</u>                           | <u>\$ 316,969</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 June 30, 2018 and 2017, for the six months ended June 30, 2018 and 2017, the employees' compensation and the remuneration of directors and supervisors were as follows:

Accrual rate

|   | <b>For the Six Months Ended<br/>June 30</b> |             |
|---|---|-------------|
|   | <b>2018</b>                                 | <b>2017</b> |
| Employees' compensation                   | 5.00%                                       | 6.28%       |
| Remuneration of directors and supervisors | 0.62%                                       | 0.57%       |

Amount

|   | <b>For the Three Months Ended<br/>June 30, 2018</b> |               | <b>For the Three Months Ended<br/>June 30, 2017</b> |               |
|---|---|---------------|---|---------------|
|   | <b>Cash</b>   | <b>Shares</b> | <b>Cash</b>   | <b>Shares</b> |
| Employees' compensation                   | \$ 4,900  | \$ -          | \$ 10,500   | \$ -          |
| Remuneration of directors and supervisors | 600   | -             | 960   | -             |

  

|   | <b>For the Six Months Ended<br/>June 30, 2018</b> |               | <b>For the Six Months Ended<br/>June 30, 2017</b> |               |
|---|---|---------------|---|---------------|
|   | <b>Cash</b>                                       | <b>Shares</b> | <b>Cash</b>                                       | <b>Shares</b> |
| Employees' compensation                   | \$ 10,400   | \$ -          | \$ 19,900   | \$ -          |
| Remuneration of directors and supervisors | 1,300   | -             | 1,800   | -             |

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 2017 and 2016 having been resolved by the board of directors on March 7, 2018 and March 15, 2017, respectively, were as below:

|   | <b>2017</b> |               | <b>2016</b> |               |
|---|-------------|---------------|-------------|---------------|
|   | <b>Cash</b> | <b>Shares</b> | <b>Cash</b> | <b>Shares</b> |
| Employees' compensation                   | \$ 30,900   | \$ -          | \$ 45,000   | \$ -          |
| Remuneration of directors and supervisors | 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 2017 and 2016, and the amounts recognized in the consolidated financial statements on 2017 and 2016.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2018 and 2017 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:

|  | <b>For the Three Months<br/>Ended June 30</b> |                  | <b>For the Six Months<br/>Ended June 30</b> |                  |
|--|---|------------------|---|------------------|
|  | <b>2018</b>                                   | <b>2017</b>      | <b>2018</b>                                 | <b>2017</b>      |
| Current tax  |   |                  |   |                  |
| In respect of the current period   | \$ 4,666                                      | \$ 27,268        | \$ 24,587                                   | \$ 58,217        |
| Income tax on unappropriated earnings  | 10,582  | 13,121           | 10,583                                      | 13,877           |
| Income tax adjustments on prior years  | <u>( 4,841)</u>                               | <u>( 2,275)</u>  | <u>( 4,841)</u>                             | <u>( 2,275)</u>  |
|  | 10,407  | 38,144           | 30,329                                      | 69,819           |
| Deferred tax   |   |                  |   |                  |
| In respect of the current period   | 7,186   | 850              | 5,885                                       | ( 8,826)         |
| Adjustments to deferred tax attributable<br>to changes in tax rates and laws | <u>-</u>                                      | <u>-</u>         | <u>( 10,571)</u>                            | <u>-</u>         |
| Income tax expense recognized in profit or<br>loss                           | <u>\$ 17,593</u>                              | <u>\$ 38,994</u> | <u>\$ 25,643</u>                            | <u>\$ 60,993</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

Tax returns through 2015 of the company have been assessed by the tax authorities. Tax returns through 2016 of the subsidiaries 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

|   | <b>For the Three Months<br/>Ended June 30</b> |                   | <b>For the Six Months<br/>Ended June 30</b> |                   |
|---|---|-------------------|---|-------------------|
|   | <b>2018</b>                                   | <b>2017</b>       | <b>2018</b>                                 | <b>2017</b>       |
| Earnings used in the computation of basic<br>earnings per share   | <u>\$ 71,707</u>                              | <u>\$ 124,776</u> | <u>\$ 168,762</u>                           | <u>\$ 235,457</u> |
| Earnings used in the computation of diluted<br>earnings per share | <u>\$ 71,707</u>                              | <u>\$ 124,776</u> | <u>\$ 168,762</u>                           | <u>\$ 235,457</u> |

