

BES Engineering Corporation

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
BES Engineering Corporation

Opinion

We have audited the accompanying financial statements of BES Engineering Corporation (the "Corporation"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter paragraph below), the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion based on our audits and the reports of other auditors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter for the Corporation's financial statements for the year ended December 31, 2018 is stated as follows:

Estimation of Percentage-of-Completion Construction and Accuracy of Recognized Revenue

The Corporation operates in the construction industry and engages mainly in the construction of roads, bridges, wharfs and multi-storied residential buildings and office complexes. The Corporation recognizes revenue based on the percentage of completion and the total price of the construction project in accordance with the applicable standards and regulations. Because the estimation of percentage of completion requires technical expertise in the evaluation of complex internal and external data and the amount of revenue from construction projects is material, the Corporation regards the estimation of percentage of completion and the accuracy of revenue from construction contracts as a key audit matter in 2018. Refer to Note 4 to the accompanying financial statements for the relevant accounting policy and Table 1 following the notes to the financial statements for the financial information of the construction projects.

In our audit of the above key audit matter, we conducted the following procedures:

1. We understood and tested the design and operating effectiveness of the controls over the estimation of the percentage of completion and the accuracy of revenue recognition.
2. We evaluated whether the application of the accounting policy on the estimation of the percentage of completion is consistent.
3. We performed tests of the details of incomplete construction projects at the year end to confirm the estimation of the percentage of completion and the correctness of the project revenue recognition.
4. We obtained confirmations of approval of the owners in the subsequent period and confirmed that no material adjustments were made in the subsequent period.

Other Matter

We did not audit the financial statements of BES Investment Corp. and BES Construction Corporation (BES, U.S.A.) and BES Twin Towers Development Co., Ltd., associates accounted for using the equity method. As of December 31, 2017, the carrying amount of this investment was NT\$813,259 thousand, representing 2.22% of the consolidated total assets. The share in this investee's net losses was NT\$(23,706) thousand, representing (4.51%) of the consolidated comprehensive income in 2017. The financial statements of this associate were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to this investment, is based solely on the report of the other auditors.

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

Management is responsible for the preparation of the financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

Those charged with governance, including the audit committee and supervisors, are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the accompanying notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the Corporation audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tung-Feng Lee and Ching-Cheng Yang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2019

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

BES ENGINEERING CORPORATION

BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 592,593	2	\$ 1,320,959	4
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	28,560	-	-	-
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 36)	609,242	2	-	-
Available-for-sale financial assets - current (Notes 4, 10 and 36)	-	-	530,186	1
Financial assets at amortized cost - current (Notes 4, 9, 26 and 36)	3,277,472	8	-	-
Debt investments with no active market - current (Notes 4, 12, 26 and 36)	-	-	1,222,818	3
Construction receivables (Notes 4, 13 and 26)	1,663,054	4	2,573,932	7
Contract assets - current (Notes 26, 28 and table 1)	2,686,787	7	-	-
Amounts due from customers for construction contracts (Notes 4 and 26 and Table 1)	-	-	956,528	3
Accounts receivable on the development of industrial districts (Notes 4, 14 and 26)	9,063,058	24	9,748,042	27
Buildings and land held for sale, net (Notes 4, 15, 16, 26 and 36)	1,754,020	5	1,654,696	4
Construction in progress (Notes 4, 15, 16 and 26)	6,887,590	18	5,678,699	15
Other financial assets - current (Notes 4 and 36)	-	-	1,054,201	3
Refundable deposits on construction contracts - current (Notes 26 and 36)	2,130,593	5	1,962,366	5
Other current assets (Notes 13 and 35)	<u>773,063</u>	<u>2</u>	<u>587,241</u>	<u>2</u>
Total current assets	<u>29,466,032</u>	<u>77</u>	<u>27,289,668</u>	<u>74</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (4, 8 and 36)	532,530	1	-	-
Available-for-sale financial assets - noncurrent (Notes 4, 10 and 36)	-	-	595,196	2
Financial assets measured at cost - noncurrent (Notes 4 and 11)	-	-	63,690	-
Investments accounted for using the equity method (Notes 4, 5 and 17)	4,281,550	11	4,591,868	13
Property, plant and equipment (Notes 4, 5, 18, 19 and 36)	2,559,056	7	2,803,431	8
Investment properties (Notes 4, 5, 18, 19 and 36)	1,014,108	3	824,156	2
Deferred tax assets (Notes 4, 5 and 30)	552,656	1	403,084	1
Refundable deposits (Note 35)	59,463	-	37,508	-
Other noncurrent assets	<u>12,800</u>	<u>-</u>	<u>20,480</u>	<u>-</u>
Total noncurrent assets	<u>9,012,163</u>	<u>23</u>	<u>9,339,413</u>	<u>26</u>
TOTAL	<u>\$ 38,478,195</u>	<u>100</u>	<u>\$ 36,629,081</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 20 and 36)	\$ 3,128,000	8	\$ 2,333,854	6
Short-term bills payable (Notes 20 and 36)	1,773,695	5	1,631,121	4
Financial liabilities at fair value through profit and loss - current (Notes 4, 7 and 21)	424	-	-	-
Notes payable (Note 26)	165,296	-	229,687	1
Trade payables (Notes 22, 26 and 35)	2,097,926	5	2,092,003	6
Contract liabilities - current (Notes 26, 28 and 35)	2,480,366	6	-	-
Amounts due to customers for construction contracts (Notes 4 and 26)	54,359	-	2,395,070	7
Accrued expenses (Note 35)	232,772	1	274,374	1
Accounts payable for the development of industrial districts (Notes 4, 23 and 26)	1,898,420	5	1,869,756	5
Provisions - current (Notes 4, 24 and 26)	421,086	1	373,335	1
Guarantee deposits on construction contracts - current (Note 26)	350,880	1	426,526	1
Bonds payable due within a year (Notes 4, 21 and 34)	32,755	-	-	-
Long-term borrowings due within a year (Notes 20 and 36)	427,450	1	927,913	2
Other current liabilities (Notes 24 and 35)	<u>219,340</u>	<u>1</u>	<u>259,530</u>	<u>1</u>
Total current liabilities	<u>13,282,769</u>	<u>34</u>	<u>12,813,169</u>	<u>35</u>
NONCURRENT LIABILITIES				
Financial liabilities at fair value through profit and loss- noncurrent (Notes 4, 7 and 21)	-	-	424	-
Bonds payable (Notes 4, 21 and 36)	-	-	31,890	-
Long-term borrowings (Notes 20 and 36)	3,611,438	9	2,211,619	6
Deferred tax liabilities (Notes 4, 5 and 30)	1,029,831	3	1,029,374	3
Provisions - noncurrent (Notes 4 and 24)	562,882	2	565,138	2
Accrued pension liabilities (Notes 4 and 25)	110,881	-	99,252	-
Guarantee deposits received (Note 34)	<u>26,019</u>	<u>-</u>	<u>25,415</u>	<u>-</u>
Total noncurrent liabilities	<u>5,341,051</u>	<u>14</u>	<u>3,963,112</u>	<u>11</u>
Total liabilities	<u>18,623,820</u>	<u>48</u>	<u>16,776,281</u>	<u>46</u>
EQUITY				
Ordinary shares	<u>15,308,998</u>	<u>40</u>	<u>15,308,998</u>	<u>42</u>
Capital surplus	<u>69,688</u>	<u>-</u>	<u>69,688</u>	<u>-</u>
Retained earnings				
Legal reserve	692,092	2	665,683	2
Special reserve	2,801,480	7	2,814,390	7
Unappropriated earnings	<u>1,540,879</u>	<u>4</u>	<u>1,455,011</u>	<u>4</u>
Total retained earnings	<u>5,034,451</u>	<u>13</u>	<u>4,935,084</u>	<u>13</u>
Other equity	<u>(558,762)</u>	<u>(1)</u>	<u>(460,970)</u>	<u>(1)</u>
Total equity	<u>19,854,375</u>	<u>52</u>	<u>19,852,800</u>	<u>54</u>
TOTAL	<u>\$ 38,478,195</u>	<u>100</u>	<u>\$ 36,629,081</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated March 27, 2019)

BES ENGINEERING CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 28 and 35)				
Construction revenue	\$ 8,724,453	99	\$ 6,610,047	94
Other operating revenue	<u>89,070</u>	<u>1</u>	<u>401,909</u>	<u>6</u>
Total operating revenue	<u>8,813,523</u>	<u>100</u>	<u>7,011,956</u>	<u>100</u>
OPERATING COSTS (Notes 4, 25, 29 and 35)				
Construction costs	8,158,382	93	6,053,436	86
Other operating costs	<u>24,691</u>	<u>-</u>	<u>341,638</u>	<u>5</u>
Total operating costs	<u>8,183,073</u>	<u>93</u>	<u>6,395,074</u>	<u>91</u>
GROSS PROFIT	<u>630,450</u>	<u>7</u>	<u>616,882</u>	<u>9</u>
OPERATING EXPENSES (Notes 25, 29 and 35)				
Selling and marketing expenses	67,623	1	113,323	2
General and administrative expenses	196,107	2	190,524	3
Research and development expenses	<u>22,400</u>	<u>-</u>	<u>24,935</u>	<u>-</u>
Total operating expenses	<u>286,130</u>	<u>3</u>	<u>328,782</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>344,320</u>	<u>4</u>	<u>288,100</u>	<u>4</u>
NONOPERATING INCOME				
Other income (Notes 4, 29 and 35)	230,040	3	265,916	4
Other gains and losses (Notes 21 and 29)	(64,389)	(1)	(121,788)	(1)
Finance costs (Notes 4, 16 and 29)	(40,359)	-	(56,063)	(1)
Share of the losses of associates (Notes 4 and 17)	<u>(235,680)</u>	<u>(3)</u>	<u>(54,180)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(110,388)</u>	<u>(1)</u>	<u>33,885</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	233,932	3	321,985	5
INCOME TAX EXPENSE (Notes 4, 5 and 30)	<u>(129,402)</u>	<u>(1)</u>	<u>57,899</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>363,334</u>	<u>4</u>	<u>264,086</u>	<u>4</u>

(Continued)

BES ENGINEERING CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME(LOSS)				
(Notes 4, 25, 27 and 30)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (10,695)	-	\$ (5,751)	-
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	13,737	-	-	-
Share of the other comprehensive income (loss) of associates and subsidiaries accounted for using equity method	(46,628)	(1)	948	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>2,886</u>	<u>-</u>	<u>978</u>	<u>-</u>
	<u>(40,700)</u>	<u>(1)</u>	<u>(3,825)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain on available-for-sale financial assets	-	-	237,707	3
Share of the other comprehensive income (loss) of associates and subsidiaries accounted for using equity method	<u>(34,781)</u>	<u>-</u>	<u>27,383</u>	<u>-</u>
	<u>(34,781)</u>	<u>-</u>	<u>265,090</u>	<u>3</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(75,481)</u>	<u>(1)</u>	<u>261,265</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 287,853</u>	<u>3</u>	<u>\$ 525,351</u>	<u>7</u>
EARNINGS PER SHARE (Note 31)				
Basic	<u>\$0.24</u>		<u>\$0.17</u>	
Diluted	<u>\$0.24</u>		<u>\$0.17</u>	

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

(With Deloitte & Touche audit report dated March 27, 2019)

(Concluded)

BES ENGINEERING CORPORATION

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	Other Equity (Notes 4 and 27)											
	Share Capital Issued and Outstanding (Notes 21 and 27)		Capital Surplus (Notes 21 and 27)	Retained Earnings (Note 27)				Exchange Difference on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity	Total Equity
	Shares	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total					
BALANCE, JANUARY 1, 2017	<u>1,530,899</u>	<u>\$ 15,308,998</u>	<u>\$ 69,688</u>	<u>\$ 638,965</u>	<u>\$ 2,827,300</u>	<u>\$ 1,505,553</u>	<u>\$ 4,971,818</u>	<u>\$ (130,615)</u>	<u>\$ (595,445)</u>	<u>\$ -</u>	<u>\$ (726,060)</u>	<u>\$ 19,624,444</u>
Appropriation of the 2016 earnings												
Legal reserve	-	-	-	26,718	-	(26,718)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(296,995)	(296,995)	-	-	-	-	(296,995)
	-	-	-	26,718	-	(323,713)	(296,995)	-	-	-	-	(296,995)
Reversal of special reserved	-	-	-	-	(12,910)	12,910	-	-	-	-	-	-
Net profit for the year ended December 31, 2017	-	-	-	-	-	264,086	264,086	-	-	-	-	264,086
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(3,825)	(3,825)	(64,977)	330,067	-	265,090	261,265
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	260,261	260,261	(64,977)	330,067	-	265,090	525,351
Decrease in noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2017	1,530,899	15,308,998	69,688	665,683	2,814,390	1,455,011	4,935,084	(195,592)	(265,378)	-	(460,970)	19,852,800
Effect of retrospective application and retrospective restatement	-	-	-	-	-	21,486	21,486	-	265,378	(286,864)	(21,486)	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,530,899	15,308,998	69,688	665,683	2,814,390	1,476,497	4,956,570	(195,592)	-	(286,864)	(482,456)	19,852,800
Reversal of special reserved	-	-	-	-	(12,910)	12,910	-	-	-	-	-	-
Appropriation of the 2017 earnings												
Legal reserve	-	-	-	26,409	-	(26,409)	-	-	-	-	-	-
Cash dividends paid by the Corporation	-	-	-	-	-	(286,278)	(286,278)	-	-	-	-	(286,278)
	-	-	-	26,409	-	(312,687)	(286,278)	-	-	-	-	(286,278)
Net profit for the year ended December 31, 2018	-	-	-	-	-	363,334	363,334	-	-	-	-	363,334
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(7,983)	(7,983)	(34,781)	-	(32,717)	(67,498)	(75,481)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	355,351	355,351	(34,781)	-	(32,717)	(67,498)	287,853
Disposal of investments in equity investments at fair value through other comprehensive income	-	-	-	-	-	8,808	8,808	-	-	(8,808)	(8,808)	-
BALANCE, DECEMBER 31, 2018	<u>1,530,899</u>	<u>\$ 15,308,998</u>	<u>\$ 69,688</u>	<u>\$ 692,092</u>	<u>\$ 2,801,480</u>	<u>\$ 1,540,879</u>	<u>\$ 5,034,451</u>	<u>\$ (230,373)</u>	<u>\$ -</u>	<u>\$ (328,389)</u>	<u>\$ (558,762)</u>	<u>\$ 19,854,375</u>

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

(With Deloitte & Touche audit report dated March 27, 2019)

BES ENGINEERING CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 233,932	\$ 321,985
Adjustments for:		
Depreciation expenses	70,384	76,020
Net profit on fair value changes of financial assets and liabilities held for trading	-	(15,885)
Net loss on fair value changes of financial assets at fair value through profit or loss	1,393	-
Finance costs	40,359	56,063
Interest income	(156,466)	(192,214)
Dividend income	(18,062)	(9,271)
Share of the loss of associates and subsidiaries	235,680	54,180
(Gain) loss on disposal of property, plant and equipment	1,796	593
Net loss on repayment of bonds payable	-	16,363
Gain on disposal of investments	-	(5,913)
Loss (gain) on compensation (reversal)	(96,620)	96,094
Write-down (reversal) of buildings and land held for sale	44,158	-
Changes in operating assets and liabilities		
Construction receivables	(690,522)	(31,760)
Contract assets	33,306	-
Amounts due from customers for construction contracts	-	(270,343)
Accounts receivable on the development of industrial districts	684,984	330,211
Buildings and land held for sale	-	311,904
Construction in progress	(1,212,612)	(1,254,800)
Other current assets	(176,062)	(232,506)
Notes payable	(64,391)	67,625
Trade payables	5,922	123,675
Contract liabilities	403,593	-
Amounts due to customers for construction contracts	(282,591)	(75)
Accrued expenses	(42,436)	23,196
Accounts payable for the development of industrial districts	28,664	(147,964)
Provisions	(20,050)	(4,704)
Accrued pension liabilities	3,820	793
Other current liabilities	(40,189)	44,873
Cash used in operations	(1,012,010)	(641,860)
Interest received	146,706	185,808
Interest paid	(178,421)	(157,356)
Income tax paid	(19,713)	(5,433)
Net cash used in operating activities	(1,063,438)	(618,841)

(Continued)

BES ENGINEERING CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets measured at cost	\$ (1,000,453)	\$ -
Disposal of financial assets at fair value through other comprehensive income	41,159	-
Purchase of financial assets designated as at fair value through profit	(14,864)	-
Purchase of available-for-sale financial assets	-	(20,015)
Proceeds from sale of available-for-sale financial assets	-	41,984
Proceeds from sale of financial assets designated as at fair value through profit or loss	4,789	-
Decrease in debt investments with no active market	-	702,625
Proceeds from sale of financial assets measured at cost	-	18,107
Payments for investment properties	(374)	-
Payments for property, plant and equipment	(17,405)	(19,300)
Proceeds of the disposal of property, plant and equipment	22	-
Decrease (increase) in refundable deposits	(190,182)	236,520
Decrease in other financial assets	-	1,187,435
Decrease in other non-current assets	7,680	4,232
Dividends received from associates	13,656	10,410
Dividends received from others	18,062	9,271
Net cash generated from (used in) investing activities	<u>(1,137,910)</u>	<u>2,171,269</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (repayment) of short-term borrowings	785,942	(298,862)
Repayment of bond payables	142,574	27,729
Proceeds of short-term bills payable	-	(717,100)
Proceeds (repayment) of long-term borrowings	918,009	(39,886)
Decrease in guarantee deposits received	(75,042)	(25,883)
Dividends paid to owners of the Company	(286,278)	(296,995)
Partial acquisition of interests in subsidiaries	(20,427)	-
Net cash generated from (used in) financing activities	<u>1,464,778</u>	<u>(1,350,997)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(736,570)	201,431
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,031,163</u>	<u>829,732</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 294,593</u>	<u>\$ 1,031,163</u>

(Continued)

BES ENGINEERING CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets at December 31, 2018 and 2017:

	2018	2017
Cash and cash equivalents in balance sheets	\$ 592,593	\$ 1,320,959
Bank overdraft	<u>(298,000)</u>	<u>(289,796)</u>
Cash and cash equivalents in statements of cash flow	<u>\$ 294,593</u>	<u>\$ 1,031,163</u>

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

(With Deloitte & Touche audit report dated March 27, 2019)

(Concluded)

BES ENGINEERING CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

1. GENERAL INFORMATION

BES Engineering Corporation (the “Company”), which was a state-owned enterprise until June 22, 1994, engages mainly in civil engineering, building construction, and the development of industrial districts for the government.

Its shares have been traded on the Taiwan Stock Exchange since March 1993.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors and authorized for issue on March 27, 2019.

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

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

Except for the following, whenever applied, 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 would not have any material impact on the Company’s 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.

The amendment to IFRS 12 clarifies that when an entity’s interest in a subsidiary, a joint venture or an associate is classified as held for sale or is included in a disposal group that is classified as held for sale, the entity is not required to disclose summarized financial information of that subsidiary, joint venture or associate in accordance with IFRS 12. However, all other requirements in IFRS 12 apply to interests in entities classified as held for sale in accordance with IFRS 5. The Company applied the aforementioned amendment retrospectively.

2) 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. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Company's financial assets and financial liabilities as of January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash	Loans and receivables	Amortized cost	\$ 1,320,959	\$ 1,320,959	d)
Equity securities	Available- for- sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	1,169,194	1,169,194	a)
Mutual funds	Available- for- sale	Mandatorily at FVTPL	19,878	1,169,194	b)
Debt investments with no active market	Loans and receivables	Amortized cost	1,222,818	1,222,818	c)
Construction receivables, Other financial assets - current and other receivables (included other current assets)	Loans and receivables	Amortized cost	3,862,889	3,862,889	d)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasure-ments	IFRS 9 Carrying Amount as of January 1, 2018
<u>FVTPL</u>	\$ -	\$ -	\$ -	\$ -
Equity investments				
Add: Reclassification from available-for-sale	-	19,878	-	19,878
	-	19,878	-	19,878
<u>FVTOCI</u>	-	-	-	-
Equity instruments	-	-	-	-
Add: Reclassification from available-for-sale	-	1,105,504	-	1,105,504
Add: Reclassification from measured at cost	-	63,690	-	63,690
	-	1,169,194	-	1,169,194
<u>Amortized cost</u>				
Add: Reclassification from loans and receivables (IAS 39)	-	6,406,666	-	6,406,666
	-	6,406,666	-	6,406,666
	<u>\$ -</u>	<u>\$ 7,595,738</u>	<u>\$ -</u>	<u>\$ 7,595,738</u>

- a) The Company elected to classify all of its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTPL under IFRS 9. As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI in the amount of \$265,243 thousand.

Investments in unlisted shares previously measured at cost under IAS 39 have been classified at designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of \$63,690 thousand was recognized in financial assets at FVTOCI on January 1, 2018.

The Company recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in an increase of \$21,621 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of \$21,621 thousand in retained earnings on January 1, 2018.

- b) Mutual funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. The retrospective adjustment resulted in a decrease of \$135 thousand in other equity - unrealized gain (loss) on available-for-sale financial assets and a decrease of \$135 thousand in retained earnings on January 1, 2018.
- c) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows. As a result of retrospective application, there is no difference between the related adjustments in the loss allowance.
- d) Cash, Notes receivable, trade receivables, construction receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9. As a result of retrospective application, there is no difference between the related adjustments in the loss allowance.

