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Chung Hsin Electric & Machinery Mfg. Corp. Ltd.

2019 Annual Report

Notice to readers

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

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I. Letter to Shareholders

1. Overview of Business Performance

- 1.1 Total consolidated revenue of 2019 was (hereinafter the same) NT\$12,377.52 million, increased for NT\$141.52 million, an increase of 1.16% compared with NT\$12,236 million in 2018. The parent company revenue of 2019 was NT\$9,745.72 million, compared with NT\$10,119.54 million in 2018, a deduction of NT\$373.82 million, a 3.69% year-over-year decrease.
- 1.2 Profit for the period from continuing operations of 2019 was NT\$638.79 million, increased for NT\$76.73 million, an increase of 13.65% compared with NT\$562.06 million in 2018. Income attributable to owners of parent was NT\$635.3 million, compared with NT\$544.84 million in 2018, an increase of NT\$90.46 million, a 16.60% year-over-year growth. Basic earnings per share of 2019 were NT\$1.55.

2. Budget Implementation:

Total consolidated revenue for 2019 totaled to NT\$12.377 billion, giving a budget achievement ratio of 101.53% of NT\$ 12.191 billion.

3. Financial Overview:

- 3.1 As of the end of 2019, total consolidated asset was NT\$20,221.55 million, and total liability was NT\$ 12,463 million (includes NT\$3,452.42 million as long-term liability and NT\$1,433.92 million as short-term liability and total liability was \$4,886.34 million). Based on the 420,000,000 outstanding shares issued by the Company at the time of issue, total equity was NT\$7,815.25 million, and book value per share was NT\$18.04 after adjusting for minority interests of NT\$238.56 million.

3.2 Business performance consolidated analysis over the last two years

Items Analyzed	2019	2018
Debt to Total Asset Ratio (%)	61.35%	55.04%
Current Ratio (%)	145.87%	119.86%
Gross Profit Margin (%)	16.69%	15.87%
Pretax Profit Margin (%)	6.37%	5.29%
Return on equity (%)	8.28%	7.42%
Net Profit Margin (%)	5.16%	4.59%

4. Research and development status: Please refer to the Annual Report section 5. 1.3.

Overview of 2020 Business Strategy

For CHEM, 2019 was a year full of challenges for overcoming. In spite of the challenging business environment, CHEM delivered satisfactory results last year. With the joint efforts of all CHEM team members, CHEM's consolidated revenues increased 7.36% from the previous year to NT\$12.37 billion in 2018. Our net income after tax was NT\$639 million and earnings per share (EPS) was NT\$1.55.

Achievement and Honors

CHEM always insists on project quality and environment protection with effort in green energy. *CHEM's Wind Power Substation Engineering Projects in Chang Kong and Yong-Hsin (III)* (彰工(III)及永興風力發電機組新建工程) for Taipower in 2019 has won Outstanding Medal Award, granted by Taipower. This award proves the highest reputation for public construction as the Oscar Award for movie industry. Meanwhile, it has set the benchmark for superior engineering quality.

CHEM also sees environmental protection as the mission and sees this as the responsibility of corporation in sustainable business. CHEM's renewable energy in solar power generation project in *Chi-ku, Tainan* (台南七股) has started in planning for Tai-Sugar(台糖) for facilities & construction in solar energy generation, energy service providing and service with maintenance. By the end of 2020, the project for this power plant shall cover the green power generation of almost 290GWh, and will proudly stand as the largest solar power plant in Taiwan.

CHEM also integrates the core competitiveness and technology in renewable energy and smart micro-grid for the Smart Hsin-Long Community, the public housing project. This has won CHEM the Golden Award in *Energy Smart Communities Initiative* (ESCI) under Asia-Pacific Economic Cooperation's (APEC's) program, out of 63 applicants across 17 economies around the world. This proves CHEM's initiatives, research, effort and development in smart grid and micro grid have significant international level of recognition in our technology.