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



|  | <b>For the Three Months<br/>Ended June 30</b> |                | <b>For the Six Months<br/>Ended June 30</b> |                |
|--|---|----------------|---|----------------|
|  | <b>2018</b>                                   | <b>2017</b>    | <b>2018</b>                                 | <b>2017</b>    |
| 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  | <u>246</u>                                    | <u>409</u>     | <u>496</u>                                  | <u>1,125</u>   |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>118,157</u>                                | <u>118,320</u> | <u>118,407</u>                              | <u>119,036</u> |

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. NON-CASH TRANSACTIONS

For the six months ended June 30, 2018 and 2017, the Group entered into the following non-cash investing and financing activities:

The cash dividends approved in the shareholders' meetings were not yet distributed as of June 30, 2018 and 2017, respectively (refer to Notes 18 and 20).

## 26. 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.

## 27. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

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

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

1) Fair value hierarchy

June 30, 2018

|                                      | Level 1           | Level 2           | Level 3          | Total             |
|--------------------------------------|-------------------|-------------------|------------------|-------------------|
| Financial assets at FVTPL            |                   |                   |                  |                   |
| Dual Currency Investment             | \$ -              | \$ 211,558        | \$ -             | \$ 211,558        |
| Listed securities in other countries | 68,300            | -                 | -                | 68,300            |
| Mutual funds                         | 51,117            | -                 | -                | 51,117            |
|                                      | <u>\$ 119,417</u> | <u>\$ 211,558</u> | <u>\$ -</u>      | <u>\$ 330,975</u> |
| Financial assets at FVTOCI           |                   |                   |                  |                   |
| Domestic unlisted shares             | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ 27,990</u> | <u>\$ 27,990</u>  |

December 31, 2017

|                                      | Level 1          | Level 2     | Level 3          | Total            |
|--------------------------------------|------------------|-------------|------------------|------------------|
| Available-for-sale financial assets  |                  |             |                  |                  |
| Unlisted securities - ROC            |                  |             |                  |                  |
| Equity securities                    | \$ -             | \$ -        | \$ 27,990        | \$ 27,990        |
| Mutual funds                         | 2,979            | -           | -                | 2,979            |
| Listed securities - ROC              |                  |             |                  |                  |
| Equity securities                    | 6,288            | -           | -                | 6,288            |
| Listed securities in other countries |                  |             |                  |                  |
| Equity securities                    | 50,350           | -           | -                | 50,350           |
|                                      | <u>\$ 59,617</u> | <u>\$ -</u> | <u>\$ 27,990</u> | <u>\$ 87,607</u> |

June 30, 2017

|                                      | Level 1          | Level 2           | Level 3          | Total             |
|--------------------------------------|------------------|-------------------|------------------|-------------------|
| Financial assets at FVTPL            |                  |                   |                  |                   |
| Dual Currency Investment             | <u>\$ -</u>      | <u>\$ 182,520</u> | <u>\$ -</u>      | <u>\$ 182,520</u> |
| Available-for-sale financial assets  |                  |                   |                  |                   |
| Unlisted securities - ROC            |                  |                   |                  |                   |
| Equity securities                    | \$ -             | \$ -              | \$ 27,990        | \$ 27,990         |
| Mutual funds                         | 39,483           | -                 | -                | 39,483            |
| Listed securities - ROC              |                  |                   |                  |                   |
| Equity securities                    | 13,974           | -                 | -                | 13,974            |
| Mutual funds                         | 3,129            | -                 | -                | 3,129             |
| Listed securities in other countries |                  |                   |                  |                   |
| Equity securities                    | 1,456            | -                 | -                | 1,456             |
| Mutual funds                         | 24,058           | -                 | -                | 24,058            |
|                                      | <u>\$ 82,100</u> | <u>\$ -</u>       | <u>\$ 27,990</u> | <u>\$ 110,090</u> |

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

2) Fair value measurements of financial 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.