3) 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 supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

In identifying performance obligations, IFRS 15 and the related amendments require that a good or service is distinct if it is capable of being distinct (for example, the Company regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each good or service individually rather than to transfer a combined output).

If the customer has retained a portion of payment to the Company in accordance with the terms of the contract in order to protect the customer from the contractor’s possible failure to adequately complete its obligations under the contract, such payment arrangement does not include a significant financing component and is recognized as a contract asset before the contractual obligation is completed under IFRS 15. Prior to the application of IFRS 15, retention receivables under construction contracts were recognized as receivables and discounted to reflect the time value of money in accordance with IAS 39.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, the net effect of the progress billings, the costs incurred and the recognized profit (loss) of construction contracts were recognized as amounts due from (to) customers for construction contracts under IAS 11.

If the contract is non-cancellable, the Company will recognize a receivable and a contract liability when it has an unconditional right to the consideration in accordance with IFRS 15. Prior to the application of IFRS 15, consideration was recognized as deferred revenue when received.

If a contract with a customer becomes onerous, the Company recognizes the impairment of the related inventories or provisions for the onerous contract. Prior to the application of IFRS 15, expected losses on construction contracts were recognized and adjusted to the amounts due from (to) customers for construction contracts.

The Company elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

Impact on assets, liabilities and equity for current year

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Amounts due from customers for construction contracts	\$ 956,528	\$ (956,528)	\$ -
Construction receivables	2,573,932	(1,601,400)	972,532
Contract assets - current	<u>-</u>	<u>2,720,093</u>	<u>2,720,093</u>
Total effect on assets	<u>\$ 3,530,460</u>	<u>\$ 162,165</u>	<u>\$ 3,692,625</u>
Contract liabilities - current	\$ -	\$ 2,081,610	\$ 2,081,610
Provisions - onerous contract	-	162,165	162,165
Advance receipts	110,962	(110,962)	-
Amounts due to customers for construction contracts	2,395,070	(2,058,120)	336,950
Other current liabilities	<u>279,491</u>	<u>87,472</u>	<u>366,963</u>
Total effect on liabilities	<u>\$ 2,785,523</u>	<u>\$ 162,165</u>	<u>\$ 2,947,688</u>

The difference between applying IFRS 15 in 2018 with keeping apply IAS 11 is set out below:

	December 31, 2018
Decrease in amounts due from customers for construction contracts	\$ (951,648)
Decrease in construction receivables	(1,677,783)
Increase in contract assets - current	<u>2,686,787</u>
Increase in assets	<u>\$ 57,356</u>
Increase in contract liability - current	\$ 2,480,366
Decrease in amounts due to customers for construction contracts	(2,334,395)
Decrease in advance receipts	(183,556)
Increase in provisions	57,356
Increase in other current liabilities	<u>37,585</u>
Increase in liabilities	<u>\$ 57,356</u>

4) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendments clarify 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 Company 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 Company 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 amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Company’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Company 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.

Prior to the amendment, in assessing a deferred tax asset, the Company assumed that it will recover the asset at its carrying amount when estimating probable future taxable profit. The Company applied the above amendments retrospectively in 2018.

5) Amendments to IAS 40 “Transfers of Investment Property”

The amendments clarify that the Company should transfer to, or from, investment property when, and only when, the property meets, or ceases to meet, the definition of investment property and there is evidence of a change in use. In isolation, a change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments also clarify that evidence of a change in use is not limited to those illustrated in IAS 40.

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 Company applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

The impact in the prior year of the 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 is summarized below:

Impact on assets, liabilities and equity for current year

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Financial assets at FVTPL - current	\$ -	\$ 19,878	\$ 19,878
Financial assets at fair value through other comprehensive income - current	-	510,308	510,308
Financial assets at fair value through other comprehensive income - non-current	-	658,886	658,886
Available-for-sale financial assets - current	530,186	(530,186)	-
Available-for-sale financial assets - non-current	595,196	(595,196)	-
Financial assets measured at amortized cost - current	-	2,277,019	2,277,019
Financial assets measured at cost - non-current	63,690	(63,690)	-
Debt investments with no active market - current	1,222,818	(1,222,818)	-
Other financial assets - current	1,054,201	(1,054,201)	-
Amounts due from customers for construction contracts	956,528	(956,528)	-
Retention receivable under a construction contract	2,573,932	(1,601,400)	972,532
Contract assets - current	<u>-</u>	<u>2,720,093</u>	<u>2,720,093</u>
Total effect on assets	<u>\$ 6,996,551</u>	<u>\$ 162,165</u>	<u>\$ 7,158,716</u>
Contract liabilities - current	\$ -	\$ 2,081,610	\$ 2,081,610
Provisions - onerous contract	-	162,165	162,165
Advance receipts	110,962	(110,962)	-
Amounts due to customers for construction contracts	2,395,070	(2,058,120)	336,950
Other current liabilities	<u>279,491</u>	<u>87,472</u>	<u>366,963</u>
Total effect on liabilities	<u>\$ 2,785,523</u>	<u>\$ 162,165</u>	<u>\$ 2,947,688</u>
Retained earnings	\$ 4,935,084	\$ 21,486	\$ 4,956,570
Unrealized gain (loss) on available-for-sale financial assets	(265,378)	265,378	-
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	<u>-</u>	<u>(286,864)</u>	<u>(286,864)</u>
Total effect on equity	<u>\$ 4,669,706</u>	<u>\$ -</u>	<u>\$ 4,669,706</u>

- c. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
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
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

Note 1: Unless stated otherwise, the above New 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 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

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

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

The Company expects to apply the following practical expedients:

- a) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Company will adjust the right-of-use assets on January 1, 2019 by the amount of any provisions for onerous leases recognized as of December 31, 2018.
- c) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- d) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- e) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Company as lessor

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

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	\$ -	\$ 49,073	\$ 49,073
Total effect on assets	\$ -	\$ 49,073	\$ 49,073
Lease liabilities - current	\$ -	\$ 23,780	\$ 23,780
Lease liabilities - non-current	-	25,293	25,293
Total effect on liabilities	\$ -	\$ 49,073	\$ 49,073

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Company should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Company concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Company should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Company should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Company expects to better predict the resolution of the uncertainty. The Company has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Company will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

3) Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”

The amendments clarified that IFRS 9 shall be applied to account for other financial instruments in an associate or joint venture to which the equity method is not applied. These included long-term interests that, in substance, form part of the Company’s net investment in an associate or joint venture.

For long-term interests that, in substance, form part of the Company’s net investment in an associate or joint venture and are governed by IFRS 9, the Company shall, based on the facts and circumstances that exist on January 1, 2019, perform an assessment of the classification under IFRS 9 applied retrospectively.

Upon initial application of the above amendments, the Company will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

4) Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

IFRS 9 stipulated that if a contractual term of a financial asset permits the issuer (i.e. the debtor) to prepay a debt instrument or permits the holder (i.e. the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of the principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explain that reasonable compensation may be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

Upon initial application of the above amendments, the Company will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

5) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings.

6) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company will apply the above amendments prospectively.

The anticipated impact of the initial application of the above New IFRSs is summarized below.

The Company will recognize the cumulative effect of initially applying the above New IFRSs as an adjustment to assets, liabilities and equity as of January 1, 2019, and the adjustments are summarized below:

	Carrying Amount as of December 31, 2018	Adjustments on Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	\$ -	\$ 49,073	\$ 49,073
Lease liabilities - current	-	23,780	23,780
Lease liabilities - non-current	-	25,293	25,293

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

- d. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: 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, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

- 1) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulate that, when the Company sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Company loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Company sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company's interest as an unrelated investor in the associate or joint venture, i.e. the Company's share of the gain or loss is eliminated. Also, when the Company loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company's interest as an unrelated investor in the associate or joint venture, i.e. the Company's share of the gain or loss is eliminated.

2) Amendments to IFRS 3 "Definition of a Business"

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

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 an 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 an asset or liability.

When preparing the accompanying financial statements, the Company used equity method to account for its investment in subsidiaries and associates. In order for the amounts of the net profit, other comprehensive income and total equity in the parent company only financial statements to be the same with those amounts attributable to the owner of the Company in its financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to the captions of “share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method” and related equity items, as appropriate, in the parent company only financial statements.

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 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 Company 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 Company 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 Company’s construction-related assets and liabilities.

d. Foreign currencies

In preparing the Company’s financial statements, transactions in currencies other than the Company’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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.

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 translated using the exchange rate at the date of the transaction.

For the purposes of presenting financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income.

On the disposal of a foreign operation (a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences recognized in other comprehensive income is included in the calculation of equity transactions but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

f. Investments in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associates. The Company also recognizes the changes in the Company's share of the equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date when the Company ceases to have significant influence over an associate. When the Company retains an interest in the former associate, the Company measures the retained interest at fair value at that date. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Company shall account for all amounts recognized in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate is recognized in the Company's financial statements only to the extent of interests in the associate that is not related to the Company.

g. Property, plant and equipment

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

Freehold land is not depreciated.

Depreciation of property, plant and equipment is recognized using the Declining balance method. Each significant part is depreciated separately. 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 the 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. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the Declining balance method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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.

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

j. Financial instruments

Financial assets and financial liabilities are recognized when a Company 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 issuance 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 categories

2018

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

i. Financial assets at FVTPL

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 incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 7.

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 other receivables, are measured at amortized cost, which equals the gross carrying amount determined using 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 are not credit-impaired on purchase or origination but 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 in subsequent reporting periods.

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 Company 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 Company'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: Available-for-sale financial assets and loans and receivables.

i. 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 Company's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented as a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value.

The difference between the carrying amount and the fair value of such financial assets is recognized in other comprehensive income. Any impairment losses are recognized in profit and loss.

ii. Loans and receivables

Loans and receivables (including trade receivables, cash and debt investments with no active market) 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

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 the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as construction receivables, are assessed for impairment on a collective basis even if they were assessed as not impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments as well as observable changes in national or local economic conditions that correlate with a default on receivables.

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

For financial assets measured 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 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 impairment 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.

For a financial asset measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade 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 that are written off against the allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset 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.

2) Equity instruments

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

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

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

3) 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 a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Onerous contracts are those in which the Company's unavoidable costs of meeting the contractual Obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

1. Revenue recognition

2018

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

For contracts to sell properties, the fixed transaction price is received in instalments and recognized as a contract liability. The transaction price, after adjusting for the effect of the significant financing component, is recognized as revenue when the construction is completed and the property is transferred to the buyer.

2) Revenue from the rendering of services

Service income is recognized when services are provided.

Revenue from a contract to provide services is recognized with reference to the stage of completion of the contract.

3) Construction contract revenue

Customers control properties while they are construction in progress, and thus, the Company recognizes revenue over time. The Company 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 Company 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 Company adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Company satisfies its performance obligations.

4) Business on the development of industrial districts

The Company is authorized to develop and sell the development of industrial districts, whose accounting affairs are processed individually. Input costs of each industrial zone debit accounts receivable on the development of industrial districts; the price of land was paid by the purchaser, and the cost of development credits accounts payable for the development of industrial districts. When vendors pay off the price, accounts receivable on the development of industrial districts will be charged off. If the balance remains, the committee of industrial zone development and administration fund will be remitted.

Business on the development of industrial districts is charged by appointment contracts and related laws, which recognized in agency fee revenue included in other operating revenue of current year.

2017

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. Allowances for sales returns and liabilities 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 Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Company 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 Company; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

2) Revenue from the rendering of services

Service income is recognized when services are provided.

Revenue from a contract to provide services is recognized with reference to the stage of completion of the contract.

3) Business on the development of industrial districts

The Company is authorized to develop and sell the development of industrial districts, whose accounting affairs are processed individually. Input costs of each industrial zone debit accounts receivable on the development of industrial districts; the price of land was paid by the purchaser, and the cost of development credits accounts payable for the development of industrial districts. When vendors pay off the price, accounts receivable on the development of industrial districts will be charged off. If the balance remains, the committee of industrial zone development and administration fund will be remitted.

Business on the development of industrial districts is charged by appointment contracts and related laws, which recognized in agency fee revenue included in other operating revenue of current year.

4) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Company and that 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 Company and the amount of income can be measured reliably. Interest income is accrued on a time basis with reference to the principal outstanding and at the applicable effective interest rate.

m. Buildings and land held for sale, net

Buildings and land held for sale, net is measured by lower of cost and net realizable value. Comparing costs with net realizable value based on individual item. Net realizable value is the balance based on the estimated selling price that subtracts the selling expense. The cost is calculated by the specific identification method when selling.

n. Construction contract

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 the outcome of a construction contract can be estimated reliably, revenue from cost-plus contracts is recognized with reference to the recoverable costs incurred during the period plus the fees earned, measured according to the proportion of the costs incurred to date to the estimated total costs of the contract.

When it is probable that total contract costs will exceed the total contract revenue, the expected loss is recognized as an expense immediately.

When contract costs incurred to date plus the recognized profit less the recognized deficits exceed progress billings, the surplus is shown as contract assets. For contracts where progress billings exceed contract costs incurred to date plus the recognized profit less the recognized deficits, the surplus is shown as contract liabilities. Amounts billed for work performed but not yet paid by customers are included in the consolidated balance sheets under contract receivables.

o. Leasing

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

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Contingent rentals are recognized as income in the period in which they are incurred.

2) The Company as lessee

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

3) Leasehold land for own use

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

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

p. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. 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 services.

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and rereasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost including current service cost, past service cost and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which 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 will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. 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.

r. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain 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 and unused loss carryforwards 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 Company 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 assets 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 liabilities are settled or the assets are 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations, 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 estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Business model assessment for financial assets - 2018

The Company 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 judgment 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 Company monitors financial assets measured at amortized cost or at FVTOCI, and when assets are derecognized prior to their maturity, the Company understands the reasons 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 Company'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 the business model such that a prospective change to the classification of those assets is proper.

b. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Notes 9 and 13. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

c. Income taxes

The realizability of deferred tax assets mainly depends on whether sufficient future profit or taxable temporary differences will be available. In cases where the actual future profit generated is 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.

d. Impairment of property, plant and equipment

The impairment of property, plant and equipment was based on the recoverable amounts of those assets, which are the higher of their fair value less costs of disposal and their value in use. Any changes in the market prices or future cash flows will affect the recoverable amounts of those assets and may lead to the recognition of additional impairment losses or the reversal of impairment losses.

e. Impairment of investments in associates

The Company immediately recognizes impairment losses on its net investment in an associate when there is any indication that the investment may be impaired and the carrying amounts may not be recoverable. The Company's management evaluates the impairment based on the estimated future cash flow expected to be generated by the associate, including assumptions about the growth rate of sales and the capacity of the production facilities as estimated by the associate's management. The Company also takes into consideration market conditions and industry development when evaluating the appropriateness of the relevant assumptions.

6. CASH

	December 31	
	2018	2017
Cash on hand	\$ 3,857	\$ 4,070
Checking accounts and demand deposits	<u>588,736</u>	<u>1,316,889</u>
	<u>\$ 592,593</u>	<u>\$ 1,320,959</u>

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	December 31	
	2018	2017
Bank balance	0.010%-0.080%	0.010%-0.080%

7. FINANCIAL INSTRUMENTS AT FVTPL

	December 31	
	2018	2017
<u>Financial assets - current</u>		
Financial assets designated as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ 28,560</u>	<u>\$ -</u>
<u>Financial liabilities held for trading - current</u>		
Derivative financial liabilities		
Domestic convertible bonds for first and second issuance	<u>\$ 424</u>	<u>\$ -</u>
<u>Financial liabilities held for trading - non-current</u>		
Derivative financial liabilities		
Domestic convertible bonds for first and second issuance	<u>\$ -</u>	<u>\$ 424</u>

8. FINANCIAL ASSETS AT FVTOCI - 2018

Fair value through other comprehensive income - equity instruments

**December 31,
2018**

Current

Domestic listed shares	\$ <u>609,242</u>
------------------------	-------------------

Non-current

Domestic listed shares	\$ 424,587
Domestic unlisted shares	<u>107,943</u>
	\$ <u>532,530</u>

These investments in Taiwan Business Bank, China Petrochemical Development Corporation, Century Development Corporation, and Overseas Investment & Development Corporation are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale financial assets and financial assets measured at cost under IAS 39. Refer to Note 3, Note 10 and Note 11 for information relating to their reclassification and comparative information for 2017.

Refer to Note 36 for information about fair value through other comprehensive income - equity instruments.

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

**December 31,
2018**

Current

Time deposits with original maturity of more than 3 months (a)	\$ 1,992,009
Others (b)	<u>1,285,463</u>
	\$ <u>3,277,472</u>

- a. The interest rates for time deposits with original maturity of more than 3 months were from 0.002% to 1.065% as at the end of the reporting period. The time deposits were classified as debt investments with no active market under IAS 39. Refer to Note 3 and Note 12 for information relating to their reclassification and comparative information for 2017.
- b. Bank accounts pertaining to the loan reserve and trust account.

Refer to Note 36 for information about financial assets at amortized cost.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

December 31,
2017

Current

Domestic investments

Listed shares	\$ 510,308
Mutual funds	<u>19,878</u>
	<u>\$ 530,186</u>

Non-current

Domestic investment

Listed shares	<u>\$ 595,196</u>
---------------	-------------------

Refer to Note 36 for information about available-for-sale financial assets pledged as security.

11. FINANCIAL ASSETS MEASURED AT COST

December 31,
2017

Current

Domestic unlisted common shares

Century Development	\$ 50,000
Overseas Investment & Development	12,444
Zowie Technology Corporation	177
Core Pacific Venture Capital (Note)	<u>-</u>
	62,621

Foreign unlisted preference shares

Fortemedia	1,049
------------	-------

Foreign unlisted common shares

Fortemedia	<u>20</u>
------------	-----------

\$ 63,690

Available-for-sale financial assets \$ 63,690

Management believed that the above unlisted equity investments held by the Company, whose fair value cannot be reliably measured due to range of reasonable fair value estimates was so significant; therefore, they were measured at cost less impairment at the end of reporting period.

Note: In July 2017, liquidation was completed. The compensation of \$18,107 thousand for the shares was received. This distribution generated a gain of \$589 thousand.

12. DEBT INVESTMENTS WITH NO ACTIVE MARKET

**December 31,
2017**

Current

Time deposits with original maturities of more than 3 months \$ 1,222,818

- a. The market interest rates of the time deposits with an original maturities more than 3 months were ranges of 0.120%-1.400% per annum as of December 31, 2017.
- b. Refer to Note 36 for information relating to bond investments with no active market pledged as security.

13. NOTES RECEIVABLE, TRADE RECEIVABLES AND CONSTRUCTION RECEIVABLES

	December 31	
	2018	2017
Construction receivables	<u>\$ 1,663,054</u>	<u>\$ 2,573,932</u>

Trade Receivables and Construction Receivables

2018

The normal credit term granted by the Company for its sales terms is 90 days; evaluation for impairment of account receivable is based on aging table analysis, past experience and client's current financial condition to estimate the uncollectible amounts.

Before accepting any new customer, the Company determines the credit limit for each customer on the basis of the customers' basic data and the details of the customers' credit status and prudent measurement of customers' credit. The Company also assesses the customers' credit ratings annually.

At the balance sheet date, no allowance for doubtful accounts was recognized for some past-due trade receivables and construction receivables because there were no significant changes in credit quality, the amounts outstanding were still considered recoverable, and there was no indication of impairment of these receivables.

The aging of receivables was as follows:

	December 31, 2018
Not past due	<u>\$ 1,663,054</u>

The above aging schedule was based on the past due days from the invoice date.

2017

The aging of receivables that were past due but not impaired was as follows:

	December 31, 2017
Not past due	<u>\$ 2,573,932</u>

The above aging schedule was based on the past due days from the invoice date.

As of December 31, 2017, the deposits under construction contracts that were accounted for as construction receivables were \$1,601,400 thousand.

The construction retention deposits do not accrue interest, and the Company will take back a retention amount at the end of the retention period when a contract ends. The retention period is based on the Group's normal operating cycle, which is normally longer than one year. Refer to Table 1 for information about construction contracts.

Notes Receivable and Other Accounts Receivable

There are no indications of contingent collectability of receivables, and as there are no past due amounts of notes receivable and other accounts receivable, the Company did not recognize allowance for doubtful account.

14. ACCOUNTS RECEIVABLE ON THE DEVELOPMENT OF INDUSTRIAL DISTRICTS

	December 31	
	2018	2017
Chung Hua Coastal Industrial Park	\$ 7,061,491	\$ 7,729,244
Other industrial districts	<u>2,001,567</u>	<u>2,018,798</u>
	<u>\$ 9,063,058</u>	<u>\$ 9,748,042</u>

The increases in development costs were \$3,664,878 thousand in 2018 and \$1,468,665 thousand in 2017. Amounts collected were \$4,349,862 thousand in 2018 and \$1,798,876 thousand in 2017.