Business Focus

1. promising opportunity in growth from green energy generation

To ease the serious global warming consequences, Taiwan government started *Green Technology with Innovation in Industries Program* (綠能科技產業創新推動方案) in

2016 with the objectives of development in off-shore wind power and solar energy, to achieve the goal in realizing the target of renewable energy accounting for 20% of the total electricity consumption by 2025. CHEM takes the mission in green energy technology to serve as the drive of transformation in energy source and economic development of the country, while at the same time realizing the goal of utilizing renewable energy and achieving the vision of nuclear-free homeland.

In order to integrate the power grid to national grid on schedule from off-shore wind power, Taipower has been proactively reinforcing the power distribution infrastructures. As the leading company of heavy electrical equipment and Power engineering industry in Taiwan, CHEM has not only taken the grasp of the coming enormous domestic business opportunities to localize wind power generation by our core competency in GIS and in impressive market share of power engineering, but also has secured the demands with orders for power distribution facilities for substation turnkey solution under Taipower's infrastructure program. CHEM will continuously aim at the connecting line projects for on-shore transmission station of off-shore wind power needs and it is expected to bring significant growth in business in return.

As for the solar power generation projects, CHEM's abundant experience in managing large-scaled domestic engineering projects and the profession in connecting the power grids, especially green energy, have already paid off. We were granted the ownership of Solar Energy and facilities Project under Tai-sugar's Tainan Chi-Gu Area, and also the 20-year maintenance/service management ownership. This is again proving the significance in domestic solar energy industry and is expected to contribute to CHEM the steady and long-term profits by the power generation of almost 290 GWh within one year.

2. Urban renovation projects are expected to enter the profit gaining stage

To take part in and contribute in the economic development of the country and fulfill the corporate responsibility, while at the same time improving profit-earning performance, CHEM takes the responsibility of city urban renovation project for the two fixer-upper buildings, located at the interjunction of Dunan Road and Civic Boulevard, Taipei city. This serves as CHEM's representative projects in urban renovations. The original 30 year-old, 7 storey and 16 story buildings were transformed into a new SRC building, with underground 6-storey and another 23-storey on the ground, flexible for residential use and commercial use. The project is expected to be accounted as income and revenue around the Q4, 2020 as it is

gradually entering the profit-claiming stage.

3. Renewable Energy Business for global market

In response to the rapid development of worldwide hydrogen energy industry, Renewable Energy Business has started the process of spin-off from CHEM in 2019. CHEM has developed a complete product range in hydrogen generating and power generation technology after acquiring H2PT and Ballard BUP assets. Now CHEM has created a complete value chain including flexible H2 fueling stations, power generation, power distribution and smart grid and also has become the leading company of fuel cell applications in power system. Offices have been gradually established in China, South Africa, India and Malaysia. The business with high potential will continue to provide solutions for global market with the core concept of Hydrogen Industry Platform. The core competence and operating performance are expected to be enhanced with robust development gradually and serves as the long-term drive force in development of the group.

Development Strategy

Looking forward into 2020, under the considerable impact brought by COVID-19 worldwide, it is inevitable that global economy is expected to be shattered. CHEM'll keep on serving balanced development of six business groups to overcome the turbulence in economic environment, holding the beliefs in innovation in business management, watching out for the possible risk, and continuing to strive for excellence.

The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions

1. The heavy electrical industry in Taiwan is domestic-oriented. As the leading company in heavy electrical industry, CHEM is also garnering the results of years of business development in fuel cell and smart grid to grasp the promising market demand from green energy. This would help reduce the impact of macroeconomic conditions.
2. In addition to the heavy electrical business, CHEM will continue to push for transformation by developing business areas. As for now, CHEM already expands to six main business groups as in power management, CND, system integration, renewable energy, parking management and China business group. CHEM takes power engineering, manufacturing and microgrid as the business platform to further develop and expand. The result is significant and is reducing the risk of focusing on a single industry.

3.China business group has been committed to the transformation by developing precision machining business and accelerating the pace of globalization in recent years. The impacts of competition and operation in one single region have been reduced.

II. Company Profile

2.1 Date of Incorporation

May 31, 1962.