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

|   | <b>Jun 30,<br/>2018</b> | <b>December 31,<br/>2017</b> | <b>June 30,<br/>2017</b> |
|---|-------------------------|------------------------------|--------------------------|
| <u>Financial assets</u>                 |                         |                              |                          |
| FVTPL                                   |                         |                              |                          |
| Designated as at FVTPL                  | \$ -                    | \$ -                         | \$ 182,520               |
| Mandatorily at FVTPL                    | 330,975                 | -                            | -                        |
| Loans and receivables (1)               | -                       | 2,532,845                    | 2,650,454                |
| Available-for-sale financial assets (2) | -                       | 87,607                       | 110,090                  |
| Financial assets at amortized cost (3)  | 1,900,803               | -                            | -                        |
| Refundable deposits                     | 4,106                   | 3,261                        | 2,803                    |
| Financial assets at FVTOCI              |                         |                              |                          |
| Equity instruments                      | 27,990                  | -                            | -                        |
| <u>Financial liabilities</u>            |                         |                              |                          |
| Financial assets at amortized cost (4)  | 1,264,606               | 1,150,513                    | 1,287,157                |

- 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 the carrying amount of available-for-sale financial assets measured at cost.
- 3) The balances include cash and cash equivalents, other financial assets, and trade and other receivables loans and receivables measured at amortized cost, which comprise.
- 4) 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 and interest rates.

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 31.

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.

|                | <b>Currency USD Impact</b>      |             |
|----------------|---------------------------------|-------------|
|                | <b>For the Six Months Ended</b> |             |
|                | <b>June 30</b>                  |             |
|                | <b>2018</b>                     | <b>2017</b> |
| Profit or loss | \$ 5,305                        | \$ 11,644   |

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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:

|                               | <b>June 30,<br/>2018</b> | <b>December 31,<br/>2017</b> | <b>June 30,<br/>2017</b> |
|-------------------------------|--------------------------|------------------------------|--------------------------|
| Fair value interest rate risk |                          |                              |                          |
| Financial assets              | \$ 279,242               | \$ 316,017                   | \$ 444,333               |
| Financial liabilities         | -                        | 229,911                      | -                        |
| Cash flow interest rate risk  |                          |                              |                          |
| Financial assets              | 383,557                  | 839,080                      | 715,844                  |
| Financial liabilities         | -                        | -                            | -                        |

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%, 60% and 56% of total trade receivables as of June 30, 2018, December 31, 2017 and June 30, 2017, 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 June 30, 2018, December 31, 2017 and June 30, 2017, 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.

#### June 30, 2018

|                     | <b>On Demand<br/>or Less than</b> |                  |                  |                 |                    |
|---------------------|-----------------------------------|------------------|------------------|-----------------|--------------------|
|                     | <b>1 Year</b>                     | <b>1-2 Years</b> | <b>2-3 Years</b> | <b>3+ Years</b> | <b>Total</b>       |
| Notes payable       | 714                               | \$ -             | \$ -             | \$ -            | 714                |
| Trade payables      | 545,356                           | -                | -                | -               | 545,356            |
| Contracts liability | 203,411                           | -                | -                | -               | 203,411            |
| Other payable       | <u>515,125</u>                    | -                | -                | -               | <u>515,125</u>     |
|                     | <u>\$1,264,606</u>                | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>     | <u>\$1,264,606</u> |

December 31, 2017

|                          | On<br>Demand or<br>Less than<br>1 Year | 1-2 Years   | 2-3 Years   | 3+ Years    | Total              |
|--------------------------|--|-------------|-------------|-------------|--------------------|
| Short-term bank loan     | \$ 120,000                             | \$ -        | \$ -        | \$ -        | \$ 120,000         |
| Short-term bills payable | 109,911                                | -           | -           | -           | 109,911            |
| Notes payable            | 1,785                                  | -           | -           | -           | 1,785              |
| Trade payables           | 493,262                                | -           | -           | -           | 493,262            |
| Amounts due to           |  |             |             |             |                    |
| Construction contracts   | 253,721                                | -           | -           | -           | 253,721            |
| Other payable            | 171,834                                | -           | -           | -           | 171,834            |
|                          | <u>\$1,150,513</u>                     | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$1,150,513</u> |