The Company's receivables from industrial zone agents are mainly funded by advanced cash and interest from the Industrial Bureau of the Ministry of Economic Affairs. After assessing the following factors, there is no need to provide an allowance for bad debts:

- a. The price of land in an industrial zone is based on the estimated total development costs. All the interest generated from the development costs after the settlement base date are in response to the price adjustment mechanism used for adding the interest month by month and are a basis for reflecting the accurate price of an industrial zone at various points in time. The price paid by the vendors are included in the interest generated from the development costs after the settlement base date. The Development Bureau of the Ministry of Economic Affairs implements a land lease plan in an industrial zone, and the development costs of the entrusted development unit is also calculated based on the price in the month in which the manufacturers sign the lease. Land rental income is simply one of the advanced repayments of the development costs and can still be returned through other relevant alternative measures.

- b. As industrial zone development contracts are civil law appointment contracts, all the authorized development units are not subject to the risk of profit and loss. This is because the fees paid by the appointed firms are legally required and reimbursed from the appointing party which is a government agency and such an agent's credit is unquestionable.
- c. Development contracts only stipulate that development units may use advanced prepayments to process the development costs of the land sale price. Additionally, rental income from the land is not required to be the only repayment source. Industrial zone development is the government's method of promoting the industrial development policy. Thus, the government shall adopt countermeasures to solve problems such as sluggish sale of land in industrial zones or higher than market rental or selling prices leading to unsaleable land in industrial zones. The recovery funds that are entrusted to development units do not necessarily directly correlate with whether the land can be sold successfully.
- d. The Company's development funds from industrial zone agents have no bad debt history. Also, the Industrial Bureau of the Ministry of Economic Affairs has not stated or shown that it will not repay the development costs to the Company. Moreover, the funds will be recovered successively, and some of the cases have been fully recovered.

In summary, there is no major doubt or uncertainty regarding the recovery of advanced development repayments for industrial zone development, and thus, allowance for bad debts is not required.

15. BUILDINGS AND LAND HELD FOR SALE, NET

	December 31	
	2018	2017
Peibo Section in Tucheng District	\$ 1,244,634	\$ 1,244,634
Litzer Industrial District	267,436	267,436
Section 1, Xinsheng South Road in Taipei	99,324	-
Building and land in Danshui Township	72,519	72,519
Niukeng Section and Niushan Section in Hualian County	40,622	40,622
Land in Beitun District in Taichung	21,355	21,355
Puwei Section in Yunlin County	6,117	6,117
Jing-Xin Garden	<u>2,013</u>	<u>2,013</u>
	<u>\$ 1,754,020</u>	<u>\$ 1,654,696</u>

The Company's investments are only held for sales purposes. The Company carried out a review of the recoverable amount of building and land held for sale, net, and each carrying amount exceeded the recoverable amount. The review led to the recognition of a write-downs of \$44,158 thousand, which was recognized in other gains and losses for the year ended December 31, 2018. Valuation allowance amounted to \$49,893 thousand as of December 31, 2018 and \$5,735 thousand as of December 31, 2017.

Refer to Note 36 for information about buildings and land held for sale, net.

16. CONSTRUCTION IN PROGRESS

	Construction in Progress		
	Cost of Land	Cost of Construction	Total
<u>December 31, 2018</u>			
Land in Sinyi Sec., Taipei City	\$ -	\$ 6,293,338	\$ 6,293,338
Land in Baoqing Sec., Taipei City	-	565,280	565,280
Land in Zhengyi Sec., Taipei City	25,236	-	25,236
Land in Nangang Sec., Taipei City	-	3,736	3,736
	<u>\$ 25,236</u>	<u>\$ 6,862,354</u>	<u>\$ 6,887,590</u>
<u>December 31, 2017</u>			
Land in Sinyi Sec., Taipei City	\$ -	\$ 5,139,779	\$ 5,139,779
Land in Baoqing Sec., Taipei City	-	370,469	370,469
Land in Xinsheng South Rd., Taipei City	130,072	9,414	139,486
Land in Zhengyi Sec., Taipei City	25,236	-	25,236
Land in Nangang Sec., Taipei City	-	3,729	3,729
	<u>\$ 155,308</u>	<u>\$ 5,523,391</u>	<u>\$ 5,678,699</u>

In November 2009, the Company acquired lots in the Zhengyi Section in Taipei City, and are in the process of contacting the landlords to discuss a new integrated development plan after the completion of the cooperative housing or urban renewal procedures.

The Company signed a joint venture agreement with Agora Garden Company in March 2010, to construct a residential building in the Sinyi Section in Taipei City. Refer to Note 40 for related information.

In February 2011, the Company started to process an urban renewal plan of Yan Shou Public Housing located in land numbers 51-3, 57-2, 57-13 and 57 in the Baoqing Section in Taipei City. The Company acquired consent agreements from all the landlords for land number 51-3 in 2011 and had applied for an urban renewal plan inspection. The Company started construction for an urban renewal plan in January 2014 on land 51-3 whilst in proceeding for ownership registry in December 2015. The Company completed an urban renewal plan in accordance with the laws and regulations, and applied registration of property rights in August 2016, and completed selling in January 2017.

The Company has acquired the co-construction agreements for land number 57-2 from the majority of the landlords. Application of the urban renewal business plan was completed in May 2012, and the Company received approval in April 2014; the transfer of ownership rights was approved in August 2016; the Company's construction registration was completed in October 2017. As of the end of 2018, related construction of second floor was in progress. In addition, the Company has acquired the co-construction agreements for land number 57-13; the urban renewal business plan was completed in October 2013 with an approval received in December 2015 and proceeded with the transfer of ownership rights in December 2015, and the transfer of ownership rights were achieved in December 2018. Moreover, the urban renewal business plan for land 57 was completed in December 2014 and was submitted to the authorities for approval in June 2015, and the approval process was completed as of December 2016. Application of the urban renewal business plan was completed in June 2017. The transfer of ownership rights was submitted for approval in October 2018. As of the end of 2018, the transfer of ownership rights was still under review.

In April 2014, the Company acquired land and two buildings on Xinsheng South Road in Taipei City and received approval of their urban renewal business plan application. Main construction began in December 2014, and the Company obtained the use permit in July 2018. The Company has obtained the ownership certificate on August 24, 2018 and reclassified the building and land to buildings and land held for sale, net. Refer to Note 15 for related information

In 2015, the Company started to process three urban renewal plans located on the land, plot number 316, in the Nangang Section in Taipei City. The urban renewal business plans were submitted to the authorities for approval in December 2015. The Company had applied for an urban renewal plan inspection in December 2018.

As of December 31, 2018 and 2017, the interest expense before capitalization was \$199,352 thousand and \$172,625 thousand, respectively; the capitalized construction interest was \$139,761 thousand and \$99,609 thousand, respectively; the capitalization rates per annum ranged from 2.336% to 2.337% and 2.180% to 2.201%, respectively.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

a. Investment in subsidiaries

	December 31	
	2018	2017
<u>Unlisted common shares</u>		
Core Pacific World Corporation	\$ 938,767	\$ 922,024
BES Machinery Corporation	815,210	924,268
BES Investment Company Ltd.	503,879	592,803
BES Logistics International Co., Ltd.	715,156	702,525
Coreasia Human Resource Management Corporation	96,199	98,508
Cinemark-Core Pacific Ltd.	70,041	77,796
Chung Kung Safeguarding & Security Corporation	52,809	51,324
BES Construction Corporation (BES, U.S.A.)	27,142	26,311
BES Global Investment Co.	<u>16,903</u>	<u>18,582</u>
	<u>\$ 3,236,106</u>	<u>\$ 3,414,141</u>
	Proportion of Ownership and Voting Rights	
	December 31	
	2018	2017
Core Pacific World Corporation	99.95%	99.95%
BES Machinery Corporation	98.87%	96.58%
BES Investment Company Ltd.	100.00%	100.00%
BES Logistics International Co., Ltd.	100.00%	100.00%
Coreasia Human Resource Management Corporation	100.00%	100.00%
Cinemark-Core Pacific Ltd. (Note)	15.38%	15.38%
Chung Kung Safeguarding & Security Corporation	64.67%	64.67%
BES Construction Corporation (BES, U.S.A.)	91.79%	91.79%
BES Global Investment Co.	100.00%	100.00%

Note: For the year ended 2018 and 2017, Cinemark-Core Pacific Ltd.'s proportion of ownership held by the Company and BES Machinery Corporation is 77.43% and 75.99% respectively.

For the year ended 2018 and 2017, gain or loss on subsidiaries and other comprehensive income accounted for using equity method are recognized by subsidiaries' financial reports audited by accountants at the same period.

b. Investment in associates

	December 31	
	2018	2017
Associates that are not individually material	<u>\$ 1,045,444</u>	<u>\$ 1,177,727</u>

Aggregate information of joint ventures that are not individually material:

	For the Year Ended December 31	
	2018	2017
The Company's share of:		
Loss for the year	\$ 178,245	\$ 140,183
Other comprehensive loss	<u>4,961</u>	<u>1,007</u>
Total comprehensive loss for the year	<u>\$ 183,206</u>	<u>\$ 141,190</u>

Core Pacific City Co., Ltd. is an investment-related enterprise for which the Company adopts the equity method of accounting. According to contract of its syndicated loan, because Core Pacific City Co., Ltd. has sustained continuous losses, the loan principal amount of \$9,109,520 shall be repaid on March 18, 2019. Only part of the amount to be repaid of \$8,409,520 has already been approved by bank a conditional payment extension of up to March 18, 2020. After assessing impairment, the management of the Company did not recognize for impairment because of the recoverable amount was not lower than the carrying amount.

18. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2017	\$ 2,413,413	\$ 514,679	\$ 468,135	\$ 50,649	\$ 3,446,876
Additions	-	-	15,591	3,709	19,300
Disposals	-	-	(4,989)	(953)	(5,942)
Transferred to investment properties	-	(2,329)	-	-	(2,329)
Effect of foreign currency exchange differences	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ 2,413,413</u>	<u>\$ 512,350</u>	<u>\$ 478,737</u>	<u>\$ 53,405</u>	<u>\$ 3,457,905</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2017	\$ 3,004	\$ 251,015	\$ 298,651	\$ 37,360	\$ 590,030
Depreciation expense	-	28,039	38,677	4,859	71,575
Disposals	-	-	(4,490)	(859)	(5,349)
Transferred to investment properties	<u>-</u>	<u>(1,782)</u>	<u>-</u>	<u>-</u>	<u>(1,782)</u>
Balance at December 31, 2017	<u>\$ 3,004</u>	<u>\$ 277,272</u>	<u>\$ 332,838</u>	<u>\$ 41,360</u>	<u>\$ 654,474</u>
Balance at December 31, 2017, net	<u>\$ 2,410,409</u>	<u>\$ 235,078</u>	<u>\$ 145,899</u>	<u>\$ 12,045</u>	<u>\$ 2,803,431</u>

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2018	\$ 2,413,413	\$ 512,350	\$ 478,737	\$ 53,405	\$ 3,457,905
Additions	-	581	12,011	4,813	17,405
Transferred from investment properties	-	47,012	-	-	47,012
Disposals	-	-	(15,009)	(3,177)	(18,186)
Transferred to investment properties	<u>(214,179)</u>	<u>(6,115)</u>	<u>-</u>	<u>-</u>	<u>(220,294)</u>
Balance at December 31, 2018	<u>\$ 2,199,234</u>	<u>\$ 553,828</u>	<u>\$ 475,739</u>	<u>\$ 55,041</u>	<u>\$ 3,283,842</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2018	\$ 3,004	\$ 277,272	\$ 332,838	\$ 41,360	\$ 654,474
Depreciation expense	-	25,898	35,792	4,084	65,774
Transferred from investment properties	-	24,585	-	-	24,585
Disposals	-	-	(13,508)	(2,860)	(16,368)
Transferred to investment properties	<u>-</u>	<u>(3,679)</u>	<u>-</u>	<u>-</u>	<u>(3,679)</u>
Balance at December 31, 2018	<u>\$ 3,004</u>	<u>\$ 324,076</u>	<u>\$ 355,122</u>	<u>\$ 42,584</u>	<u>\$ 724,786</u>
Balance at December 31, 2018, net	<u>\$ 2,196,230</u>	<u>\$ 229,752</u>	<u>\$ 120,617</u>	<u>\$ 12,457</u>	<u>\$ 2,559,056</u> (Concluded)

No impairment assessment was performed for the years ended December 31, 2018 and 2017 as there was no indication of impairment.

Property, plant and equipment are depreciated on fixed-percentage-on-declining-balance-method and straight-line basis over the estimated useful life of the asset as follows:

Land improvements	8-40 years
Buildings	
Main buildings	60 years
Air-conditioning equipment	3 years
Machinery and equipment	2-13 years
Other equipment	2-20 years

Refer to Note 36 for information about the amount of property, plant and equipment pledged by the Company to general banking facilities granted to the Company.

19. INVESTMENT PROPERTIES

	Completed Investment Properties
<u>Balance at December 31, 2017</u>	
Measured at cost	<u>\$ 824,156</u>
<u>Balance at December 31, 2018</u>	
Measured at cost	<u>\$ 1,014,108</u> (Continued)

**Completed
Investment
Properties**

Cost

Balance at January 1, 2017	\$ 1,003,313
Transferred from prepayments for equipment	3,448
Transferred to property, plant and equipment	<u>2,329</u>
Balance at December 31, 2017	<u>\$ 1,009,090</u>

Accumulated depreciation and impairment

Balance at January 1, 2017	\$ 178,707
Depreciation expense	4,445
Transferred from property, plant and equipment	<u>1,782</u>
Balance at December 31, 2017	<u>\$ 184,934</u>
Balance at December 31, 2017, net	<u>\$ 824,156</u>

Cost

Balance at January 1, 2018	\$ 1,009,090
Transferred from prepayments for equipment	-
Additions	374
Transferred from property, plant and equipment	220,294
Transferred to property, plant and equipment	<u>(47,012)</u>
Balance at December 31, 2018	<u>\$ 1,182,746</u>

Accumulated depreciation and impairment

Balance at January 1, 2018	\$ 184,934
Depreciation expense	4,610
Transferred from property, plant and equipment	3,679
Transferred to property, plant and equipment	<u>(24,585)</u>
Balance at December 31, 2018	<u>\$ 168,638</u>
Balance at December 31, 2018, net	<u>\$ 1,014,108</u> (Concluded)

Investment properties are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

Land improvements	8-40 years
Buildings	
Main buildings	60 years
Air-conditioning equipment	3 years

The fair value of investment properties was arrived at on the basis of valuations carried out as of December 2018 and January 2017 by independent, qualified professional valuers. The fair value is shown below:

	December 31	
	2018	2017
Fair value	<u>\$ 4,081,758</u>	<u>\$ 4,201,093</u>

The market for some investment properties of the Company is inactive and alternative reliable measurements of fair value are not available; therefore, the Company determined that the fair value of the investment properties is not reliably measurable.

The Company had freehold interests in all of its investment properties. The carrying amounts of investment properties pledged by the Company to secure its borrowings are shown in Note 36.

20. BORROWINGS

a. Short-term loans

	December 31	
	2018	2017
<u>Secured borrowings</u>		
Bank loans	\$ 2,830,000	\$ 1,953,375
Bank overdrafts	<u>298,000</u>	<u>289,796</u>
	3,128,000	2,243,171
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>-</u>	<u>90,683</u>
	<u>\$ 3,128,000</u>	<u>\$ 2,333,854</u>

The short-term loans were pledged by freehold land, buildings, and investments accounted for under equity method. Refer to Note 36 for related information.

The range of weighted average effective interest rate on bank loans was 1.900%-2.816% and 2.283%-2.816% per annum as of December 31, 2018 and 2017, respectively.

b. Short-term bills payable

	December 31	
	2018	2017
Commercial paper	\$ 1,777,000	\$ 1,635,400
Less: Unamortized discount on bills payable	<u>3,305</u>	<u>4,279</u>
	<u>\$ 1,773,695</u>	<u>\$ 1,631,121</u>

Outstanding short-term bills payable were as follows:

December 31, 2018

Promissory Institutions	Nominal Amount	Discount Amount	Carry Value	Rate	Collateral	The Carry Value of Collateral
<u>Commercial paper</u>						
International Bills Finance Corporation	\$ 800,000	\$ 743	\$ 799,257	2.570%	Land and building	Note 1
Mega Bills Finance	450,000	1,207	448,793	1.960%	Land and building	\$373,587
International Bills Finance Corporation	400,000	505	399,495	2.158%	Note 2	Note 2
International Bills Finance Corporation	94,000	629	93,371	2.800%	-	-
Taiwan Finance Corporation	<u>33,000</u>	<u>221</u>	<u>32,779</u>	2.800%	-	-
	<u>\$ 1,777,000</u>	<u>\$ 3,305</u>	<u>\$ 1,773,695</u>			

Note 1: The syndicated loan, which is from International Bills Finance Corporation under Taiwan Cooperative Bank, was established with equal amounts of a lending quota; the loan is collateralized by land and buildings with a total book value of \$2,854,660 thousand.

Note 2: A total of 56,600 thousand shares of Taipei Business Bank with a total book value of \$585,810 thousand have been pledged as collateral.

December 31, 2017

Promissory Institutions	Nominal Amount	Discount Amount	Carry Value	Rate	Collateral	The Carry Value of Collateral
<u>Commercial paper</u>						
International Bills Finance Corporation	\$ 800,000	\$ 3,201	\$ 796,799	2.570%	Land and building	Note 1
Mega Bills Finance	450,000	290	449,710	2.100%	Land and building	\$377,149
International Bills Finance Corporation	320,000	557	319,443	2.151%	Note 2	Note 2
International Bills Finance Corporation	35,900	128	35,772	3.488%	-	-
International Bills Finance Corporation	13,000	45	12,955	3.338%	-	-
Taiwan Finance Corporation	12,100	43	12,057	3.488%	-	-
Taiwan Finance Corporation	<u>4,400</u>	<u>15</u>	<u>4,385</u>	3.338%	-	-
	<u>\$ 1,635,400</u>	<u>\$ 4,279</u>	<u>\$ 1,631,121</u>			

Note 1: The syndicated loan, which is from International Bills Finance Corporation under Taiwan Cooperative Bank, was established with equal amounts of a lending quota; the loan is collateralized by land and buildings with a total book value of \$2,872,397 thousand.

Note 2: A total of 56,600 thousand shares of Taipei Business Bank with a total book value of \$474,874 thousand have been pledged as collateral.

The short-term loans were pledged by freehold land, buildings, certificate of deposits, commercial papers and financial assets available for sale. (Refer to Note 36 for related information.)

c. Long-term borrowings

	December 31	
	2018	2017
<u>Secured borrowings</u>		
Bank loans	\$ 2,569,000	\$ 2,540,100
<u>Unsecured borrowings</u>		
Bank loans	<u>1,469,888</u>	<u>599,432</u>
	4,038,888	3,139,532
Less: Current portion	<u>427,450</u>	<u>927,913</u>
Long-term borrowings	<u>\$ 3,611,438</u>	<u>\$ 2,211,619</u>

As of December 31, 2018 and 2017, the weighted average effective interest rate of the bank borrowings secured by the Company's freehold land, building, certificate of deposit, and bank account (see Note 36) was 2.120%-2.947% per annum and 2.250%-3.737% per annum, respectively.

21. BONDS PAYABLE

	For the Year Ended December 31	
	2018	2017
Secured domestic convertible bonds	\$ -	\$ -
Unsecured domestic convertible bonds	<u>32,755</u>	<u>31,890</u>
	32,755	31,890
Less: Due within 1 year	<u>32,755</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 31,890</u>

a. Secured domestic convertible bonds

On February 24, 2014, the Company issued 3 thousand units of unsecured, 0%, New Taiwan dollar-denominated convertible bonds in Taiwan, with an aggregate principal of \$300,000 thousand.

Each bond entitles the holder to convert the bond into the Company's common share at a conversion price of NT\$8.7 per share. As of December 31, 2016, the conversion price was adjusted to NT\$8.0 per share. Conversion may occur at any time between March 25, 2014 and February 14, 2017. If the bonds have not been converted by the end of the maturity period, they will be redeemed at book value with compensation in terms of bond yield; compensated yield will be calculated at the maturity date at 1.5075% of the book value.

The first secured domestic convertible bonds matured on February 14, 2017. The Company settled the bonds at face value in the amount of \$300,000 thousand in cash with an interest compensation of \$4,522 thousand in March 2017.

b. Unsecured domestic convertible bonds

On February 25, 2014, the Company issued 5 thousand unsecured, 0%, New Taiwan dollar-denominated convertible bonds in Taiwan, with an aggregate principal of \$500,000 thousand.

Each bond entitles the holder to convert the bond into the Company's common share at a conversion price of NT\$8.7. As of December 31, 2017, the conversion price was adjusted to NT\$7.8 per share. The conversion may occur at any time between March 26, 2014 and February 15, 2019. If the bonds are not converted by the end of the maturity period, they will be redeemed at book value.

The bondholders will have the right, at such holder's option, to redeem the bonds held by such holder on the date three years from the issuance date. The bondholders who want to require the Company to recall the convertible bonds at the rate of 104.568% of par value may inform the agent for stock affairs in writing 30 days before the date the holders will have the option to redeem the bonds.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The liability components were derivatives with a fair value of \$424 thousand and non-derivatives after amortization amounting to \$32,755 thousand. The bond yield rate was 2.714% as of December 31, 2018.