June 30, 2017

|                        | On<br>Demand or<br>Less than<br>1 Year | 1-2 Years   | 2-3 Years   | 3+ Years    | Total              |
|------------------------|--|-------------|-------------|-------------|--------------------|
| Notes payable          | \$ 3,927                               | \$ -        | \$ -        | \$ -        | \$ 3,927           |
| Trade payables         | 563,095                                | -           | -           | -           | 563,095            |
| Amounts due to         |  |             |             |             |                    |
| Construction contracts | 239,659                                | -           | -           | -           | 239,659            |
| Other payable          | 480,476                                | -           | -           | -           | 480,476            |
|                        | <u>\$1,287,157</u>                     | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$1,287,157</u> |

b) Financing facilities

|   | June 30,<br>2018    | December 31,<br>2017 | June 30,<br>2017  |
|---|---------------------|----------------------|-------------------|
| Unsecured bank overdraft facilities,<br>reviewed annually and payable on<br>demand: |                     |                      |                   |
| Amount used   | \$ 287,892          | \$ 493,837           | \$ 277,381        |
| Amount unused   | <u>1,408,329</u>    | <u>1,205,125</u>     | <u>277,463</u>    |
|   | <u>\$ 1,696,221</u> | <u>\$ 1,698,962</u>  | <u>\$ 554,844</u> |

## 28. 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<br>Ended June 30 |                 | For the Six Months<br>Ended June 30 |                 |
|------------------------------|---------------------------------------|-----------------|-------------------------------------|-----------------|
|                              | 2018                                  | 2017            | 2018                                | 2017            |
| Short-term employee benefits | \$ 3,183                              | \$ 3,258        | \$ 6,406                            | \$ 6,412        |
| Post-employment benefits     | <u>147</u>                            | <u>147</u>      | <u>294</u>                          | <u>294</u>      |
|                              | <u>\$ 3,330</u>                       | <u>\$ 3,405</u> | <u>\$ 6,700</u>                     | <u>\$ 6,706</u> |

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

## 29. 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:

|                         | June 30,<br>2018 | December 31,<br>2017 | June 30,<br>2017 |
|-------------------------|------------------|----------------------|------------------|
| Pledge deposits-current | \$ <u>651</u>    | \$ <u>693</u>        | \$ <u>250</u>    |

## 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments

As of June 30, 2018, unused letters of credit for purchases of machinery and equipment amounted to approximately \$138,854 thousand.

## 31. 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:

June 30, 2018

|                              | Foreign<br>Currencies | Exchange Rate    | Carrying<br>Amount |
|------------------------------|-----------------------|------------------|--------------------|
| <u>Financial assets</u>      |                       |                  |                    |
| Monetary items               |                       |                  |                    |
| USD                          | \$ 17,694             | 30.46 (USD:NTD)  | \$ 538,955         |
| RMB                          | 5,380                 | 4.593 (RMB:NTD)  | 24,711             |
| EUR                          | 1,040                 | 35.40 (EUR:NTD)  | 36,802             |
| JPY                          | 6,841                 | 0.2754 (JPY:NTD) | 1,884              |
| AUD                          | 3,914                 | 22.495 (AUD:NTD) | 88,042             |
| NZD                          | 1,420                 | 20.61 (NZD:NTD)  | 29,274             |
| CAD                          | 1,325                 | 23.04 (CAD:NTD)  | 30,528             |
|                              |                       |                  | <u>\$ 750,196</u>  |
| <u>Financial liabilities</u> |                       |                  |                    |
| Monetary items               |                       |                  |                    |
| USD                          | 277                   | 30.46 (USD:NTD)  | \$ 8,429           |
| JPY                          | 56,625                | 0.2754 (JPY:NTD) | 15,595             |
|                              |                       |                  | <u>\$ 24,024</u>   |