Proceeds from issue	\$ 500,000
Equity component	<u>(52,600)</u>
Liability component at the date of issue	447,400
Interest charged at an effective interest rate	57,996
Convertible bonds converted into common shares	(46,203)
Redeemed convertible bonds	(417,100)
Loss in valuation on financial instruments	<u>(8,914)</u>
Liability component at December 31, 2018	<u>\$ 33,179</u>

In March 2017, parts of the shareholders performed their put options to redeem the bonds at face value totaling \$417,000 thousand with an interest compensation of \$19,052 thousand. As a result, a \$16,363 thousand loss on bonds payable was recognized under other gains and losses.

The requirements of the second issuance of unsecured convertible bonds stipulate a book value of \$50,000 thousand; the bonds have been converted into 5,882 thousand shares of the Company's common shares as of December 31, 2018.

22. TRADE PAYABLES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Trade payables</u>		
Trade payables	<u>\$ 2,097,926</u>	<u>\$ 2,092,003</u>

Accounts payable classified as construction retainage received was \$956,529 thousand as of December 31, 2018 and \$1,051,114 thousand as of December 31, 2017. Construction retainage received, which is interest free, will be paid for each construction contract at the end of the construction retainage period. The warranty period is the Company's normal operating cycle, which normally exceeds one year. Related information on construction contracts is shown in Table 1 following the Notes to Financial Statements.

23. ACCOUNTS PAYABLE FOR THE DEVELOPMENT OF INDUSTRIAL DISTRICTS

	December 31	
	2018	2017
Litzer Industrial District	\$ 1,055,923	\$ 1,030,095
Yunlin Technology-based Industrial Park	826,534	823,698
Other Industrial Districts	<u>15,963</u>	<u>15,963</u>
	<u>\$ 1,898,420</u>	<u>\$ 1,869,756</u>

Accounts payable (receivable) for the development of industrial districts amounted to \$56,601 thousand in 2018 and \$(22,125) thousand in 2017. The cost inputs were \$27,937 thousand in 2018 and \$125,839 thousand in 2017.

24. PROVISION

	December 31	
	2018	2017
<u>Current</u>		
Warranties	\$ 363,730	\$ 373,335
Onerous contract	<u>57,356</u>	<u>-</u>
	<u>\$ 421,086</u>	<u>\$ 373,335</u>
<u>Non-current</u>		
Long-term provision for the judgment of legal procedures	<u>\$ 562,882</u>	<u>\$ 565,138</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's obligations for warranties under local sale of goods legislation. The estimate had been made on the basis of historical warranty trends and may vary as a result of other events affecting product quality.

The provision for onerous contracts represents the present value of the future payments that the Company was presently obligated to make under non-cancellable onerous operating contracts less revenue expected to be earned, where applicable.

The long-term provision for the judgment of legal procedures was based on the litigation of the recognition on construction overdue between the management of the Company and the owner. To make provisions for contingent losses due to lawsuits which are likely to occur in the future.

25. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributed at specific rate of salaries (the following rates are presented for 2018 and 2017; the Company's rate were 5.4%) and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	\$ 313,819	\$ 305,544
Fair value of plan assets	<u>(202,938)</u>	<u>(206,292)</u>
Net defined benefit liability	<u>\$ 110,881</u>	<u>\$ 99,252</u>

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2017	<u>\$ 312,060</u>	<u>\$ (218,373)</u>	<u>\$ 93,687</u>
Service cost			
Current service cost	6,124	-	6,124
Prior service cost	(101)	-	(101)
Net interest expense	<u>3,739</u>	<u>(2,613)</u>	<u>1,126</u>
Recognized in profit or loss	<u>9,762</u>	<u>(2,613)</u>	<u>7,149</u>
Remeasurement			
Predicted Returns on plan assets	-	488	488
Actuarial (gain) loss - changes in financial assumptions	6,620	-	6,620
Actuarial (gain) loss - experience adjustments	<u>(1,357)</u>	<u>-</u>	<u>(1,357)</u>
Recognized in other comprehensive income	<u>5,263</u>	<u>488</u>	<u>5,751</u>
Contributions from the employer	-	(7,335)	(7,335)
Benefits paid	<u>(21,541)</u>	<u>21,541</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ 305,544</u>	<u>\$ (206,292)</u>	<u>\$ 99,252</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2018	<u>\$ 305,544</u>	<u>\$ (206,292)</u>	<u>\$ 99,252</u>
Service cost			
Current service cost	7,083	-	7,083
Net interest expense	<u>2,965</u>	<u>(2,014)</u>	<u>951</u>
Predicted Returns on plan assets	<u>10,048</u>	<u>(2,014)</u>	<u>8,034</u>
Remeasurement			
Predicted returns on plan assets	-	(6,509)	(6,509)
Actuarial (gain) loss - changes in financial assumptions	6,952	-	6,952
Actuarial (gain) loss - experience adjustments	<u>10,252</u>	<u>-</u>	<u>10,252</u>
Recognized in other comprehensive income	<u>17,204</u>	<u>(6,509)</u>	<u>10,695</u>
Contributions from the employer	-	(7,088)	(7,088)
Benefits paid	<u>(18,977)</u>	<u>18,965</u>	<u>(12)</u>
Balance at December 31, 2018	<u>\$ 313,819</u>	<u>\$ (202,938)</u>	<u>\$ 110,881</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<u>For the Year Ended December 31</u>	
	2018	2017
Operating costs	\$ 7,111	\$ 6,141
Selling and marketing expenses	-	153
General and administrative expenses	796	753
Research and development expenses	<u>127</u>	<u>102</u>
	<u>\$ 8,034</u>	<u>\$ 7,149</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	2017
Discount rate(s)	0.75%	1.00%
Future expected rate(s) of salary increase	1.50%	1.50%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would decrease or increase as follows:

	December 31	
	2018	2017
Discount rate(s)		
0.25% increase	<u>\$ (6,899)</u>	<u>\$ (6,817)</u>
0.25% decrease	<u>\$ 7,133</u>	<u>\$ 7,056</u>
Future expected rate(s) of salary increase		
0.25% increase	<u>\$ 7,062</u>	<u>\$ 7,003</u>
0.25% decrease	<u>\$ (6,865)</u>	<u>\$ (6,800)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2018	2017
The expected contributions to the plan for the next year	<u>\$ 6,743</u>	<u>\$ 8,397</u>
The average duration of the defined benefit obligation	8 years	9 years

26. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The Company classified the assets and liabilities of its construction operations and industrial district development projects as current and non-current in accordance with the length of the operating cycle of these constructions and projects. The maturity analysis of the related assets and liabilities was as follows:

	December 31, 2018		
	Due Within One Year	Due After One Year	Total
<u>Assets</u>			
Financial assets at amortized cost - current	\$ 1,606,101	\$ 407,887	\$ 2,013,988
Construction receivables	1,663,054	-	1,663,054
Contract assets	103,348	2,583,439	2,686,787
Accounts receivable on the development of industrial districts	-	9,063,058	9,063,058
Buildings and land held for sale, net	99,324	1,654,696	1,754,020
Construction in progress	6,293,338	594,252	6,887,590
Refundable deposits on construction contracts	<u>32,800</u>	<u>2,097,793</u>	<u>2,130,593</u>
	<u>\$ 9,797,965</u>	<u>\$ 16,401,125</u>	<u>\$ 26,199,090</u>
<u>Liabilities</u>			
Notes payable	\$ 165,296	\$ -	\$ 165,296
Trade payables	2,091,677	6,249	2,097,926
Contract liabilities	788,148	1,692,218	2,480,366
Accounts due to customers for construction contracts	54,359	-	54,359
Accounts payable for the development of industrial districts	-	1,898,420	1,898,420
Provisions - current	34,413	386,673	421,086
Guarantee deposits on construction contracts - current	<u>21,053</u>	<u>329,827</u>	<u>350,880</u>
	<u>\$ 3,154,946</u>	<u>\$ 4,313,387</u>	<u>\$ 7,468,333</u>

	December 31, 2017		
	Due Within One Year	Due After One Year	Total
<u>Assets</u>			
Debt investments with no active markets - current	\$ 843,112	\$ 166,128	\$ 1,009,240
Construction receivables	1,443,479	1,130,453	2,573,932
Amounts due from customers for construction contracts	-	956,528	956,528
Accounts receivable on the development of industrial districts	-	9,748,042	9,748,042
Buildings and land held for sale, net	-	1,654,696	1,654,696
Construction in progress	5,139,779	538,920	5,678,699
Other financial assets - current	78,624	18,653	97,277
Refundable deposits on construction contracts	<u>1,897,299</u>	<u>65,067</u>	<u>1,962,366</u>
	<u>\$ 9,402,293</u>	<u>\$ 14,278,487</u>	<u>\$ 23,680,780</u>

Liabilities

Notes payable	\$ 229,687	\$ -	\$ 229,687
Trade payables	1,726,246	365,757	2,092,003
Accounts due to customers for construction contracts	844,469	1,550,601	2,395,070
Accounts payable for the development of industrial districts	-	1,869,756	1,869,756
Provisions - current	82,846	290,489	373,335
Advanced receipts	-	18,653	18,653
Guarantee deposits on construction contracts - current	<u>140,753</u>	<u>285,773</u>	<u>426,526</u>
	<u>\$ 3,024,001</u>	<u>\$ 4,381,029</u>	<u>\$ 7,405,030</u>

27. EQUITY

a. Share capital

Common shares

	December 31	
	2018	2017
Number of shares authorized (in thousands)	<u>3,000,000</u>	<u>3,000,000</u>
Shares authorized	<u>\$ 30,000,000</u>	<u>\$ 30,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,530,899</u>	<u>1,530,899</u>
Shares issued	<u>\$ 15,308,998</u>	<u>\$ 15,308,998</u>

b. Capital surplus

	December 31	
	2018	2017
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Shares issued in excess of par	\$ 11,501	\$ 11,501
Treasury share transactions	1,757	1,757
<u>May be used to offset a deficit only (2)</u>		
Other	52,969	52,969
<u>May not be used for any purpose (3)</u>		
Share warrants	<u>3,461</u>	<u>3,461</u>
	<u>\$ 69,688</u>	<u>\$ 69,688</u>

- 1) Capital surplus may be used to offset a deficit. In addition, when the Company has no deficit, the capital surplus may be distributed as cash dividends, or transferred to share capital (within a certain percentage of the Company's capital surplus once a year).
- 2) Capital surplus may be used to offset a deficit only.
- 3) The capital surplus from long-term equity investments accounted for by the equity method may not be used for any purpose.

c. Retained earnings and dividend policy

According to the Company's Articles of Incorporation, the Company distributes share dividends and cash dividends after taking into account its future business needs, capital demand and long-term financial plan. Under the Company's Articles of Incorporation, the Company should make appropriations from its net income (less any deficit) in the following order:

- 1) Paying for taxes in accordance with the laws and regulations.
- 2) Offsetting losses of previous years.
- 3) 10% as legal reserve; unless legal reserve equals to the Company's paid-in capital.
- 4) Setting aside or reversing a special reserve equivalent to the net debit balance of the other components of stockholders equity.
- 5) Of the remainder, together with any unappropriated earnings of prior years, over 20% should be appropriated as dividends.
- 6) The appropriation of earnings to be allocated for distribution shall depend on the actual earnings and fund level. The board of directors shall propose a plan for the distribution of the remaining undistributed earnings and the shareholders shall resolve such plan in the shareholders' meeting for distribution of dividends and bonus to shareholders. Cash dividends shall not be lower than 10% of total dividends. If the amount of dividend is less than \$0.10 per share, it shall not be distributed as cash dividend but may be distributed as share dividends.

For policies on distribution of remuneration of employees, directors and supervisors before and after the amendment of the Articles, refer to Note 29 (g) employee benefits expense.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. 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.

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

The appropriations of earnings for 2017 and 2016 had been approved in the Company's shareholders' meetings on June 22, 2018 and June 21, 2017, respectively.

The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Legal reserve	\$ 26,409	\$ 26,718		
Cash dividends	286,278	296,995	\$0.187	\$0.194

The appropriations of earnings for 2018 had been proposed by the Company's board of directors on March 27, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (\$)
Legal reserve	\$ 36,333	
Cash dividends	301,587	\$0.197

The appropriations of earnings, the bonus for employees, and the remuneration of directors and supervisors for 2018 are subject to resolution in the shareholders' meeting to be held on June 21, 2019.

d. Special reserves

	For the Year Ended December 31	
	2018	2017
Beginning at January 1	\$ 2,814,390	\$ 2,827,300
Reversal:		
Depreciation of (investment properties/property, plant and equipment)	(12,910)	(12,910)
Balance at December 31	<u>\$ 2,801,480</u>	<u>\$ 2,814,390</u>

On first-time adoption of IFRSs, the Company appropriated for special reserve, the amounts that were the same as the unrealized revaluation increment and cumulative translation differences transferred to retained earnings, which was \$2,466,834 thousand.

If the special reserve appropriated on the first-time adoption of IFRSs relates to investment property other than land, the special reserve may be reversed continuously over the period of use. The special reserve relating to land may be reversed on disposal or reclassification.

e. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2018	2017
Balance at January 1	\$ (195,592)	\$ (130,615)
Share of exchange differences of associates accounted for using the equity method	<u>(34,781)</u>	<u>(64,977)</u>
Balance at December 31	<u>\$ (230,373)</u>	<u>\$ (195,592)</u>

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

	For the Year Ended December 31, 2017
Balance at January 1	\$ (595,445)
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	243,032
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	92,360
Unrealized gain (loss) reclassified to profit or loss on sale of available-for-sale financial assets	<u>(5,325)</u>
Balance at December 31	<u>\$ (265,378)</u>

3) Unrealized loss on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	\$ (265,378)
Adjustment on initial application of IFRS 9	<u>(21,486)</u>
Balance at January 1 per IFRS	(286,864)
Recognized for the year	
Unrealized gain - equity instruments	13,737
Share from associates accounted for using the equity method	<u>(46,454)</u>
Other comprehensive income in current year	<u>(32,717)</u>
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>(8,808)</u>
Balance at December 31	<u>\$ (328,389)</u>

28. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Construction contract revenue	\$ 8,724,453	\$ 6,610,047
Revenue from rendering of services	39,725	4,218
Revenue from sale of properties	-	346,916
Other operating revenue	<u>49,345</u>	<u>50,775</u>
	<u>\$ 8,813,523</u>	<u>\$ 7,011,956</u>

Contact Balances

	December 31, 2018
Construction receivables (Note 13)	<u>\$ 1,663,054</u>
Contract assets	
Retention receivable under a construction contract	\$ 1,677,783
Amounts due from customers for construction contracts	<u>1,009,004</u>
	<u>\$ 2,686,787</u>
Contract liabilities	
Amounts due to customers for construction contracts	\$ 2,334,395
Sale of properties	<u>145,971</u>
	<u>\$ 2,480,366</u>

29. NET PROFIT AND OTHER COMPREHENSIVE INCOME

Net profit (loss) had been arrived at after charging (crediting):

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income	\$ 156,466	\$ 192,214
Rental income	55,512	64,431
Dividends	<u>18,062</u>	<u>9,271</u>
	<u>\$ 230,040</u>	<u>\$ 265,916</u>

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Loan application fee	\$ (82,767)	\$ (83,237)
Net write-downs of buildings and land held for sale	(44,158)	-
Net loss on financial assets at FVTPL	(1,393)	-
Gain on reversal of compensation (loss on compensation)	96,620	(96,094)
Net gain (loss) arising on financial assets and liabilities designated as at FVTPL	-	15,885
Loss on repayments of bonds payable	-	(16,363)
Others	<u>(32,691)</u>	<u>58,021</u>
	<u>\$ (64,389)</u>	<u>\$ (121,788)</u>

c. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank overdrafts and loans	\$ 39,494	\$ 53,429
Interest on convertible bonds measured at amortized cost	<u>865</u>	<u>2,634</u>
	<u>\$ 40,359</u>	<u>\$ 56,063</u>

Refer to Note 14 for information about capitalized interest.

d. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
An analysis of amortization by function		
Operating costs	\$ 36,917	\$ 42,768
Operating expenses	<u>28,857</u>	<u>28,807</u>
	<u>\$ 65,774</u>	<u>\$ 71,575</u>

The depreciation of investment properties, which was recognized in other income - rental income, was \$4,610 thousand in 2018 and \$4,445 thousand in 2017.

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2018	2017
Direct operating expenses from investment properties that generated rental income	<u>\$ 7,512</u>	<u>\$ 8,090</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Short-term benefits	\$ 561,214	\$ 561,888
Post-employment benefits		
Defined contribution plans	22,435	20,624
Defined benefit plans	8,034	7,149
	<u>30,469</u>	<u>27,773</u>
Other employee benefits	<u>63,035</u>	<u>54,889</u>
Total employee expense	<u>\$ 654,718</u>	<u>\$ 644,550</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 527,933	\$ 514,161
Operating expenses	<u>126,785</u>	<u>130,389</u>
	<u>\$ 654,718</u>	<u>\$ 644,550</u>

	2018			2017		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Salaries expenses	\$ 447,718	\$ 92,127	\$ 539,845	\$ 445,145	\$ 103,009	\$ 548,154
Labor and health insurance	41,577	7,154	48,731	35,758	7,400	43,158
Pension expenses	25,776	4,585	30,361	22,632	5,141	27,773
Director's emoluments	-	21,477	21,477	-	13,734	13,734
Other employee benefits	<u>12,862</u>	<u>1,442</u>	<u>14,304</u>	<u>10,626</u>	<u>1,105</u>	<u>11,731</u>
Total employee benefits expense	<u>\$ 527,933</u>	<u>\$ 126,785</u>	<u>\$ 654,718</u>	<u>\$ 514,161</u>	<u>\$ 130,389</u>	<u>\$ 644,550</u>

The Company had 737 and 692 employees as of December 31, 2018 and 2017, respectively.

g. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at the 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. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2018 and 2017, which was approved by the Company's board of directors on March 27, 2019 and March 29, 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees' compensation	2%	2%
Remuneration of directors and supervisors	2%	2%

Amount

	For the Year Ended December 31			
	2018		2017	
	Cash	Shares	Cash	Shares
Employees' compensation	\$ 4,873	\$ -	\$ 6,708	\$ -
Remuneration of directors and supervisors	4,873	-	6,708	-

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the year ended December 31, 2017.

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.

30. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
Land value increment tax	\$ 672	\$ 4,455
In respect of prior periods	<u>16,155</u>	<u>-</u>
	<u>\$ 16,827</u>	<u>\$ 4,455</u>
Deferred tax		
In respect of the current period	\$ (59,031)	\$ 50,855
Adjustments to deferred tax attributable to changes in tax rates and law	(63,674)	-
In respect of prior periods	<u>(23,524)</u>	<u>2,589</u>
	<u>(146,229)</u>	<u>53,444</u>
Income tax expense recognized in profit or loss	<u>\$ (129,402)</u>	<u>\$ 57,899</u>

A reconciliation of accounting profit and current income tax expense is as follows:

	For the Year Ended December 31	
	2018	2017
Profit before tax	\$ 233,932	\$ 321,985
Income tax expense calculated at the statutory rate	\$ 46,786	\$ 54,737
Tax at 10% of unappropriated earnings	41,160	11,829
Tax-exempt income	(3,034)	(10,211)
Land value increment tax	(170,009)	-
Unrecognized impairment of assets	672	4,455
Unrecognized deductible temporary differences	26,066	(5,500)
Adjustments for prior years' tax	(63,674)	-
Adjustments to deferred tax attributable to changes in tax rates and law	<u>(7,369)</u>	<u>2,589</u>
Income tax expense recognized in profit or loss	<u>\$ (129,402)</u>	<u>\$ 57,899</u>

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in February 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 tax at 5% of unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
<u>Deferred tax</u>		
Adjustments to deferred tax attributable to changes in tax rates and laws	\$ 747	\$ -
Recognized in other comprehensive income	<u>2,139</u>	<u>978</u>
	<u>\$ 2,886</u>	<u>\$ 978</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2018

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Adjustments to Deferred Tax Attributable to Changes in Tax Rates and Laws	Closing Balance
Temporary differences					
Unrealized loss on construction	\$ 119,860	\$ (42,414)	\$ -	\$ 21,152	\$ 98,598
Provision for warranties	63,467	(1,921)	-	11,200	72,746
Defined benefit plans	19,371	189	2,139	3,418	\$ 25,117
Unrealized loss in valuation on financial assets	72	-	-	13	85
Loss carryforwards	<u>200,314</u>	<u>120,447</u>	<u>-</u>	<u>35,349</u>	<u>356,110</u>
	<u>\$ 403,084</u>	<u>\$ 76,301</u>	<u>\$ 2,139</u>	<u>\$ 71,132</u>	<u>\$ 552,656</u>
Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Adjustments to Deferred Tax Attributable to Changes in Tax Rates and Laws	Closing Balance
Temporary differences					
Provision for land value increment tax	\$ 991,342	\$ -	\$ -	\$ -	\$ 991,342
Foreign investments accounted for using the equity method	<u>38,032</u>	<u>(6,254)</u>	<u>-</u>	<u>6,711</u>	<u>38,489</u>
	<u>\$ 1,029,374</u>	<u>\$ (6,254)</u>	<u>\$ -</u>	<u>\$ 6,711</u>	<u>\$ 1,029,831</u>

For the year ended December 31, 2017

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Adjustments to Deferred Tax Attributable to Changes in Tax Rates and Laws	Closing Balance
Temporary differences					
Unrealized loss on construction	\$ 105,265	\$ 14,595	\$ -	\$ -	\$ 119,860
Provision for warranties	51,736	11,731	-	-	63,467
Defined benefit plans	18,422	(29)	978	-	19,371
Interest on convertible bond	726	(726)	-	-	-
Unrealized loss in valuation on financial assets	3,575	(3,503)	-	-	72
Loss carryforwards	<u>270,442</u>	<u>(70,128)</u>	<u>-</u>	<u>-</u>	<u>200,314</u>
	<u>\$ 450,166</u>	<u>\$ (48,060)</u>	<u>\$ 978</u>	<u>\$ -</u>	<u>\$ 403,084</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Adjustments to Deferred Tax Attributable to Changes in Tax Rates and Laws	Closing Balance
Temporary differences					
Provision for land value increment tax	\$ 991,342	\$ -	\$ -	\$ -	\$ 991,342
Foreign investments accounted for using the equity method	<u>32,648</u>	<u>5,384</u>	<u>-</u>	<u>-</u>	<u>38,032</u>
	<u>\$ 1,023,990</u>	<u>\$ 5,384</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,029,374</u>

- d. The aggregate amount of temporary difference associated with investments for which deferred tax assets have not been recognized

	December 31	
	2018	2017
Net gain (loss) arising on financial assets held for trading	\$ 38,979	\$ 842,350
Unrealized loss on lawsuits	184,842	2,256
Impairment of assets	<u>68,766</u>	<u>24,608</u>
	<u>\$ 292,587</u>	<u>\$ 869,214</u>

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2018 comprised:

Unused Amount	Expiry Year
\$ 591,643	2024 (Approved)
704,093	2025 (Approved)
<u>484,814</u>	2028 (Unapproved)
<u>\$ 1,780,550</u>	

f. Income tax assessments

The income tax returns through 2016, except 2017, have been assessed by the tax authorities.