December 31, 2017

|                              | <b>Foreign<br/>Currencies</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount</b> |
|------------------------------|-------------------------------|----------------------|----------------------------|
| <u>Financial assets</u>      |                               |                      |                            |
| Monetary items               |                               |                      |                            |
| USD                          | \$ 35,325                     | 29.76 (USD:NTD)      | \$ 1,051,284               |
| RMB                          | 671                           | 4.565 (RMB:NTD)      | 3,062                      |
| EUR                          | 136                           | 35.57 (EUR:NTD)      | 4,850                      |
| JPY                          | 93,423                        | 0.2642 (JPY:NTD)     | 24,682                     |
| AUD                          | 1,310                         | 23.185 (AUD:NTD)     | 30,378                     |
| NZD                          | 2,885                         | 22.14 (JPY:NTD)      | 60,980                     |
|                              |                               |                      | <u>\$ 1,175,236</u>        |
| <u>Financial liabilities</u> |                               |                      |                            |
| Monetary items               |                               |                      |                            |
| USD                          | \$ 73                         | 29.76 (USD:NTD)      | \$ 2,180                   |
| SGB                          | 15                            | 22.26 (SGB:NTD)      | 342                        |
| JPY                          | 5,187                         | 0.2642(JPY:NTD)      | 1,370                      |
|                              |                               |                      | <u>\$ 3,892</u>            |

June 30, 2017

|                              | <b>Foreign<br/>Currencies</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount</b> |
|------------------------------|-------------------------------|----------------------|----------------------------|
| <u>Financial assets</u>      |                               |                      |                            |
| Monetary items               |                               |                      |                            |
| USD                          | \$ 38,771                     | 30.42 (USD:NTD)      | \$ 1,179,401               |
| RMB                          | 662                           | 4.486 (RMB:NTD)      | 2,972                      |
| EUR                          | 126                           | 34.72 (EUR:NTD)      | 4,359                      |
| JPY                          | 47,050                        | 0.2716 (JPY:NTD)     | 12,779                     |
|                              |                               |                      | <u>\$ 1,199,511</u>        |
| <u>Financial liabilities</u> |                               |                      |                            |
| Monetary items               |                               |                      |                            |
| USD                          | 493                           | 30.42 (USD:NTD)      | \$ 14,994                  |
| EUR                          | 7                             | 34.72 (EUR:NTD)      | 227                        |
| SGB                          | 15                            | 22.1 (SGB:NTD)       | 340                        |
| JPY                          | 11,735                        | 0.2716 (JPY:NTD)     | 3,187                      |
|                              |                               |                      | <u>\$ 18,748</u>           |

For the three months ended June 30, 2018 and 2017, for the six months ended June 30, 2018 and 2017, realized and unrealized net foreign exchange gains were \$30,016 thousand, \$9,687 thousand, \$8,484 thousand, and losses were \$54,566 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.

## 32. 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) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
  - 4) Trading in derivative instruments (Note 7)
  - 5) Information on investees (Table 4)
- 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 5)
  - 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 (Table 7)

### 33. 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<br>Division | Machinery<br>Division | Common             | Eliminations       | Total               |
|---|-------------------------|-----------------------|--------------------|--------------------|---------------------|
| <u>For the six months ended June 30, 2018</u> |                         |                       |                    |                    |                     |
| Revenues from external customers              | \$ 368,031              | \$ 881,806            | \$ -               | \$ -               | \$ 1,249,837        |
| Inter-segment revenues                        | -                       | 6,210                 | -                  | ( 6,210)           | -                   |
| Interest revenues                             | -                       | -                     | 10,633             | -                  | 10,633              |
| Segment revenues                              | <u>\$ 368,031</u>       | <u>\$ 888,016</u>     | <u>\$ 10,633</u>   | <u>(\$ 6,210)</u>  | <u>\$ 1,260,470</u> |
| Interest Expense                              | <u>\$ -</u>             | <u>\$ -</u>           | <u>\$ 594</u>      | <u>\$ -</u>        | <u>\$ 594</u>       |
| Depreciation and amortization                 | <u>\$ 15,349</u>        | <u>\$ 35,897</u>      | <u>\$ 3,482</u>    | <u>\$ -</u>        | <u>\$ 54,728</u>    |
| Profit before tax (continuing operations)     | <u>\$ 119,700</u>       | <u>\$ 88,480</u>      | <u>(\$ 13,775)</u> | <u>\$ -</u>        | <u>\$ 194,405</u>   |
|   | Engineering<br>Division | Machinery<br>Division | Common             | Eliminations       | Total               |
| <u>For the six months ended June 30, 2017</u> |                         |                       |                    |                    |                     |
| Revenues from external customers              | \$ 609,715              | \$ 1,072,033          | \$ -               | \$ -               | \$ 1,681,748        |
| Inter-segment revenues                        | -                       | 10,499                | -                  | ( 10,499)          | -                   |
| Interest revenues                             | -                       | -                     | 11,033             | -                  | 11,033              |
| Segment revenues                              | <u>\$ 609,715</u>       | <u>\$ 1,082,532</u>   | <u>\$ 11,033</u>   | <u>(\$ 10,499)</u> | <u>\$ 1,692,781</u> |
| Depreciation and amortization                 | <u>\$ 14,427</u>        | <u>\$ 33,308</u>      | <u>\$ 2,370</u>    | <u>\$ -</u>        | <u>\$ 50,105</u>    |
| Profit before tax (continuing operations)     | <u>\$ 195,618</u>       | <u>\$ 152,616</u>     | <u>(\$ 51,784)</u> | <u>\$ -</u>        | <u>\$ 296,450</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

|                                    | <b>Engineering<br/>Division</b> | <b>Machinery<br/>Division</b> | <b>Common</b> | <b>Eliminations</b> | <b>Total</b> |
|------------------------------------|---------------------------------|-------------------------------|---------------|---------------------|--------------|
| <u>As of June 30, 2018</u>         |                                 |                               |               |                     |              |
| Assets                             |                                 |                               |               |                     |              |
| Non-current assets capitalize cost | \$ 24,357                       | \$ 149,717                    | \$ 2,142      | \$ -                | \$ 176,216   |
| Segment assets                     | \$ 1,439,086                    | \$ 1,935,139                  | \$ 1,498,716  | \$ -                | \$ 4,872,941 |
| Segment liabilities                | \$ 448,367                      | \$ 642,772                    | \$ 516,915    | \$ -                | \$ 1,608,054 |
| <u>As of December 31, 2017</u>     |                                 |                               |               |                     |              |
| Assets                             |                                 |                               |               |                     |              |
| Non-current assets capitalize cost | \$ 99,690                       | \$ 157,029                    | \$ 484,295    | \$ -                | \$ 741,014   |
| Segment assets                     | \$ 1,486,787                    | \$ 1,714,164                  | \$ 1,735,477  | \$ -                | \$ 4,936,428 |
| Segment liabilities                | \$ 473,300                      | \$ 585,111                    | \$ 465,648    | \$ -                | \$ 1,524,059 |
| <u>As of June 30, 2017</u>         |                                 |                               |               |                     |              |
| Assets                             |                                 |                               |               |                     |              |
| Non-current assets capitalize cost | \$ 30,208                       | \$ 7,735                      | \$ 4,485      | \$ -                | \$ 42,428    |
| Segment assets                     | \$ 1,640,999                    | \$ 1,650,675                  | \$ 1,551,915  | \$ -                | \$ 4,843,589 |
| Segment liabilities                | \$ 541,168                      | \$ 554,341                    | \$ 572,800    | \$ -                | \$ 1,668,309 |

**TABLE 1**

**CHEN FULL INTERNATIONAL CO., LTD. AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE SIX MONTHS ENDED JUNE 30, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. | Endorser/Guarantor                   | Endorsee/Guarantee                         |              | Limit on<br>Endorsement/<br>Guarantee Given<br>on Behalf of<br>Each Party | Maximum<br>Amount<br>Endorsed/<br>Guaranteed<br>During the<br>Period | Outstanding<br>Endorsement/<br>Guarantee at the<br>End of the Period | Actual<br>Borrowing<br>Amount | Amount<br>Endorsed/<br>Guaranteed by<br>Collateral | Ratio of<br>Accumulated<br>Endorsement/<br>Guarantee to Net<br>Equity in Latest<br>Financial<br>Statements<br>(%) | Aggregate<br>Endorsement/<br>Guarantee Limit | Endorsement/<br>Guarantee Given<br>by Parent on<br>Behalf of<br>Subsidiaries | Endorsement/<br>Guarantee Given<br>by Subsidiaries<br>on Behalf of<br>Parent | Endorsement/<br>Guarantee Given<br>on Behalf of<br>Companies in<br>Mainland China |
|-----|--------------------------------------|--|--------------|---|--|--|-------------------------------|--|---|--|--|--|---|
|     |                                      | Name                                       | Relationship |   |  |  |                               |  |   |  |  |  |   |
| 0   | CHEN FULL<br>INTERNATIONAL CO., LTD. | ChenFull<br>Water<br>Resource Co.,<br>Ltd. | Subsidiary   | \$ 1,632,444  | \$ 280,000   | \$ 280,000   | \$ 236,671                    | -  | 8.58%   | \$ 1,632,444                                 | Y  | N  | N   |