31. EARNINGS PER SHARE

The earnings and weighted average number of common shares outstanding in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Period

	For the Year Ended December 31	
	2018	2017
Earnings used in the computation of diluted earnings per share from continuing operations	<u>\$ 363,334</u>	<u>\$ 264,086</u>

Weighted Average Number of Common Shares Outstanding

(In Thousand Shares)

	For the Year Ended December 31	
	2018	2017
Weighted average number of common shares outstanding in computation of basic earnings per share	1,530,899	1,530,899
Effect of dilutive potential common shares:		
Convertible bonds	-	-
Bonus to employees	<u>684</u>	<u>940</u>
Weighted average number of common shares outstanding in computation of dilutive earnings per share	<u>1,531,583</u>	<u>1,531,839</u>

Since the Company can settle the bonus to employees by cash or shares, the Company presumes that the entire amount of the bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

If the outstanding convertible bonds issued by the Company were potential common shares, they were anti-dilutive and excluded from the computation of diluted earnings per share. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting.

32. OPERATING LEASE ARRANGEMENTS

The Company as Lessee

Operating leases relate to leases of land and office with lease terms between 2 and 5 years. The Company does not have a bargain purchase option to acquire the leased land at the expiration of the lease periods.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31	
	2018	2017
Not later than 1 year	\$ 7,764	\$ 1,760
Later than 1 year and not later than 5 years	<u>13,665</u>	<u>14,569</u>
	<u>\$ 21,429</u>	<u>\$ 16,329</u>

The Company as Lessor

Operating leases relate to the investment property owned by the Company with lease terms between 1 to 20 years. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

The future minimum lease payments of non-cancellable operating lease were as follows:

	December 31	
	2018	2017
Not later than 1 year	\$ 63,935	\$ 65,216
Later than 1 year and not later than 5 years	<u>78,964</u>	<u>23,562</u>
	<u>\$ 142,899</u>	<u>\$ 88,778</u>

33. CAPITAL MANAGEMENT

In order to maintain the Company's competitiveness in the market and to continually generate profits and grow as well as to maximize the return to stakeholders, it makes decision based on industry features and current operations and future development plans, and after considering factors such as changes in the external environment, plan for future working capital requirements, research and development expenses, dividend payments and other needs.

Management regularly reviews the capital structure and considers various structures that may involve different considerations of cost and risk. According to scale in the industry, industry growth and future product roadmaps, the Company adopts conservative risk management strategy.

34. FINANCIAL INSTRUMENTS

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

Except as detailed in the following table, management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

December 31, 2018

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities measured at amortized cost					
Convertible bonds	\$ 32,755	\$ 34,436	\$ -	\$ -	\$ 34,436

December 31, 2017

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities measured at amortized cost					
Convertible bonds	\$ 31,890	\$ 36,506	\$ -	\$ -	\$ 36,506

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

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 28,560	\$ -	\$ -	\$ 28,560
Financial assets at FVTOCI				
Domestic listed shares	\$ 1,033,829	\$ -	\$ -	\$ 1,033,829
Domestic unlisted shares	-	107,943	-	107,943
	\$ 1,033,829	\$ 107,943	\$ -	\$ 1,141,772
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	\$ -	\$ 424	\$ -	\$ 424

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed securities				
Equity securities	\$ 1,105,504	\$ -	\$ -	\$ 1,105,504
Mutual funds	<u>19,878</u>	<u>-</u>	<u>-</u>	<u>19,878</u>
	<u>\$ 1,125,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,125,382</u>
FVTPL				
Held for trading of financial liabilities - non-current	<u>\$ -</u>	<u>\$ 424</u>	<u>\$ -</u>	<u>\$ 424</u>

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

- 2) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - buy-back option convertible bonds	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Unlisted shares	Transaction method of market approach. The approach is a valuation strategy that looks at market ratios of companies with similar profitability at the end of the reporting period, while taking the liquidity premium into consideration.
Others	Discounted cash flow. Future cash flows are discounted at a rate that reflects current borrowing interest rates of the bond issuers at the end of the reporting period.

c. Categories of financial instruments

	December 31	
	2018	2017
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 28,560	\$ -
Loans and receivables (Note 1)	-	18,838,845
Available-for-sale financial assets (Note 2)	-	1,189,072
Financial assets at amortized cost (Note 3)	7,975,671	
<u>Financial liabilities</u>		
FVTPL		
Held for trading of financial liabilities - current	424	-
Held for trading of financial liabilities - non-current	-	424
Amortized cost (Note 4)	12,597,427	10,848,501

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash, debt investments with no active market - current, construction receivables, other financial assets - current, refundable deposits on construction contracts, other receivables (included in other current assets) and refundable deposits.

Note 2: The balances included the carrying amount of available-for-sale financial assets measured at cost.

Note 3: The balances included financial assets measured at amortized cost, which comprise cash, financial assets at amortized cost, construction receivables, refundable deposits on construction contracts, other receivables (included in other current assets) and refundable deposits.

Note 4: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, trade payables, accounts payable for the development of industrial districts, guarantee deposits on construction contracts - current, long-term borrowings due within a year, long-term borrowings, bonds payable issued due within a year, bonds payable and guarantee deposits received.

d. Financial risk management objectives and policies

The Company's major financial instruments included equity and debt investments, notes receivable, trade receivables, construction receivables, accounts receivable on the development of industrial districts, trade payables and borrowings. The Company's Finance division provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Company through the analysis of exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

With regard to the carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period, refer to Note 35 for related information.

Sensitivity analysis

The Company was mainly exposed to the RMB and HKD.

The following table details the Company's sensitivity to a 5% increase in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate of 5% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period under the assumption of a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax equity when New Taiwan dollars strengthened by 5% against the relevant currency. For a 5% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax equity and the balances below would be negative.

	RMB Impact		HKD Impact	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2018	2017	2018	2017
Equity	\$ 36,603	\$ 36,055	\$ 25,194	\$ 29,640

b) Interest rate risk

The Company is exposed to interest rate risk because entities in the Company borrow funds at both fixed and floating interest rates. It managed the risk by maintaining an appropriate mix of fixed and floating rate borrowings.

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

	December 31	
	2018	2017
Fair value interest rate risk		
Financial assets	\$ 1,862,508	\$ 988,873
Financial liabilities	2,010,651	1,754,621
Cash flow interest rate risk		
Financial assets	1,965,765	2,605,034
Financial liabilities	6,962,687	5,381,776

The Company was exposed to fair value interest rate risk in relation to fixed-rate certificate of deposit, short-term bills payable and bond issued.

The Company was also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. The Company's cash flow interest rate risk was mainly concentrated in the fluctuation of benchmark interest rate arising from the Company's New Taiwan dollars denominated borrowings.

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A sensitivity rate of 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2018 and 2017 would decrease by \$49,572 thousand and \$27,767 thousand, respectively. The Company's sensitivity to interest rates increased during the current period mainly due to the increase in variable rate borrowings.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities and mutual funds.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to the price risks of the aforementioned investments at the end of the reporting period.

If the price of the aforementioned investments had been 5% higher, the Company's pre-tax other comprehensive income for the years ended December 31, 2018 and 2017 would have been higher by \$57,089 thousand and \$56,269 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from:

- a) The carrying amount of the respective recognized financial assets as stated in the condensed balance sheets.
- b) The amount of contingent liability generated from financial guarantee the Company provided.

The Company 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 Company only transacts with entities that are rated the equivalent of investment grade and above. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Company had available unutilized short-term bank loan facilities were shown below:

	December 31	
	2018	2017
The limit of unsecured bank overdrafts (examined annually)		
Utilized amount	\$ 1,596,038	\$ 1,045,079
Unutilized amount	<u>1,379,450</u>	<u>2,659,310</u>
	<u>\$ 2,975,488</u>	<u>\$ 3,704,389</u>
The limit of secured bank overdrafts		
Utilized amount	\$ 7,344,545	\$ 6,059,428
Unutilized amount	<u>301,150</u>	<u>2,280,772</u>
	<u>\$ 7,645,695</u>	<u>\$ 8,340,200</u>

Liquidity and interest rate risk table for non-derivative financial liabilities

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

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

December 31, 2018

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities		\$ 978,837	\$ 812,895	\$ 465,241	\$ 3,365	\$ 2,884
Variable interest rate liabilities	1.900-2.947	987,317	1,972,076	595,934	3,607,873	-
Fixed interest rate liabilities	1.960-2.900	<u>1,215,895</u>	<u>641,290</u>	<u>69,255</u>	<u>87,660</u>	<u>-</u>
		<u>\$ 3,182,049</u>	<u>\$ 3,426,261</u>	<u>\$ 1,130,430</u>	<u>\$ 3,698,898</u>	<u>\$ 2,884</u>

December 31, 2017

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities		\$ 742,119	\$ 880,114	\$ 333,699	\$ 360,115	\$ 5,643
Variable interest rate liabilities	2.25-3.737	301,690	1,129,966	1,817,848	2,275,955	-
Fixed interest rate liabilities	2.100-3.488	<u>778,500</u>	<u>884,900</u>	<u>73,800</u>	<u>57,100</u>	<u>-</u>
		<u>\$ 1,822,309</u>	<u>\$ 2,894,980</u>	<u>\$ 2,225,347</u>	<u>\$ 2,693,170</u>	<u>\$ 5,643</u>

35. TRANSACTIONS WITH RELATED PARTIES

Besides as disclosed elsewhere in Notes 16 and 37, details of transactions between the Company and related parties are disclosed below.

a. Related party name and the relationship

<u>Related Party</u>	<u>Relationship with the Company</u>
China Petrochemical Development Corporation (“CPDC”)	Legal directors of the Company and its subsidiaries
Core Pacific City Co., Ltd.	Associates
BES Twin Towers Development Co., Ltd.	Associates
Agora Garden Corporation	Related parties of the Company
Glory Construction Co., Ltd.	Related parties of the Company
Cheng Yao Enterprise Co., Ltd.	Related parties of the Company
Sheen Chuen-Chi Cultural & Education	Legal directors of the Company
Tsou Seen Chemical Industries Corporation	Subsidiaries of legal directors of the Company
BES Machinery Corporation	Subsidiaries of legal directors of the Company
Chung Kung Safeguarding & Security Corporation	Subsidiaries
BES Apartment Administration Ltd.	Subsidiaries
Core Asia Human Resources Management Co., Ltd.	Subsidiaries
Elite Human Resources Management Co., Ltd.	Subsidiaries
Core Pacific Consulting (Changshu) Co., Ltd.	Subsidiaries
Hua-Yang Shen	Company’s chairman
Tsun-Tai Yan	Substance of related parties
Tony C. J. Sheen	Substance of related parties
Hui-Ting Shen	Substance of related parties
Ting Wu	Related parties to the Company’s chairman

b. Trading transactions and other transactions with related parties

Line Items	Related Party Categories	December 31	
		2018	2017
Operating revenue	Legal directors of the Company	\$ 371,776	\$ -
	Subsidiaries of legal directors of the Company	69,867	182,945
	Subsidiaries	<u>1,248</u>	<u>1,248</u>
		<u>\$ 442,891</u>	<u>\$ 184,193</u>
Operating costs	Subsidiaries	\$ 147,777	\$ 328,617
	Related parties of the Company	<u>2,765</u>	<u>3,046</u>
		<u>\$ 150,542</u>	<u>\$ 331,663</u>
Operating expenses	Subsidiaries	\$ 8,494	\$ 8,264
	Related parties of the Company	3,052	2,772
	Legal directors of the Company	320	1,500
	Associates	<u>14</u>	<u>37</u>
		<u>\$ 11,880</u>	<u>\$ 12,573</u>

c. Receivables from related parties

Line Items	Related Party Categories	December 31	
		2018	2017
Trade receivables	Legal directors of the Company	<u>\$ 156,742</u>	<u>\$ -</u>
Other receivables (included other current assets)	Subsidiaries	\$ 2,769	\$ 1,639
	Related parties of the Company	505	505
	Associates	<u>9</u>	<u>9</u>
		<u>\$ 3,283</u>	<u>\$ 2,153</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized for trade receivables from related parties.

d. Payables to related parties

Line Items	Related Party Categories	December 31	
		2018	2017
Accounts payables	Subsidiaries	<u>\$ 36,584</u>	<u>\$ 37,443</u>
Accrued payables	Subsidiaries	\$ 1,563	\$ 567
	Related parties of the Company	<u>435</u>	<u>435</u>
		<u>\$ 1,998</u>	<u>\$ 1,002</u>

The outstanding trade payables from related parties are unsecured.

e. Prepayments

Related Party Categories	Price	
	For the Year Ended December 31 2018	2017
Subsidiaries	\$ 18,531	\$ 25,814

f. Construction liabilities

December 31, 2018

Related Party Names	Engineering Code	Total Amount of Construction	Contracts Liabilities
China Petrochemical Development Corporation	A6E	\$ 1,532,800	\$ 495,471
Tsou Seen Chemical Industries Corporation	98C-2	\$ 228,500	\$ 21,285

December 31, 2017

Related Party Names	Engineering Code	Total Amount of Construction	Amounts Due to Construction Contracts
China Petrochemical Development Corporation	A6E	\$ 1,377,800	\$ 275,560
Tsou Seen Chemical Industries Corporation	98C	\$ 228,500	\$ 72,332

The construction contracts and engineering payment conditions with related parties were made at terms comparable to those with similar unrelated parties.

g. Loans to related parties

Related Party Name	December 31	
	2018	2017
Agora Garden Corporation	\$ 217,041	\$ 207,041

Interest revenue

Related Party Name	For the Year Ended December 31	
	2018	2017
Agora Garden Corporation	\$ 10,000	\$ 7,041

The other receivables of Agora Garden Corporation amounting to \$200,000 thousand are the refundable deposits on construction contracts paid for by the Company based on its sale distribution ratio set out in the joint construction sub-sale case. As the construction contract stipulates the return part of the Company's funds, the other receivables were transferred. However, the Company exceeded the normal credit extension period on April 19, 2017, and these receivables were regarded as a fund loan with an accrued interest of 5.00%. The financing provided to others were approved by the Company's board of directors and authorized for issue on March 29, 2018.

h. Other transactions with related parties

Rental and interest revenue (included in other operating revenue) are as follows:

Related Party Categories	December 31	
	2018	2017
Related parties of the Company	\$ 5,775	\$ 12,817
Legal directors of the Company	4,814	4,814
Subsidiaries	6,161	4,008
Associates	<u>103</u>	<u>103</u>
	<u>\$ 16,853</u>	<u>\$ 21,742</u>

The transactions with related parties were made at prices and terms comparable to those for similar transactions with unrelated parties. That is, the prices and terms for sales and purchases as well as conditions for warranties, loans and other transactions with related parties were similar to those for transactions with unrelated parties. Other receivables from related parties were rent receivables.

Endorsements and guarantees are as follows:

Refundable deposits on construction contracts by related parties

Related Party Categories	December 31	
	2018	2017
Related parties of the Company	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>

Refundable deposits by related parties

Related Party Categories	December 31	
	2018	2017
Subsidiaries	\$ 36,160	\$ 12,160
Related parties of the Company	<u>637</u>	<u>637</u>
	<u>\$ 36,797</u>	<u>\$ 12,797</u>

Guarantee deposits received by related parties

Related Party Categories	December 31	
	2018	2017
Legal directors of the Company	\$ -	\$ 22,850
Subsidiaries	<u>61</u>	<u>1,227</u>
	<u>\$ 61</u>	<u>\$ 24,077</u>

Other payables given by related parties

Related Party Categories	December 31	
	2018	2017
Associates	<u>\$ 28,571</u>	<u>\$ 28,571</u>

i. Compensation of key management personnel

The remuneration of directors and other members of key management personnel was as follows:

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 27,912	\$ 30,772
Post-employment benefits	<u>221</u>	<u>304</u>
	<u>\$ 28,133</u>	<u>\$ 31,076</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

j. Guarantees

As of 2018, the Company's proportion of bank loans was jointly guaranteed by Hua-Yang Shen, Tony C.J. Sheen, Hui-Ting Shen and Ting Wu.

As of 2017, the Company's proportion of bank loans was jointly guaranteed by Tsun-Tai Yen, Tony C.J. Sheen, Hui-Ting Shen and Ting Wu.

k. Other significant transactions

On March 7, 2010, the Company's board of directors decided to cooperate with Agora Garden Corporation ("Agora Garden") in a joint venture (JV) construction of Agora Garden Hotel and signed an agreement on March 8, 2010. The sales distribution ratio of the Company and Agora Garden based on the agreement was 23% and 77%, respectively. Under the agreement, the Company should pay a JV deposit of \$1,800,000 thousand and \$1,800,000 thousand to Agora Garden. As of December 31, 2018 and 2017, this deposit has been recognized as deposits on construction contracts.

In August 2011, a JV case was approved by the first meeting of urban design review in the Taipei City Government. In September 2011, the Company signed a syndicated loan with Taishin International Bank, et al. The procedures for the donation of land to the Taipei City Government under the Urban Building Capacity Transfer were completed in December 2011. On April 12, 2012, the Company obtained a construction permit. The Company completed the demolition of buildings in September 2012, applied for the construction registration in December 2012, completed a diaphragm wall and foundation piles in April 2013, completed the first stage demolition of the basement and the reinforcement of the backfill area structure in November 2013, completed foundation piles in May 2014, completed the second stage demolition of the basement in October 2014, installed a seismic isolation system in December 2014, completed the basement structure construction in December 2015, completed the above ground-level steel work in January 2017 and completed the fire safety, basic elevator safety inspection and waterproof engineering in September 2017. In December 2017, the Company completed installing the plumbing in the basement and the solar panels on the roof. In March 2018, the Company completed installing the plumbing elevator in the basement, aluminum window in residential area and balcony, plumbing and residential area's window framework, selecting trees in the balcony, plumbing in the basement, installing fire pump, transplanting, modeling gate, and solar panels in September 2018. In addition, it obtained the use permit on July 16, 2018. As of December 31, 2018, planting adjustment is still processing.

36. ASSETS PLEDGED AS COLLATERALS OR FOR SECURITY

The following assets had been mortgaged as collateral for long- and short-term bank credit lines, performance guaranty, and a deposit for management and maintenance of public open space:

	December 31	
	2018	2017
Financial assets at fair value through other comprehensive income - current	\$ 585,810	\$ -
Financial assets at amortized cost - current	3,024,306	-
Available-for-sale financial assets - current	-	474,874
Debt investments with no active market - current	-	1,222,818
Buildings and land held for sale, net	1,625,211	1,625,211
Other financial assets - current:		
Demand deposits	-	820,292
Financial assets at fair value through other comprehensive income - non-current	424,587	-
Financial assets at amortized cost - non-current	-	-
Available-for-sale financial assets - non-current	-	595,196
Property, plant and equipment, net	2,399,128	1,482,610
Investment properties, net	<u>957,508</u>	<u>766,726</u>
	<u>\$ 9,016,550</u>	<u>\$ 6,987,727</u>

37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Company as of December 31, 2018 were as follows:

Significant Commitments

The Company signed a syndicated loan with EnTie Commercial Bank that endorsed a long-term financing of \$8,500,000 thousand to Agora Garden Corporation. As of December 31, 2018, Agora Garden Corporation has used an amount of \$6,900,000 thousand. In addition to regular rules, the loan contract also demands certain financial ratios.

38. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the company entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Non-monetary items			
Subsidiaries and associates accounted for using the equity method			
RMB	\$ 163,698	4.472 (RMB:NTD)	\$ 732,059
HKD	128,508	3.921 (HKD:NTD)	503,879

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Non-monetary items			
Subsidiaries and associates accounted for using the equity method			
RMB	\$ 157,964	4.565 (RMB:NTD)	\$ 721,107
HKD	155,714	3.807 (HKD:NTD)	592,803

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange losses were \$408 thousand and \$(3) 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 company entities.

39. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 2)
- 2) Endorsements/guarantees provided. (Table 3)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities). (Table 4)
- 4) Marketable securities acquired and disposed at costs or prices at least \$300 million or 20% of the paid-in capital. (Non-applicable)
- 5) Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital. (Non-applicable)
- 6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital. (Non-applicable)
- 7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 5)
- 8) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 6)
- 9) Trading in derivative instruments. (Non-applicable)
- 10) Information on investees. (Table 7)

b. Information on investments in mainland China

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 8)

TABLE 1

BES ENGINEERING CORPORATION

**AMOUNTS DUE FROM CUSTOMERS FOR CONSTRUCTION CONTRACTS AND AMOUNTS DUE TO CUSTOMERS FOR CONSTRUCTION CONTRACTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

Contract assets

December 31, 2018

Engineering Station Code	Estimated Year of Completion	Total Amount of Construction	Estimated Cost of Construction	Contract Assets	% of Completion	Accumulated Construction Profit (Loss)	Contract Liabilities	Net Amount of Contract Assets
A0B	2020	\$ 13,526,025	\$ 14,550,793	\$ 13,765,224	94.65	\$ (1,024,768)	\$ 12,802,982	\$ 962,242
A7B	2030	13,505,752	13,505,752	31,684	-	-	-	31,684
A7F	2022	3,348,571	3,248,114	9,022	-	-	-	9,022
98C-1	2019	3,567,880	3,509,104	3,524,976	98.60	57,951	3,519,749	5,227
A7E	2023	<u>816,000</u>	<u>791,520</u>	<u>829</u>	-	<u>-</u>	<u>-</u>	<u>829</u>
		<u>\$ 34,764,228</u>	<u>\$ 35,605,283</u>	<u>\$ 17,331,735</u>		<u>\$ (966,817)</u>	<u>\$ 16,322,731</u>	<u>\$ 1,009,004</u>

December 31, 2017

Engineering Station Code	Estimated Year of Completion	Total Amount of Construction	Estimated Cost of Construction	Amounts Due from Customers for Construction Contracts	% of Completion	Accumulated Construction Profit (Loss)	Amounts Due to Customers for Construction Contracts	Net Amount of Amounts Due from Customers for Construction Contracts
A0B	2020	\$ 13,790,378	\$ 14,815,146	\$ 12,564,197	84.37	\$ (1,024,768)	\$ 11,649,360	\$ 914,837
A6D	2020	2,840,952	2,725,907	25,343	-	-	-	25,343
A6B	2020	6,007,048	5,826,225	90,582	1.28, 1.34	2,360	78,434	12,148
A6G	2020	879,048	822,894	3,620	0.13	73	1,172	2,448
A6C	2019	3,201,905	3,041,810	1,252	-	-	-	1,252
A5F	2019	<u>331,905</u>	<u>311,984</u>	<u>76,510</u>	22.90	<u>4,562</u>	<u>76,010</u>	<u>500</u>
		<u>\$ 27,051,236</u>	<u>\$ 27,543,966</u>	<u>\$ 12,761,504</u>		<u>\$ (1,017,773)</u>	<u>\$ 11,804,976</u>	<u>\$ 956,528</u>

(Continued)

Contract liabilities

December 31, 2018

Engineering Station Code	Estimated Year of Completion	Total Amount of Construction	Estimated Cost of Construction	Contract Assets	% of Completion	Accumulated Construction Profit (Loss)	Contract Liabilities	Net Amount of Contract Assets
A6E	2020	\$ 1,532,800	\$ 1,489,918	\$ 101,686	77.63, 18.25	\$ 8,747	\$ 597,157	\$ 495,471
A5D	2020	3,924,816	3,934,028	2,039,694	54.03	(9,212)	2,492,731	453,037
83C	2019	9,000,639	8,809,912	8,567,793	100.00, 72.69	179,829	8,781,842	214,049
A5E	2019	1,969,276	1,888,034	1,729,022	98.73, 98.21	79,972	1,940,529	211,507
A7A	2023	1,940,952	1,840,281	27,795	1.64	1,651	231,827	204,032
A5C	2022	3,660,819	3,668,471	680,808	16.65	(7,652)	840,730	159,922
A6G	2019	879,048	826,310	526,425	77.80	41,030	683,896	157,471
A4C	2019	694,198	670,928	567,691	95.80	22,292	665,277	97,586
A6B	2020	6,053,828	5,975,361	866,458	18.52, 12.64	11,831	937,070	70,612
A6C	2021	3,201,905	3,009,713	239,924	9.18	17,649	294,038	54,114
A3A	2019	1,988,234	1,816,428	1,941,850	100.00	171,806	1,988,233	46,383
A6D	2020	2,845,248	2,730,086	241,477	9.85	11,340	284,056	42,579
A6F	2020	1,721,588	1,618,332	369,043	23.77	24,544	409,706	40,663
A5B	2019	488,571	449,392	379,940	85.35	33,439	416,997	37,057
98C-2	2019	252,812	245,314	231,524	100.00	7,497	252,809	21,285
A7D	2021	2,343,750	2,225,896	10,380	1.11	1,307	26,000	15,620
A7C	2021	1,566,571	1,456,941	6,727	1.08	1,184	16,919	10,192
A5A	2019	182,362	186,663	158,272	86.79	(4,301)	160,179	1,907
A5F	2019	297,988	280,108	250,151	84.25	15,064	251,059	908
93C	2019	<u>690,775</u>	<u>830,149</u>	<u>673,300</u>	97.47	<u>(139,374)</u>	<u>673,300</u>	<u>-</u>
		45,236,180	43,952,265	19,609,960		468,643	21,944,355	2,334,395
750		<u>-</u>	<u>-</u>	<u>17,874,630</u>		<u>-</u>	<u>17,874,630</u>	<u>-</u>
		<u>\$ 45,236,180</u>	<u>\$ 43,952,265</u>	<u>\$ 37,484,590</u>		<u>\$ 468,643</u>	<u>\$ 39,818,985</u>	<u>\$ 2,334,395</u>

Amounts due to customers for construction contracts

December 31, 2018

Engineering Station Code	Estimated Year of Completion	Total Amount of Construction	Estimated Cost of Construction	Amounts Due from Customers for Construction Contracts	% of Completion	Accumulated Construction Profit (Loss)	Amounts Due to Customers for Construction Contracts	Net Amount of Amounts Due to Customers for Construction Contracts
A2A	2019	\$ 1,945,869	\$ 1,620,732	\$ 1,909,726	100.00	\$ 325,137	\$ 1,945,869	\$ 36,143
97H	2019	2,862,002	2,608,171	2,845,841	100.00	253,831	2,862,002	16,161
A4B	2019	117,221	107,390	115,511	100.00	9,831	117,221	1,710
A0A	2019	934,228	1,235,832	933,883	100.00	(301,604)	934,228	345
97D	2019	1,471,316	1,461,259	-	100.00	10,057	-	-
90D	2019	3,903,152	3,988,792	-	100.00	(85,640)	-	-
96C	2019	2,449,369	2,402,231	-	100.00	47,138	-	-
96E	2019	692,206	666,585	-	100.00	25,621	-	-
A3B	2019	1,981,570	1,781,117	-	100.00	200,453	-	-
A4A	2019	125,153	108,902	-	100.00	16,251	-	-
92B	2019	<u>9,888,380</u>	<u>10,430,634</u>	<u>-</u>	100.00	<u>(542,254)</u>	<u>-</u>	<u>-</u>
		<u>\$ 26,370,466</u>	<u>\$ 26,411,645</u>	<u>\$ 5,804,961</u>		<u>\$ (41,179)</u>	<u>\$ 5,859,320</u>	<u>\$ 54,359</u>

(Continued)

Amounts due to customers for construction contracts

December 31, 2017

Engineering Station Code	Estimated Year of Completion	Total Amount of Construction	Estimated Cost of Construction	Amounts Due from Customers for Construction Contracts	% of Completion	Accumulated Construction Profit (Loss)	Amounts Due to Customers for Construction Contracts	Net Amount of Amounts Due to Customers for Construction Contracts
A5D	2019	\$ 3,893,708	\$ 3,815,902	\$ 746,339	19.78	\$ 15,390	\$ 1,550,700	\$ 804,361
A6E	2020	1,377,800	1,336,466	-	-	-	275,560	275,560
83C	2019	10,415,007	10,142,441	8,109,828	41.56, 96.54, 100.00	245,295	8,368,042	258,214
A2A	2018	1,933,135	1,783,733	1,687,607	100.00	149,402	1,933,134	245,527
A3A	2018	1,991,641	1,945,072	1,601,900	91.29	42,513	1,815,953	214,053
A5C	2022	3,649,477	3,591,305	215,578	5.22	3,036	420,509	204,931
A5E	2018	1,833,307	1,756,018	867,971	44.60, 65.73	41,382	1,048,292	180,321
98C	2018	3,795,025	3,700,751	3,636,785	80.06, 98.37	91,503	3,709,117	72,332
97H	2018	2,862,002	2,608,171	2,815,920	100.00	253,831	2,862,002	46,082
A5B	2018	488,571	449,390	161,263	37.23	14,587	181,896	20,633
96C	2018	2,449,369	2,404,038	2,430,991	100.00	45,331	2,449,369	18,378
A4C	2018	688,470	665,186	271,385	41.96	9,770	288,974	17,589
92B	2018	9,879,598	10,470,155	9,869,598	100.00	(590,557)	9,879,598	10,000
A4A	2018	125,153	118,502	115,553	100.00	6,651	125,153	9,600
A6F	2020	1,720,952	1,618,156	8,465	0.93	956	16,000	7,535
97D	2018	1,471,316	1,463,538	1,467,021	100.00	7,778	1,471,318	4,297
A5A	2018	182,362	173,943	154,964	84.98	7,154	157,557	2,593
A4B	2018	117,221	107,390	115,511	100.00	9,831	117,221	1,710
A0A	2018	923,657	1,235,812	922,302	100.00	(312,155)	923,656	1,354
90D	2017	3,903,152	4,005,870	3,903,152	100.00	(102,718)	3,903,152	-
A3B	2017	1,981,570	1,781,117	1,981,568	100.00	200,453	1,981,568	-
96E	2017	692,206	666,585	692,207	100.00	25,621	692,207	-
93C	2018	690,775	829,528	673,300	97.47	(138,753)	673,300	-
83F	2017	678,462	556,388	-	100.00	122,074	-	-
93A	2017	4,283,447	3,842,495	-	100.00	440,952	-	-
98D	2017	3,712,048	3,492,741	-	100.00	219,307	-	-
98F	2017	2,307,398	2,306,937	-	100.00	461	-	-
		68,046,829	66,867,630	42,449,208		809,095	44,844,278	2,395,070
750		-	-	17,447,238		-	17,447,238	-
		<u>\$ 68,046,829</u>	<u>\$ 66,867,630</u>	<u>\$ 59,896,446</u>		<u>\$ 809,095</u>	<u>\$ 62,291,516</u>	<u>\$ 2,395,070</u>

Note 1: For the amount of amounts due from customers for construction contracts, refer to Note 11.

Note 2: For the amount of amounts due to customers for construction contracts, refer to Note 23.

Note 3: The Corporation recognized construction revenue of \$8,724,453 thousand in 2018 and of \$6,610,047 thousand in 2017.

(Concluded)

TABLE 2

BES ENGINEERING CORPORATION

FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Financing Limit for Each Borrowing Company (Note)	Ending Balance (Note)	Actual Used	Interest Rate	Financing Properties	Financing Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Limit for Each Counter-party	Financing Company's Financing Amount Limits (Note)
													Item	Value		
0	BES Engineering Corporation	Agora Garden Corporation ("Agora")	Other accounts receivable - related party	Y	\$ 400,000	\$ 200,000	\$ 200,000	5.00	-	\$ -	Business revolving fund	\$ -	-	\$ -	\$794,175 for each counter-party is equal to 4% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$7,941,750 for each counter-party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.
1	Chung Kung Safeguarding & Security Corporation	BES Department Maintenance and Management	Accounts receivable - related party	Y	15,000	15,000	-	-	-	-	Business revolving fund	-	-	-	\$32,663 for each counter-party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$32,663 for each counter-party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.
		Business Management Consulting and Running Parking Lots	Accounts receivable - related party	Y	15,000	15,000	-	-	-	-	Business revolving fund	-	-	-	\$32,663 for each counter-party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$32,663 for each counter-party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.
2	Hua Cheng Consulting (Changshu) Co., Ltd.	Core Pacific Living City Yangzhou CBD	Other accounts receivable - related party	N	45,860	-	-	10.00	-	-	Business revolving fund	-	-	-	\$89,827 for each counter-party is equal to 20% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$179,653 for each counter-party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.
3	Core Pacific Consulting (Changshu) Co., Ltd.	Core Pacific Living City Yangzhou CBD	Other accounts receivable - related party	N	45,860	-	-	10.00	-	-	Business revolving fund	-	-	-	\$89,063 for each counter-party is equal to 20% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$178,126 for each counter-party is equal to 40% of BES Machinery's net equity as shown in BES Machinery's latest financial statements.

Note: Financing limits approved by the board of directors.

TABLE 3

BES ENGINEERING CORPORATION

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	BES Engineering Corporation	Agora Garden Corporation (“Agora”)	Contractual	\$ 49,635,845 (Note 1)	\$ 15,400,000	\$ 15,400,000	\$ 6,900,000	\$ -	77.56	\$ 59,563,014 (Note 2)	-	-	-	
1	Cinemark-Core Pacific Ltd.	Cinemark-Core (Xi-an) Pacific Ltd.	Related parties	132,353 (Note 4)	59,813	59,813	25,028	-	12.91	132,353	-	-	Y	Note 3
		Cinemark-Core (Suzhou) Pacific Ltd.	Related parties	45,300 (Note 4)	45,300	45,300	35,790	45,300	9.77	45,300	-	-	Y	Note 3
2	Hua Cheng Consulting (Changshu) Co., Ltd.	BES Engineering Corporation		449,133 (Note 5)	298,686	298,686	298,686	298,686	66.50	898,266 (Note 8)	-	Y	-	
3	Core Pacific Consulting (Changshu) Co., Ltd.	BES Engineering Corporation		445,316 (Note 6)	298,686	298,686	298,686	298,686	67.07	890,632 (Note 9)	-	Y	-	
4	Chung Kung Safeguarding & Security Corporation	BES Department Maintenance and Management		204,145 (Note 7)	15,000	15,000	-	-	18.37	244,974 (Note 10)	Y	-	-	
		Business Management Consulting and Running Parking Lots		204,145 (Note 7)	15,000	15,000	1,000	-	18.37	244,974 (Note 10)	Y	-	-	

Note 1: The limit on the endorsement for each counterparty is equal to 250% of BES Engineering Corporation’s net equity as shown in its latest financial statements.

Note 2: The limit on the total endorsements provided is equal to 300% of BES Engineering Corporation’s net equity as shown in its latest financial statements.

Note 3: The use of “Y” represents endorsements provided on behalf of entities located in mainland China.

Note 4: The limit on the endorsement depends on the financing contract with Cinemark-Core Pacific Ltd.

Note 5: The limit on the endorsement for each counterparty is equal to 100% of Hua Cheng Consulting (Changshu) Co., Ltd.’s net equity as shown in its latest financial statements.

Note 6: The limit on the endorsement for each counterparty is equal to 100% of Core Pacific Consulting (Changshu) Co., Ltd.’s net equity as shown in its latest financial statements.

Note 7: The limit on the endorsement for each counterparty is equal to 250% of Chung Kung Safeguarding & Securities Corporation’s net equity as shown in its latest financial statements.

Note 8: The limit on the endorsement for each counterparty is equal to 200% of Hua Cheng Consulting (Changshu) Co., Ltd.’s net equity as shown in its latest financial statements.

Note 9: The limit on the endorsement for each counterparty is equal to 200% of Core Pacific Consulting (Changshu) Co., Ltd.’s net equity as shown in its latest financial statements.

Note 10: The limit on the endorsement for each counterparty is equal to 300% of Chung Kung Safeguarding & Securities Corporation’s net equity as shown in its latest financial statements.

TABLE 4**BES ENGINEERING CORPORATION****MARKETABLE SECURITIES HELD****DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

No.	Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
					Shares	Carrying Amount	Percentage of Ownership	Fair Value	
0	BES Engineering Corporation	Taishin Asia - America Short Duration Bd Fund	-	Financial assets at FVTPL - current	904,486	\$ 9,934	-	\$ 9,934	Note 1
		Eastspring Investments India Balanced Fund	-	Financial assets at FVTPL - current	500,000	4,785	-	4,785	Note 1
		Paradigm Global High Yield Bond Fund	-	Financial assets at FVTPL - current	357,300	4,621	-	4,621	Note 1
		ABITL China A Shares Equity Fund	-	Financial assets at FVTPL - current	1,000,000	9,220	-	9,220	Note 1
		Taiwan Business Bank	-	Financial assets at FVTOCI - current	58,864,000	609,242	0.92	609,242	Note 1
		China Petrochemical Development Corporation	Corporate director and supervisor	Financial assets at FVTOCI - non-current	38,775,000	424,587	1.44	424,587	Note 1
		Century Development Corporation	-	Financial assets at FVTOCI - non-current	10,185,338	88,001	3.03	88,001	
		Overseas Investment & Development Corporation	-	Financial assets at FVTOCI - non-current	2,600,000	19,942	2.89	19,942	
		Litek Opto-electronics Co., Ltd.	-	Financial assets at FVTOCI - non-current	31,252	-	0.42	-	
		Zowie Technology Corporation	-	Financial assets at FVTOCI - non-current	6,611	-	0.13	-	
		Aetas Technology Inc.	-	Financial assets at FVTOCI - non-current	215,971	-	0.45	-	Note 2
		Fortemedia	-	Financial assets at FVTOCI - non-current	4,137	-	-	-	
		Fortemedia	-	Financial assets at FVTOCI - non-current	62,282	-	-	-	Note 2
1	Core Pacific World Corporation	China Petrochemical Development Corporation	Corporate director and supervisor	Financial assets at FVTOCI - current	800,500	8,765	-	8,765	Note 1
		Taiwan Business Bank	-	Financial assets at FVTOCI - current	2,712,363	28,073	-	28,073	Note 1
		Core Pacific City Corporation	-	Financial assets at FVTOCI - non-current	30,000,000	-	-	-	Note 2
2	BES Machinery Corporation	Pegatron Corporation	-	Financial assets at FVTPL - current	2,551,000	131,122	-	131,122	Note 1
		China Petrochemical Development Corporation	Corporate director and supervisor	Financial assets at FVTOCI - non-current	12,486,043	136,722	-	136,722	Note 1
3	Coreasia Human Resource Management Corporation	Taiwan Tea Corporation	-	Financial assets at FVTOCI - current	30,000	464	-	464	Note 1
4	Chung Kung Safeguarding & Securities Corporation	Huaku Development Co., Ltd.	-	Financial assets at FVTOCI - current	20,000	1,362	-	1,362	Note 1
		China Petrochemical Development Corporation	Corporate director and supervisor	Financial assets at FVTOCI - current	50,000	547	-	547	Note 1
		Taiwan Tea Corporation	-	Financial assets at FVTOCI - current	37,000	572	-	572	Note 1
		Yung Construction and Development Co., Ltd.	-	Financial assets at FVTOCI - current	24,000	751	-	751	Note 1

(Continued)

No.	Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
					Shares	Carrying Amount	Percentage of Ownership	Fair Value	
		AV Tech Corporation	-	Financial assets at FVTOCI - current	800	\$ 18	-	\$ 18	Note 1
		Huang Hsiang Contraction Corporation	-	Financial assets at FVTOCI - current	2,000	51	-	51	Note 1
5	Cinemark-Core Pacific Ltd.	The investment case of movie - The M Riders	-	Financial assets at FVTOCI - non-current	-	-	-	-	

Note 1: Market values of domestic quoted shares and mutual funds were based on the closing prices and net asset values, respectively, as of December 31, 2018.

Note 2: Preferred shares.

(Concluded)

TABLE 5

BES ENGINEERING CORPORATION

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction (Note)		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Term	Unit Price	Payment Terms	Ending Balance	% to Total	
BES Engineering Corporation	China Petrochemical Development Corporation	Legal directors of the Corporation	Sales	\$ (371,776)	4.22	-	\$ -	-	Accounts receivable \$ 156,742	9.42	-

TABLE 6

BES ENGINEERING CORPORATION

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
BES Engineering Corporation	Agora Garden Corporation (“Agora”)	Related parties of the Corporation	\$ 217,041 (Note)	-	\$ -	-	\$ -	\$ -
	China Petrochemical Development Corporation	Legal directors of the Corporation	156,742	-	-	-	-	-

Note: The balance is of refundable deposits on construction contracts which was paid for by the Corporation based on its sale distribution ratio set out in the joint construction sub-sale case. As the construction contract stipulates the return part of the Corporation’s funds, the other receivables were transferred. However, the Corporation exceeded the normal credit extension period on April 19, 2017, and these receivables were regarded as a fund loan with an accrued interest of 5.00%. The financing provided to others were approved by the Corporation’s board of directors and authorized for issue on May 10, 2017. The Corporation’s board of directors approved the extension on March 29, 2018.