**TABLE 2****CHEN FULL INTERNATIONAL CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****JUNE 30, 2018****(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  | March 31, 2018 |                       |                         |                       |
|--|--|---------------------------------------|--|----------------|-----------------------|-------------------------|-----------------------|
|  |  |                                       |  | Shares         | Carrying Amount       | Percentage of Ownership | Fair Value            |
| CHEN FULL INTERNATIONAL CO., LTD.        | CTBC Emerging and Growth-Leading Economies Bond Fund A USD | N.A.                                  | Financial assets at fair value through income– current                         | 10,000         | \$2,908<br>(USD 95)   | -                       | \$2,908<br>(USD 95)   |
|  | iShares Dow Jones US Home Const. (ETF)                     | N.A.                                  | Financial assets at fair value through income– current                         | 28,000         | 32,537<br>(USD 1,068) | -                       | 32,537<br>(USD 1,068) |
|  | Annaly Capital Management Inc.                             | N.A.                                  | Financial assets at fair value through income– current                         | 50,000         | 15,672<br>(USD 515)   | -                       | 15,672<br>(USD 515)   |
|  | Aegon N.V. 6.2996% Floating Perpetual Capital Secs.        | N.A.                                  | Financial assets at fair value through income– current                         | 36,091         | 27,121<br>(USD 890)   | -                       | 27,121<br>(USD 890)   |
|  | Santanfar Finance Preferred SA Unupersonal Floating Rate   | N.A.                                  | Financial assets at fair value through income– current                         | 39,659         | 29,125<br>(USD 956)   | -                       | 29,125<br>(USD 956)   |
|  | Legg Mason Inc. 5.45% Jr. Sub Notes Due 2056               | N.A.                                  | Financial assets at fair value through income– current                         | 16,100         | 12,054<br>(USD 396)   | -                       | 12,054<br>(USD 396)   |
|  | 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         | -                     | 0.20                    | -                     |
|  | MAING CHAU enterprise Co., Ltd.                            | N.A.                                  | Financial assets at fair value through other comprehensive income– non current | 2,703,905      | 20,740                | 9.45                    | 20,740                |
|  | Taiwan Incubator Develop Corporation                       | N.A.                                  | Financial assets at fair value through other comprehensive income– non current | 854,360        | 7,250                 | 1.21                    | 7,250                 |
| Chenfeng Machinery & Enterprise Co., Ltd | CHEN FULL INTERNATIONAL CO., LTD.                          | Parent company                        | Financial assets at fair value through income– current                         | 281,759        | \$11,918              | 0.24                    | \$11,918              |
|  | Envirolink Co., Ltd.                                       | N.A.                                  | Financial assets at fair value through other comprehensive income– non current | 35,000         | -                     | 0.25                    | -                     |

**TABLE 3**

**CHEN FULL INTERNATIONAL CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**JUNE 30, 2018**

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

| Company Name                      | Related Party                     | Relationship | Ending Balance<br>(Note 1) | Turnover Rate | Overdue |               | Amounts<br>Received in<br>Subsequent<br>Period | Allowance for<br>Impairment<br>Loss |
|-----------------------------------|-----------------------------------|--------------|----------------------------|---------------|---------|---------------|--|-------------------------------------|
|                                   |                                   |              |                            |               | Amount  | Actions Taken |  |                                     |
| CHEN FULL INTERNATIONAL CO., LTD. | ChenFull Water Resource Co., Ltd. | Subsidiary   | \$ 143,619                 | -             | \$-     | -             | \$-  | \$-                                 |

Note1: Eliminated.