TABLE 7

BES ENGINEERING CORPORATION

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Investment Gain (Loss) Recognized (Note 1)	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Value			
BES Engineering Corporation (the “Corporation”)	Core Pacific World Corporation	Taipei, Taiwan	Makes investments	\$ 1,530,040	\$ 1,530,040	115,936,200	99.95	\$ 938,767	\$ 32,507	\$ 32,490	Investee is a subsidiary
	BES Machinery Corporation	Kaohsiung, Taiwan	Leases engineering machinery and equipment, and wholesale construction materials and provides consulting service for designing and planning projects, except for certain architectural matters	863,451	842,988	76,992,639	98.87	815,211	(66,814)	(65,391)	Investee is a subsidiary
	Core Pacific City Co., Ltd.	Taipei, Taiwan	Department store	2,254,760	2,254,760	233,749,600	23.51	807,664	(748,271)	(175,918)	
	BES Investment Company Ltd.	Hong Kong	Overseas construction and equipment sale	684,754	684,754	21,000,000	100.00	503,879	(57,404)	(57,404)	Investee is a subsidiary
	BES Logistics International Co., Ltd.	Republic of Mauritius	Makes investments	348,278	348,278	13,995,389	100.00	715,156	27,473	27,473	Investee is a subsidiary
	Coreasia Human Resource Management Corporation	Taipei, Taiwan	Consultancy on business administration and investments	60,000	60,000	6,000,000	100.00	96,199	7,415	7,415	Investee is a subsidiary
	Chung Kung Safeguarding & Security Corporation	Taipei, Taiwan	Security and related services	38,127	38,127	3,880,000	64.67	52,809	9,155	5,920	Investee is a subsidiary
	Cinemark-Core Pacific Ltd.	Taipei, Taiwan	Movie broadcasting and related businesses	23,450	23,450	1,861,500	15.38	70,041	(42,903)	(6,599)	Investee is a subsidiary (Note 2)
	BES Construction Corporation (BES, U.S.A.)	Georgia, U.S.A.	Develops lands for investments	259,562	259,562	8,509	91.79	27,142	(14)	(13)	Investee is a subsidiary
	BES Global Investment Co.	B.V.I.	Overseas construction and equipment sale	51,313	51,313	1,510,100	100.00	16,903	(1,326)	(1,326)	Investee is a subsidiary
	BES Twin Towers Development Co., Ltd.	Taipei, Taiwan	Develops real estate for investments	200,000	200,000	20,000,000	9.09	237,780	(25,603)	(2,327)	
	BA & BES Contracting (L.L.C.)	P.O. Box 92237, Dubai-UAE	Engineering and construction	10,696	10,696	1,200,000	40.00	-	-	-	
Core Pacific World Corporation	Chinese City International Investment Co., Ltd.	Republic of Mauritius	Consulting	330,714	330,714	9,500,000	100.00	460,086	13,229	13,229	Investee is a subsidiary
	Zhong Hua Cheng Development Co., Ltd.	Republic of Mauritius	Consulting	330,714	330,714	9,500,000	100.00	456,188	12,941	12,941	Investee is a subsidiary
BES Machinery Corporation	BESM Holding Co., Ltd.	B.V.I.	Holds investments	162,163	162,163	5,075,000	100.00	242,256	6,826	6,826	Investee is a subsidiary
	Cinemark-Core Pacific Ltd.	Taipei, Taiwan	Movie broadcasting and related businesses	91,930	91,930	7,593,680	62.76	285,809	(42,904)	(26,926)	Investee is a subsidiary (Note 2)
BES Investment Company Ltd.	Wei-Jing Holdings Ltd.	B.V.I.	Holds investments	463,104	463,104	14,400,000	44.67	499,534	(128,137)	(57,240)	
	BES Construction Corporation (BES U.S.A.)	Georgia, U.S.A.	Develops lands for investments	25,724	25,724	761	8.21	2,438	(14)	(1)	Investee is a subsidiary
	Global BES Engineering (Myanmar) Co., Ltd.	Yangon, Myanmar	Engineering and construction	1,506	1,506	50,000	100.00	220	(22)	(22)	Investee is a subsidiary
Coreasia Human Resource Management Corporation	Elite Human Resource Management Co., Ltd.	Taipei, Taiwan	Human resource consulting	5,000	5,000	500,000	100.00	11,025	3,698	3,698	Investee is a subsidiary
Chung Kung Safeguarding & Security Corporation	BES Consultant Corporation	Taipei, Taiwan	Business management consulting and running parking lots	10,000	10,000	-	100.00	18,778	5,045	5,045	Investee is a subsidiary
	BES Department Maintenance and Management	Taipei, Taiwan	Manages department maintenance and renders related services	3,700	3,700	-	37.00	4,691	2,032	752	Investee is a subsidiary
Cinemark-Core Pacific Ltd.	Cinemark-Core (Hong Kong) Pacific Ltd.	Hong Kong	Hold investment	246,729	246,729	61,503,000	49.60	173,219	(34,441)	(17,082)	
	Cinema 7	Taipei, Taiwan	Movie broadcasting and retail sale of rood products and groceries	150,183	150,183	25,000	100.00	149,567	994	994	Investee is a subsidiary
BES Consultant Corporation	Core Pacific Department Maintenance and Management	Taipei, Taiwan	Manages department maintenance and renders related services	6,300	6,300	-	63.00	7,987	2,032	1,280	Investee is a subsidiary

Note 1: Except BA & BES Contracting (L.L.C.), the investees’ financial statements as of and for the year ended December 31, 2018 had all been audited, management believed that if these subsidiaries’ financial statements were audited by auditors, material adjustments may not arise.

Note 2: The Corporation and its subsidiary, BES Machinery Corporation, had a 78.14% interest in Core Pacific City Co., Ltd.; thus, this investment was accounted for by the equity method.

TABLE 8

BES ENGINEERING CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd.	Engages in the logistics, storage and trading business	\$ 1,100,438 (RMB 250,000 thousand)	b. (Note 3)	\$ 341,921 (RMB 10,703 thousand)	\$ -	\$ -	\$ 341,921 (RMB 10,703 thousand)	\$ 69,926 (RMB 15,335 thousand)	39.20	\$ 27,411 (RMB 6,011 thousand) b,2)	\$ 761,886 (RMB 170,368 thousand)	\$ 118,048 (US\$ 3,901 thousand)
Core Pacific Consulting (Changshu) Co., Ltd.	Provides engineering consulting services	305,982 (US\$ 9,000 thousand)	b. (Note 4)	305,982 (US\$ 9,000 thousand)	-	-	305,982 (US\$ 9,000 thousand)	12,713 (RMB 2,788 thousand)	100.00	12,713 (RMB 2,788 thousand) b,2)	445,316 (RMB 99,579 thousand)	-
Hua Cheng Consulting (Changshu) Co., Ltd.	Provides engineering consulting services	305,982 (US\$ 9,000 thousand)	b. (Note 5)	305,982 (US\$ 9,000 thousand)	-	-	305,982 (US\$ 9,000 thousand)	12,998 (RMB 2,850 thousand)	100.00	12,998 (RMB 2,850 thousand) b,2)	449,133 (RMB 100,432 thousand)	-
Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd.	Engages in the logistics, storage and trading business	1,100,438 (RMB 250,000 thousand)	b. (Note 6)	167,565 (RMB 40,900 thousand)	-	-	167,565 (RMB 40,900 thousand)	69,926 (RMB 15,335 thousand)	9.80	6,853 (RMB 1,503 thousand) b,2)	190,471 (RMB 42,592 thousand)	29,512 (US\$ 976 thousand)
Cinemark-Core (Shanghai) Pacific Management and Consulting	Theater management, purchasing, and consulting	27,602 (US\$ 900 thousand)	b. (Note 7)	27,577 (US\$ 900 thousand)	-	-	27,577 (US\$ 900 thousand)	(3,511) (RMB (770) thousand)	49.60	(1,741) (RMB (382) thousand) b,2)	(155) (RMB (35) thousand)	-
Yunnan Core Pacific City	Theater management, purchasing, and consulting	120,676 (US\$ 4,031 thousand)	b. (Note 7)	59,131 (US\$ 1,975 thousand)	-	-	59,131 (US\$ 1,975 thousand)	20,424 (RMB 4,479 thousand)	24.30	4,963 (RMB 1,088 thousand) b,2)	40,130 (RMB 8,974 thousand)	-
HRDD Logistics Co., Ltd.	Provides storage and transportation services	586,640 (RMB 120,000 thousand)	a. (Note 8)	166,730 (RMB 34,000 thousand)	-	-	166,730 (RMB 34,000 thousand)	(96,202) (RMB (21,097) thousand)	28.33	(20,836) (RMB (4,569) thousand) b,2)	127,305 (RMB 28,589 thousand)	-
Cinemark-Core (Suzhou) Pacific Ltd.	Theater management, purchasing, and consulting	343,172 (US\$ 11,000 thousand)	b. (Note 7)	161,597 (US\$ 5,000 thousand)	-	-	161,597 (US\$ 5,000 thousand)	(40,902) (RMB (8,970) thousand)	49.60	(20,287) (RMB (4,449) thousand) b,2)	111,155 (RMB 24,856 thousand)	-

(Continued)

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
BES Engineering Corporation	US\$ 12,103 thousand	US\$ 15,184 thousand	NT\$ 11,912,625
Core Pacific World Corporation	US\$ 18,000 thousand	US\$ 19,000 thousand	NT\$ 563,542
BES Machinery Corporation	RMB 74,900 thousand (US\$ 16,241 thousand)	RMB 79,800 thousand (US\$ 17,038 thousand)	NT\$ 494,717
Cinemark-Core Pacific Ltd.	US\$ 7,875 thousand	US\$ 7,875 thousand	NT\$ 278,063

Note 1: Three investing method:

- a. Direct investment in China.
- b. Investment made in China through third party.
- c. Others.

Note 2: Recognized gain or loss investment:

- a. Gain or loss not recognized during operating period.
- b. Three bases to recognized gain or loss.
 - 1) Financial statements are audited through the cooperation between international accounting from and ROC accounting firm.
 - 2) Financial statements are audited by licensed CPA of the parent company.

Note 3: BES Logistics International Co., Ltd., is third party investor.

Note 4: Zhong Hua Cheng Development Co., Ltd., is third party investor.

Note 5: Chinese City International Investment Co., Ltd., is third party investor.

Note 6: BESM Holding Co., Ltd., is third party investor.

Note 7: Cinemark Core (Hong Kong) Pacific Ltd., is third party investor, and the Corporation has lost control over Cinemark Core (Hong Kong) Pacific Ltd.

Note 8: BES Machinery Corporation is third party investor.

(Concluded)

BES ENGINEERING CORPORATION

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

Item	Statement Index
Major Accounting Items in Assets, Liabilities and Equity	
Statement of cash and cash equivalents	Note 6
Statement of financial assets at FVTPL	Statement 1
Statement of financial assets at fair value through other comprehensive income - current	Statement 2
Statement of debt investments with no active market - current	Note 12
Statement of construction receivables, net	Statement 3
Statement of changes in contract assets	Statement 4
Statement of accounts receivable on the development of industrial districts	Note 14
Statement of buildings and land held for sale, net	Note 15
Statement of construction in progress, net	Note 16
Statement of changes in investments accounted for using the equity method	Statement 5
Statement of changes in financial assets at fair value through other comprehensive income - non-current	Statement 6
Statement of changes in property, plant and equipment	Note 18
Statement of changes in accumulated depreciation of property, plant and equipment	Note 18
Statement of changes in investment properties	Note 19
Statement of changes in accumulated depreciation of investment properties	Note 19
Statement of deferred tax assets	Note 30
Statement of short-term loans	Statement 7
Statement of short-term bills payable	Note 20
Statement of accounts payable	Statement 8
Statement of changes in contract liabilities	Statement 9
Statement of changes in amounts due to customers for construction contracts	Statement 10
Statement of accounts payable for the development of industrial districts	Note 23
Statement of provision	Note 24
Statement of changes in financial liabilities at FVTPL - non-current	Note 7
Statement of bonds payable	Note 21
Statement of long-term loans	Statement 11
Statement of deferred tax liabilities	Note 30
Major Accounting Items in Profit or Loss	
Statement of construction contract revenue	Statement 12
Statement of construction contract cost	Statement 12
Statement of selling and marketing expenses	Statement 13
Statement of general and administrative expenses	Statement 13
Statement of research and development expenses	Statement 13
Statement of other gains and losses	Note 29
Statement of finance costs	Note 29
Statement of employee benefits and depreciation expenses	Note 29

BES ENGINEERING CORPORATION

**STATEMENT OF FINANCIAL ASSETS AT FVTPL
DECEMBER 31, 2018**

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

Name of Financial Assets	Shares	Par Value (NT\$)	Total Amount	Acquisition Cost	Fair Value		Changes in Fair Value Attributed to Credit Risk	Note
					Unit Price	Total Amount		
Current								
Mutual funds								
Taishin Asia-America Short Duration Bd Fund	904,486	10.983	\$ 9,934	\$ 9,957	10.983	\$ 9,934	\$ (23)	Note
ABITL China A shares Equity Fund	1,000,000	9.220	9,220	10,075	9.220	9,220	(855)	Note
Eastspring Investments India Balanced Fund	500,000	9.570	4,785	5,000	9.570	4,785	(215)	Note
Paradigm Global High Yield Bond Fund	357,300	12.935	<u>4,621</u>	<u>4,921</u>	12.935	<u>4,621</u>	<u>(300)</u>	Note
			<u>\$ 28,560</u>	<u>\$ 29,953</u>		<u>\$ 28,560</u>	<u>\$ (1,393)</u>	

Note: The market price of the mutual funds is calculated based on the net asset value of the mutual funds on December 31, 2018.

BES ENGINEERING CORPORATION

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CURRENT

DECEMBER 31, 2018

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

Name of Financial Assets	Shares	Par Value (NT\$)	Acquisition Cost	Unit Price	Total Amount at Fair Value	Note
Listed shares						
Taiwan Business Bank	58,864,000	10	<u>\$ 433,604</u>	10.350	<u>\$ 609,242</u>	Note

Note: As of the end of 2018, Taiwan Business Bank provided short-term bills payable with a mortgage amount of \$585,810 thousand.

BES ENGINEERING CORPORATION**STATEMENT OF CONSTRUCTION RECEIVABLES, NET****DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

Name of Owner	Amount
Related parties	
China Petrochemical Development Corporation	<u>\$ 156,742</u>
Unrelated parties	
Taoyuan International Airport Corporation	329,004
Department of Rapid Transit Systems, Taipei City Government	291,093
Construction office, New Taipei City Government	157,417
North Region Water Resources Office, Water Resources Agency, Ministry of Economic Affairs	131,147
Kaohsiung International Airport Office, Civil Aeronautics Administration, Ministry of Transportation and Communications	121,054
Sudu Construction and Development Co., Ltd.	110,801
Others (Note)	<u>365,796</u>
	<u>1,506,312</u>
	<u>\$ 1,663,054</u>

Note: The amount of each item does not exceed 5% of the account balance.

BES ENGINEERING CORPORATION

STATEMENT OF CHANGES IN CONTRACT ASSETS

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Engineering Station Code	Contract Assets						Contract Liabilities					Net Amount of Contract Assets
	Balance, January 1, 2018	Transfer from (to) Work Orders	Annual Additions		Annual Decrease	Balance, December 31, 2018	Balance, January 1, 2018	Transfer from (to) Work Orders	Annual Additions	Annual Decrease	Balance, December 31, 2018	
			Districts Amounts	Construction Profit	Construction Loss							
A0B	\$ 12,564,197	\$ 57,356	\$ 1,143,671	\$ -	\$ -	\$ 13,765,224	\$ 11,649,360	\$ -	\$ 1,167,642	\$ 14,020	\$ 12,802,982	\$ 962,242
A7B	-	-	31,684	-	-	31,684	-	-	-	-	-	31,684
A7F	-	-	9,022	-	-	9,022	-	-	-	-	-	9,022
98C-1	-	3,510,727	42,375	-	(28,126)	3,524,976	-	3,510,727	9,022	-	3,519,749	5,227
A7E	-	-	829	-	-	829	-	-	-	-	-	829
A6G	3,620	(3,620)	-	-	-	-	1,172	(1,172)	-	-	-	-
A6B	90,582	(90,582)	-	-	-	-	78,434	(78,434)	-	-	-	-
A6C	1,252	(1,252)	-	-	-	-	-	-	-	-	-	-
A6D	25,343	(25,343)	-	-	-	-	-	-	-	-	-	-
A5F	76,510	(76,510)	-	-	-	-	76,010	(76,010)	-	-	-	-
	\$ 12,761,504	\$ 3,370,776	\$ 1,227,581	\$ -	\$ (28,126)	\$ 17,331,735	\$ 11,804,976	\$ 3,355,111	\$ 1,176,664	\$ 14,020	\$ 16,322,731	\$ 1,009,004

BES ENGINEERING CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Balance, January 1, 2018			Additions		Decrease		Investment Profit (Loss) Recognized Under Equity Method	Cumulative Translation Adjustment	Balance, December 31, 2018			Note
	Shares	Percentage of Ownership (%)	Amount	Shares	Amount	Shares	Amount			Shares	Percentage of Ownership (%)	Amount	
Core Pacific City Co., Ltd.	375,200,000	23.51	\$ 983,582	-	\$ -	141,450,400	\$ -	\$ (175,918)	\$ -	233,749,600	23.51	\$ 807,664	
Core Pacific World Co., Ltd.	115,936,200	99.95	922,024	-	3,270	-	-	32,490	(19,017)	115,936,200	99.95	938,767	Notes 3 and 9
BES Machinery Corporation	75,213,198	96.58	924,268	1,779,441	20,679	-	57,170	(65,391)	(7,176)	76,992,639	98.87	815,210	Notes 2, 4, 5, 6 and 9
BES Investment Corporation	21,000,000	100.00	592,803	-	-	-	37,745	(57,404)	6,225	21,000,000	100.00	503,879	Notes 6 and 9
BES Logistics International Co., Ltd.	13,995,389	100.00	702,525	-	-	-	-	27,473	(14,842)	13,995,389	100.00	715,156	Note 9
BES Twin Towers Development Co., Ltd.	20,000,000	9.09	194,145	-	46,046	-	-	(2,327)	(84)	20,000,000	9.09	237,780	Notes 3, 4 and 9
Core Asia Human Resources Management Co., Ltd.	6,000,000	100.00	98,508	-	174	-	9,898	7,415	-	6,000,000	100.00	96,199	Notes 3, 7, 8 and 9
Chung Kung Safeguarding & Security Corporation	3,880,000	64.67	51,324	-	472	-	4,907	5,920	-	3,880,000	64.67	52,809	Notes 2, 6, 7 and 9
Cinemark - Core Pacific Ltd.	1,861,500	15.38	77,796	-	-	-	778	(6,599)	(378)	1,861,500	15.38	70,041	Notes 6 and 9
BES Construction Corporation (BES, U.S.A.)	8,509	91.79	26,311	-	-	-	-	(13)	844	8,509	91.79	27,142	Note 9
BES Global Investment Co.	1,510,100	100.00	18,582	-	-	-	-	(1,326)	(353)	1,510,100	100.00	16,903	Note 9
BA & BES Contracting (L.L.C.)	1,200,000	40.00	-	-	-	-	-	-	-	1,200,000	40.00	-	Notes 1 and 9
			<u>\$ 4,591,868</u>		<u>\$ 70,641</u>		<u>\$ 110,498</u>	<u>\$ (235,680)</u>	<u>\$ (34,781)</u>			<u>\$ 4,281,550</u>	

Note 1: Based on investee company’s financial statements which aren’t audited by accountants to calculate investment gain or loss.

Note 2: Increase in current period is due to accrued defined benefit gain or loss. Among them, there’s \$252 thousand from BES Machinery Corporation, and \$472 thousand from Chung Kung Safeguarding & Security Corporation

Note 3: Increase in current period is due to unrealized gain on financial assets. Among them, there’s \$3,270 thousand from Core Pacific World Co., Ltd., \$174 thousand rom Core Asia Human Resources Management Co., Ltd. and \$5,045 from BES Twin Towers Development Co., Ltd.

Note 4: Increase in current period is due to retrospective application and restatement adjustment of IFRS 9. Among them, there’s a \$4,985 thousand decrease from BES Machinery Corporation and an \$41,001 thousand increase from BES Twin Towers Development Co., Ltd.

Note 5: Increase in current period is due to purchase of BES Machinery Corporation’s share, \$20,427 thousand.

Note 6: Decrease in current period is due to unrealized loss on financial assets. Among them, there’s \$52,185 thousand from BES Machinery Corporation, \$37,745 thousand from BES Investment Corporation, \$251 thousand from Chung Kung Safeguarding & Security Corporation, and \$778 thousand from Cinemark - Core Pacific Ltd.

Note 7: Decrease in current period is due to payment of cash dividends from investee company. Among them, there’s \$9,000 thousand from Core Asia Human Resources Management Co., Ltd. and \$4,656 thousand from Chung Kung Safeguarding & Security Corporation.

Note 8: Decrease in current period is due to accrued defined benefit loss of \$898 thousand.