**TABLE 4**

**CHEN FULL INTERNATIONAL CO., LTD. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE SIX MONTHS ENDED JUNE 30, 2018**  
(Amounts in Thousands of New Taiwan Dollars)

| Investor Company                  | Investee Company                         | Location   | Main Businesses and Products       | Original Investment Amount |                       | As of June 30, 2018 |     |                       | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note       |
|-----------------------------------|--|--|------------------------------------|----------------------------|-----------------------|---------------------|-----|-----------------------|-----------------------------------|-------------------------|------------|
|                                   |  |  |                                    | June 30, 2018              | June 30, 2017         | Shares              | %   | Carrying Amount       |                                   |                         |            |
| CHEN FULL INTERNATIONAL CO., LTD. | Chenfeng Machinery & Enterprise Co., Ltd | 12F., No.107, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)                | Shoe-making machinery manufacturer | \$32,880                   | \$32,880              | 5,280,000           | 100 | \$21,114              | \$1,244                           | \$1,244                 | Subsidiary |
|                                   | CHEN FULL HOLDING CO., LTD.              | Vistra Corporate Services Centre,Ground Floor NPF Building,Beach Road,Apia,Samoa                     | Holding company                    | 70,078<br>(USD 2,000)      | 70,078<br>(USD 2,000) | -                   | 100 | 82,819                | 2,160                             | 2,160                   | 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 | 489,184               | 14,975                            | 14,975                  | 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<br>(USD 2000)       | 60,448<br>(USD 2000)  | -                   | 100 | 65,915<br>(USD 2,164) | 2,041<br>(USD 67)                 | 2,041<br>(USD 67)       | 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<br>(USD 2000)       | 60,448<br>(USD 2000)  | -                   | 100 | 65,915<br>(USD 2,164) | 2,041<br>(USD 67)                 | 2,041<br>(USD 67)       | Subsidiary |

**TABLE 5**

**CHEN FULL INTERNATIONAL CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE SIX MONTHS ENDED JUNE 30, 2018  
(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, 2018 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of June 30, 2018 | Accumulated Repatriation of Investment Income as of June 30, 2018 |
|---|------------------------------------|---------------------|--|---|------------------|--------|---|-----------------------------------|--|------------------------|-------------------------------------|---|
|   |                                    |                     |  |   | Outflow          | Inflow |   |                                   |  |                        |                                     |   |
| ChenFeng Machinery (Dongguan) Co., Ltd. | Shoe-making machinery manufacturer | \$60,448 (USD 2000) | Reinvest in the mainland through third-region investment companies | \$60,448 (USD 2000)   | -                | -      | \$60,448 (USD 2000)   | \$2,041 (USD 67)                  | 100  | \$2,041 (USD 67)       | 65,915 (USD 2,164)                  | \$-   |

| Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2018 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|--|---|
| \$60,448 (USD 2000)   | \$60,448 (USD 2000)  | \$1,958,932 (USD 64,312)  |

**TABLE 6**

**CHEN FULL INTERNATIONAL CO., LTD. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE SIX MONTHS ENDED JUNE 30, 2018  
(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. | ChenFull Water Resource Co., Ltd.        | Subsidiary   | Accounts receivable          | \$ 143,619 | same          | 2.95%                      |
|     |                                   | ChenFull Water Resource Co., Ltd         | Subsidiary   | Other receivables            | 10,241     | same          | 0.21%                      |
|     |                                   | Chenfeng Machinery & Enterprise Co., Ltd | Subsidiary   | Rent revenue                 | 60         | same          | -                          |
|     |                                   | Chenfeng Machinery & Enterprise Co., Ltd | Subsidiary   | Other receivables            | 15         | same          | -                          |
|     |                                   | ChenFeng Machinery (Dongguan) Co., Ltd   | Subsidiary   | Advance receipts             | 9,089      | same          | 0.19%                      |
|     |                                   | ChenFeng Machinery (Dongguan) Co., Ltd   | Subsidiary   | Sales revenue                | 6,210      | same          | 0.50%                      |



**TABLE 7**

**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 SIX MONTHS ENDED JUNE 30, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investee Company                           | Transaction Type | Purchase/Sale |   | Price | Transaction Details |  | Notes/Accounts Receivable<br>(Payable) |   | Unrealized<br>(Gain) Loss | Note |
|--|------------------|---------------|---|-------|---------------------|--|--|---|---------------------------|------|
|  |                  | Amount        | % |       | Payment Terms       | Comparison with Normal<br>Transactions | Ending Balance                         | % |                           |      |
| ChenFeng Machinery (Dongguan)<br>Co., Ltd. | Operating        | \$ 6,210      | - | Same  | Same                | Same                                   | \$ -                                   | - | \$ -                      |      |