Note 9: As of December 31, 2018, there’s no investment using equity method pledged or guaranteed.

BES ENGINEERING CORPORATION

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars)

Name	January 1, 2018		Additions		Decrease		Unrealized Gains (Loss) on Fair Value Through Other Compre- hensive Income Financial Assets	December 31, 2018		Accumulated Impairment	Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount			
Listed shares - ordinary shares												
China Petrochemical Development Corporation	38,775,000	\$ 595,196	-	\$ -	-	\$ -	\$ (170,609)	38,775,000	\$ 424,587	Not applicable	Yes	Note
Non-listed shares - ordinary shares												
Century Development Corporation	9,645,207	50,000	540,131	-	-	-	38,001	10,185,338	88,001	Not applicable		
Overseas Investment & Development Corporation	2,600,000	12,444	-	-	-	-	7,498	2,600,000	19,942	Not applicable		
Litek Opto-electronics Co., Ltd.	31,252	-	-	-	-	-	-	31,252	-	Not applicable		
Zowie Technology Corporation	6,611	177	-	-	-	-	(177)	6,611	-	Not applicable		
Fortemedia	4,137	1,049	-	-	-	-	(1,049)	4,137	-	Not applicable		
Non-listed shares - preferred shares												
Fortemedia	62,282	20	-	-	-	-	(20)	62,282	-	Not applicable		
Aetas Technology Inc.	215,971	-	-	-	-	-	-	215,971	-	Not applicable		
		<u>63,690</u>		<u>-</u>		<u>-</u>	<u>44,253</u>		<u>107,943</u>			
		<u>\$ 658,886</u>		<u>\$ -</u>		<u>\$ -</u>	<u>\$ (126,356)</u>		<u>\$ 532,530</u>			

Note: As of the end of 2018, China Petrochemical Industry Development Corporation is pledged for short-term loan with a mortgage amount of NT\$424,587 thousand.

BES ENGINEERING CORPORATION

STATEMENT OF SHORT-TERM LOANS

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Type	Contract Period	Interest Rate (%)	Amount	Loan Commitments	Collateral
Mortgage loan					
EnTie Commercial Bank	2018.03.26-2019.03.26	2.283	\$ 500,000	\$ 500,000	Land
The Shanghai Commercial & Saving Bank	2018.10.04-2019.10.04	1.900	270,000	300,000	China Petrochemical Development Corporation shares
Taiwan Business Bank	2018.09.26-2019.03.26	2.370	500,000	500,000	Land and building
First Bank Hsin-Ya Branch	2018.08.22-2019.02.18	2.816	225,000	450,000	Land, building and parking space
First Bank Hsin-Ya Branch	2018.07.16-2019.01.11	2.816	165,000	-	
Taichung Commercial Bank Taipei Branch	2018.08.22-2019.02.18	2.816	39,600	80,000	Land, building and parking space
Taichung Commercial Bank Taipei Branch	2018.07.16-2019.01.11	2.816	29,370	-	
Taiwan Business Bank Business Department	2018.08.22-2019.02.18	2.816	64,800	129,000	Land, building and parking space
Taiwan Business Bank Business Department	2018.07.16-2019.01.11	2.816	47,190	-	
Bank of Taiwan Business Department	2018.08.22-2019.02.18	2.816	64,800	129,000	Land, building and parking space
Bank of Taiwan Business Department	2018.07.16-2019.01.11	2.816	47,190	-	
Mega Bank International Department	2018.08.22-2019.02.18	2.816	104,400	209,000	Land, building and parking space
Mega Bank International Department	2018.07.16-2019.01.11	2.816	76,560	-	
Taiwan Cooperative Bank Dong Taipei Branch	2018.08.22-2019.02.18	2.816	241,200	482,000	Land, building and parking space
Taiwan Cooperative Bank Dong Taipei Branch	2018.07.16-2019.01.11	2.816	176,880	-	
Hua Nan Bank Chungshiao East Road Branch	2018.08.22-2019.02.18	2.816	64,800	129,000	Land, building and parking space
Hua Nan Bank Chungshiao East Road Branch	2018.07.16-2019.01.11	2.816	47,190	-	
Agricultural Bank of Taiwan	2018.08.22-2019.02.18	2.816	55,800	112,000	Land, building and parking space
Agricultural Bank of Taiwan	2018.07.16-2019.01.11	2.816	41,250	-	
Chang-Hwa Bank Pei Men Branch	2018.08.22-2019.02.18	2.816	39,600	80,000	Land, building and parking space
Chang-Hwa Bank Pei Men Branch	2018.07.16-2019.01.11	2.816	29,370	-	
			<u>2,830,000</u>	<u>3,100,000</u>	
Bank overdrafts					
Taiwan Business Bank		2.570	<u>298,000</u>	<u>300,000</u>	Land and building
			<u>\$ 3,128,000</u>	<u>\$ 3,400,000</u>	

Note: As of December 31, 2018, the Company had available unutilized short-term bank loan facilities was NT\$272,000 thousand.

BES ENGINEERING CORPORATION**STATEMENT OF ACCOUNTS PAYABLE****DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

Vendor Name	Amount
Related parties	
BES Machinery Corporation	\$ 27,304
Core Asia Human Resources Management Co., Ltd.	4,903
Chung Kung Safeguarding & Security Corporation	<u>4,377</u>
	36,584
Unrelated parties	
Others (Note)	<u>2,061,342</u>
	<u><u>\$ 2,097,926</u></u>

Note: The amount of each items does not exceed 5% of the account balance.

BES ENGINEERING CORPORATION

STATEMENT OF CHANGES IN CONTRACT LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollar)

Engineering Station Code	Contract Assets						Contract Liabilities						Net Amount of Contract Liabilities
	Balance, January 1, 2018	Transfer from (to) Work Orders	Annual Additional		Annual Decrease		Balance, December 31, 2018	Balance, January 1, 2018	Transfer from (to) Work Orders	Annual Additions	Annual Decrease	Balance, December 31, 2018	
			Districts Amounts	Construction Profit	Transfer from Finished Work	Construction Loss							
A6E	\$ -	\$ -	\$ 92,939	\$ 8,747	\$ -	\$ -	\$ 101,686	\$ 275,560	\$ -	\$ 371,776	\$ 50,179	\$ 597,157	\$ (495,471)
A5D	746,339	-	1,317,957	-	-	(24,602)	2,039,694	1,550,700	-	1,363,673	421,642	2,492,731	(453,037)
83C	8,109,828	-	441,778	16,187	-	-	8,567,793	8,368,042	-	413,800	-	8,781,842	(214,049)
A5E	867,971	-	822,461	38,590	-	-	1,729,022	1,048,292	-	892,237	-	1,940,529	(211,507)
A7A	-	-	26,144	1,651	-	-	27,795	-	-	231,827	-	231,827	(204,032)
A5C	215,578	-	475,919	-	-	(10,689)	680,808	420,509	-	427,013	6,792	840,730	(159,922)
A6G	-	3,620	481,847	40,958	-	-	526,425	-	1,172	682,724	-	683,896	(157,471)
A4C	271,385	-	283,784	12,522	-	-	567,691	288,974	-	376,303	-	665,277	(97,586)
A6B	-	90,582	766,407	14,054	-	(4,585)	866,458	-	78,434	858,636	-	937,070	(70,612)
A6C	-	1,252	221,023	17,649	-	-	239,924	-	-	294,038	-	294,038	(54,114)
A3A	1,601,900	-	210,658	129,292	-	-	1,941,850	1,815,953	-	172,819	539	1,988,233	(46,383)
A6D	-	25,343	204,794	11,340	-	-	241,477	-	-	284,056	-	284,056	(42,579)
A6F	8,465	-	336,989	23,589	-	-	369,043	16,000	-	393,706	-	409,706	(40,663)
A5B	161,263	-	199,825	18,852	-	-	379,940	181,896	-	235,101	-	416,997	(37,057)
98C-2	126,058	-	103,395	2,071	-	-	231,524	198,390	-	69,866	15,447	252,809	(21,285)
A7D	-	-	9,073	1,307	-	-	10,380	-	-	26,000	-	26,000	(15,620)
A7C	-	-	5,543	1,184	-	-	6,727	-	-	16,919	-	16,919	(10,192)
A5A	154,964	-	14,763	-	-	(11,455)	158,272	157,557	-	3,308	686	160,179	(1,907)
A5F	-	76,510	163,140	10,501	-	-	250,151	-	76,010	175,049	-	251,059	(908)
98C-1	3,510,727	(3,510,727)	-	-	-	-	-	3,510,727	(3,510,727)	-	-	-	-
93C	673,300	-	620	-	-	(620)	673,300	673,300	-	-	-	673,300	-
750	17,447,238	-	395,091	32,301	-	-	17,874,630	17,447,238	-	427,392	-	17,874,630	-
	\$ 33,895,016	\$ (3,313,420)	\$ 6,574,150	\$ 380,795	\$ -	\$ (51,951)	\$ 37,484,590	\$ 35,953,138	\$ (3,355,111)	\$ 7,716,243	\$ 495,285	\$ 39,818,985	\$ (2,334,395)

BES ENGINEERING CORPORATION

STATEMENT OF CHANGES IN AMOUNTS DUE TO CUSTOMERS FOR CONSTRUCTION CONTRACTS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollar)

Engineering Station Code	Amounts Due from Customers for Construction Contracts							Amounts Due to Customers for Construction Contracts					Net Amount of Amounts Due to Customers for Construction Contracts
	Balance, January 1, 2018	Transfer from (to) Work Orders	Annual Additional		Annual Decrease		Balance, December 31, 2018	Balance, January 1, 2018	Transfer from (to) Work Orders	Annual Additions	Annual Decrease	Balance, December 31, 2018	
			Districts Amounts	Construction Profit	Transfer from Finished Work	Construction Loss							
A2A	\$ 1,687,607	\$ -	\$ 46,384	\$ 175,735	\$ -	\$ -	\$ 1,909,726	\$ 1,933,134	\$ -	\$ 18,282	\$ 5,547	\$ 1,945,869	\$ (36,143)
97H	2,815,920	-	29,921	-	-	-	2,845,841	2,862,002	-	-	-	2,862,002	(16,161)
A4B	115,511	-	-	-	-	-	115,511	117,221	-	-	-	117,221	(1,710)
A0A	922,302	-	1,029	10,552	-	-	933,883	923,656	-	10,572	-	934,228	(345)
97D	1,467,021	-	2,018	3,045	(1,471,318)	(766)	-	1,471,318	-	26,037	1,497,355	-	-
90D	3,903,152	-	(17,078)	17,078	(3,903,152)	-	-	3,903,152	-	-	3,903,152	-	-
96C	2,430,991	-	16,571	1,807	(2,449,369)	-	-	2,449,369	-	141,868	2,591,237	-	-
96E	692,207	-	-	-	(692,207)	-	-	692,207	-	-	692,207	-	-
A3B	1,981,568	-	-	-	(1,981,568)	-	-	1,981,568	-	-	1,981,568	-	-
A4A	115,553	-	-	9,600	(125,153)	-	-	125,153	-	-	125,153	-	-
92B	<u>9,869,598</u>	<u>-</u>	<u>(29,520)</u>	<u>48,302</u>	<u>(9,888,380)</u>	<u>-</u>	<u>-</u>	<u>9,879,598</u>	<u>-</u>	<u>-</u>	<u>9,879,598</u>	<u>-</u>	<u>-</u>
	<u>\$ 26,001,430</u>	<u>\$ -</u>	<u>\$ 49,325</u>	<u>\$ 266,119</u>	<u>\$(20,511,147)</u>	<u>\$ (766)</u>	<u>\$ 5,804,961</u>	<u>\$ 26,338,378</u>	<u>\$ -</u>	<u>\$ 196,759</u>	<u>\$ 20,675,817</u>	<u>\$ 5,859,320</u>	<u>\$ (54,359)</u>

BES ENGINEERING CORPORATION

STATEMENT OF LONG-TERM LOANS

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollar)

Type	Expected Duration and Repayment Method	Range of Interest Rates (%)	Ending Balance			Collateral
			Long-term Borrowings Due Within A Year	Long-term Borrowings Over A Year	Total	
Unsecured loans						
Land Bank of Taiwan Zhonglun Branch	From July 25, 2016 to January 25, 2019, the principal is written off by 40% of the deduction of the estimated unit price for each period, the interest is paid monthly and the remaining principal is repaid once at maturity.	2.295	\$ 14,541	\$ -	\$ 14,541	-
Bank of Shanghai Tien Mou Branch	From March 14, 2017 to July 14, 2019, the principal is written off by 35% of the deduction of the estimated unit price for each period, the interest is paid monthly and the remaining principal is repaid once at maturity.	2.645	26,969	-	26,969	-
Taiwan Business Bank Department of Business	From October 4, 2018 to June 13 2021, the interest is paid monthly and the remaining principal is repaid once at maturity.	2.500	-	74,000	74,000	-
Hua Nan Bank Chungshiao East Road Branch	From December 19, 2018 to August 19, 2019, the principal is written off by 50% of the deduction of the estimated unit price for each period, the interest is paid monthly and the remaining principal is repaid once at maturity.	2.500	77,400	-	77,400	-
Bank of Shanghai Tien Mou Branch	From February 1, 2018 to December 8, 2020, the principal is written off by 30% of the deduction of the estimated unit price for each period, the interest is paid monthly and the remaining principal is repaid once at maturity.	2.737	-	103,872	103,872	-
Taiwan Business Bank Ta-An Branch	From February 1, 2018 to December 8, 2020, the principal is written off by 30% of the deduction of the estimated unit price for each period, the interest is paid monthly and the remaining principal is repaid once at maturity.	2.737	-	451,248	451,248	-
Taiwan Cooperative Bank Dong Taipei Branch	From February 1, 2018 to December 8, 2020, the principal is written off by 30% of the deduction of the estimated unit price for each period, the interest is paid monthly and the remaining principal is repaid once at maturity.	2.737	-	154,957	154,957	-
Bank of Panhsin Hsin-Hsing Branch	From February 1, 2018 to December 8, 2020, the principal is written off by 30% of the deduction of the estimated unit price for each period, the interest is paid monthly and the remaining principal is repaid once at maturity.	2.737	-	103,872	103,872	-
Hua Nan Bank Chungshiao East Road Branch	From February 1, 2018 to December 8, 2020, the principal is written off by 30% of the deduction of the estimated unit price for each period, the interest is paid monthly and the remaining principal is repaid once at maturity.	2.737	-	103,872	103,872	-
Agricultural Bank of Taiwan	From February 1, 2018 to December 8, 2020, the principal is written off by 30% of the deduction of the estimated unit price for each period, the interest is paid monthly and the remaining principal is repaid once at maturity.	2.737	-	154,957	154,957	-

(Continued)

Type	Expected Duration and Repayment Method	Range of Interest Rates (%)	Ending Balance			Collateral
			Long-term Borrowings Due Within A Year	Long-term Borrowings Over A Year	Total	
China Leasing Company Limited	From March 1, 2017 to March 1, 2019, the principal be repaid every month for a period of twenty-four periods. From the first period to the twelfth period, each period will repay NT\$8,500 thousand, the thirteenth to the twenty-third period will repay NT\$8,200 thousand, the twenty-fourth will repay NT\$7,800 thousand and paying interest on a monthly basis.	2.900	\$ 24,200	\$ -	\$ 24,200	-
Chailease Finance Co., Ltd.	From December 7, 2018 to December 7, 2020, the principal be repaid every month for a period of twenty-four periods. From the first period to the twenty-third period, each period will repay NT\$7,695 thousand and the twenty-fourth will repay NT\$3,015 thousand and paying interest on a monthly basis.	2.120	<u>92,340</u>	<u>87,660</u>	<u>180,000</u>	-
Collateral loans			<u>235,450</u>	<u>1,234,438</u>	<u>1,469,888</u>	
Bank of Shanghai Tien Mou Branch	Note 3	2.947	-	85,000	85,000	Land of joint construction
Taiwan Business Bank Ta-An Branch	Note 3	2.947	-	47,000	47,000	Land of joint construction
EnTie Commercial Bank	Note 3	2.947	-	81,000	81,000	Land of joint construction
Bank of Kaohsiung Taipei Branch	Note 3	2.947	-	23,000	23,000	Land of joint construction
Shin Kong Life Insurance Co., Ltd.	Note 3	2.947	-	14,000	14,000	Land of joint construction
Agricultural Bank of Taiwan	Note 3	2.947	<u>-</u>	<u>23,000</u>	<u>23,000</u>	Land of joint construction
Guaranteed loans			<u>-</u>	<u>273,000</u>	<u>273,000</u>	
The Bank of East Asia, Limited, Taipei Branch	From December 5, 2018 to December 4, 2020, the interest is paid monthly and the remaining principal is repaid once at maturity.	2.207	-	520,000	520,000	Letter of Credit
First Bank Hsin-Ya Branch	Note 2	2.816	48,000	396,000	444,000	Land, building and parking space
Taichung commercial Bank Taipei Branch	Note 2	2.816	8,560	70,620	79,180	Land, building and parking space
Taiwan Business Bank Department of Business	Note 2	2.816	13,680	112,860	126,540	Land, building and parking space
Bank of Taiwan Department of Business	Note 2	2.816	13,680	112,860	126,540	Land, building and parking space
Mega International Commercial Bank International Banking Dept.	Note 2	2.816	22,400	184,800	207,200	Land, building and parking space

(Continued)

Type	Expected Duration and Repayment Method	Range of Interest Rates (%)	Ending Balance			Collateral
			Long-term Borrowings Due Within A Year	Long-term Borrowings Over A Year	Total	
Taiwan Cooperative Bank Dong Taipei Branch	Note 2	2.816	\$ 36,250	\$ 299,059	\$ 335,309	Land, building and parking space
Hua Nan Bank Chungshiao East Road Branch	Note 2	2.816	15,190	125,321	140,511	Land, building and parking space
Agricultural Bank of Taiwan	Note 2	2.816	13,680	112,860	126,540	Land, building and parking space
Chang Hwa Commercial Bank Pei Men Branch	Note 2	2.816	12,000	99,000	111,000	Land, building and parking space
Taiwan Business Bank Department of Business	Note 2	2.816	<u>8,560</u>	<u>70,620</u>	<u>79,180</u>	Land, building and parking space
			<u>192,000</u>	<u>2,104,000</u>	<u>2,296,000</u>	
			<u>\$ 427,450</u>	<u>\$ 3,611,438</u>	<u>\$ 4,038,888</u>	

Note 1: As of December 31, 2018, the Company had available unutilized long-term bank loan facilities was NT\$1,408,600 thousand.

Note 2: In the case of the Taiwan Cooperative Bank Syndicated loan, the repayment method for the case will be repaid every three months for a period of twenty periods from November 9, 2015. From the first period to the nineteenth period, each period will repay NT\$48 million, the twentieth period will repay NT\$1.488 billion, paying interest on a monthly basis.

Note 3: From December 28, 2018 to December 28, 2020, the interest is paid on a monthly basis and the principal is repaid once at maturity.

(Concluded)

BES ENGINEERING CORPORATION

STATEMENT OF CONSTRUCTION CONTRACT REVENUE AND
CONSTRUCTION CONTRACT COST
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Code	Construction Contract Revenue	Construction Contract Cost	Construction Contract Gross Profit (Loss)
1. Engineering station			
A2A	\$ 12,735	\$ (163,000)	\$ 175,735
A3A	172,280	42,988	129,292
92B	8,782	(39,520)	48,302
A6G	682,724	641,766	40,958
A5E	892,237	853,647	38,590
A6F	393,706	370,117	23,589
A5B	235,101	216,249	18,852
A6C	294,038	276,389	17,649
90D	-	(17,078)	17,078
83C	413,799	397,612	16,187
A4C	376,303	363,781	12,522
A6D	284,056	272,716	11,340
A0A	10,572	20	10,552
A5F	175,049	164,548	10,501
A4A	-	(9,600)	9,600
A6B	858,636	849,167	9,469
A6E	371,776	363,029	8,747
97D	-	(2,279)	2,279
98C-2	69,867	67,796	2,071
96C	-	(1,807)	1,807
A7A	31,827	30,176	1,651
A7D	26,000	24,693	1,307
A7C	16,919	15,735	1,184
A0B	1,167,642	1,167,642	-
93C	-	620	(620)
A5C	427,013	437,702	(10,689)
A5A	3,308	14,763	(11,455)
A5D	1,363,673	1,388,275	(24,602)
98C-1	<u>9,021</u>	<u>37,147</u>	<u>(28,126)</u>
	8,297,064	7,763,294	533,770
2. Development station			
750	<u>427,389</u>	<u>395,088</u>	<u>32,301</u>
	<u>\$ 8,724,453</u>	<u>\$ 8,158,382</u>	<u>\$ 566,071</u>

BES ENGINEERING CORPORATION**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salary and bonus expense (Note 1)	\$ 22,550	\$ 87,775	\$ 7,864	\$ 118,189
Professional fees	23,845	33,854	9,939	67,638
Other (Note 2)	<u>21,228</u>	<u>74,478</u>	<u>4,597</u>	<u>100,303</u>
	<u>\$ 67,623</u>	<u>\$ 196,107</u>	<u>\$ 22,400</u>	<u>\$ 286,130</u>

Note 1: Salary and bonus expense includes salary, bonus and retirement expense.

Note 2: The amount of each item does not exceed 5% of the account balance.