2.2 Company History

Year	Milestone
1956	Inception of Chung-Hsin Electric Factory. Major products were electric motors and generators.
1962	Renamed to Chung-Hsin Electric & Machinery Mfg. Corp. Ltd. (CHEM).
1963	Technical collaboration with GE (USA) to manufacture window type air conditioners.
1970	Established factory to manufacture black and white TV sets, and technical cooperation with Japan's Mitsubishi Corporation to manufacture color TV sets.
	Established washing machine factory to manufacture washing machines.
1971	Technical collaboration with GE (USA) to manufacture electrical meters.
1979	Technical collaboration with B.P.S (USA) to develop 1200kW diesel generators.
1980	Established a dedicated research and development unit.
	Technical collaboration with PEI to upgrade diesel generator technology.
1983	Technical collaboration with Hitachi (Japan) to develop SF6 GIS and GCB related products.
	Established production plants to manufacture remote garage door openers exclusively for export.
1986	Merged with "Central Glass Fiber Co. Ltd."
	Technical collaboration with USC to develop electronic meters.
	Technical cooperation with Panasonic to manufacture split air conditioners.
1989	Official opening of Lin-Kou factory.
	Trial production of personal computers and other IT products, and investment in E-TEQ to fabricate chips.
1990	Grand opening of Zhong-Zheng Building in Zhong-He district, Taipei.
	Established subsidiary Ma-Guo to manufacture Ma-Guo door openers.
	Established CHEM USA in San Francisco.

	Invested in Lite-On Semiconductor Corp. to manufacture CCD and CIS.
	Planning of IPO.
1991	Restructured to form business units for promoting profit driven policies.
1992	Engaged in manufacturing and distribution of parking equipments.
1993	Engaged in incinerator projects.
	Awarded ISO 9001 certification.
1994	IPO in Taiwan (Code:1513)
1995	Appropriated provision against large amount of losses from undertaking the 5 major construction projects.
1996	Targeted to complete the 5 construction projects for the purpose of protecting investors' interest, signed the financial aid consulting agreement with Zhong-Yuan Construction Company, and technical support and technology transfer agreement with the incinerator manufacturer Babcock & Wilcox Volund.
1997	Restructured to consolidate resources, reduced the number of hierarchies, and laid off redundant employees for improving the organization's efficiency.
	Entered the last stage of trial run of mass producing SF6 insulated switchgear power for Taipower.
	Improved the financial structure, completed capital reduction, and capital increase operations.
1998	Established procurement CD department to reduce material purchasing price.
	Won Chia-Yi County incineration plant arbitration case and awarded a compensation of NT \$116 million.
	Sold a parcel of land in Zhudong, merged the steel plant operation with Tone Zoom Industry Co. Ltd to expand its business.
1999	Restructured to consolidate further, spun off its home appliance division, and established the affiliated company Zi-Xun-Jia.
	Established R & D team and efficiency task force dedicated to promoting project-based tasks for the purpose of speeding up the organization's transformation.
	Won Fu-Pee arbitration case and awarded a compensation of NT \$116 million.
	Processed the NT \$ 1 billion cash capital increase of preferred stocks.
	Awarded ISO 14001 certification.
2000	Started microwave communications project and the actual production.
	Invested in American company USTC to enhance and diversify its investment portfolio, and increased manufacturing and marketing competitiveness in

	the aerospace industry.
2001	Established ENGINEERING & SERVICE task force and Microwave / Wireless Communications task force.
	Won Tainan arbitration case and awarded a compensation of NT \$3 billion.
	Implemented first buyback of treasury stock, and acquired 8.921 million shares of company treasury stock.
	Completed the 5 construction projects and signed the settlement agreement with Zhong-Yuan Construction Company.
	Set aside 10% of company profit as bonus to reward employees.
2002	Won Taiwan Sugar Corporation arbitration case and awarded NT \$485 million.
	Promoted ERP system.
	Implemented second buyback of treasury stock, and acquired 8.355 million shares of company stock.
	Implemented first buyback (2.5 years after initial issuance) of 64,847,394 shares of preferred stock.
2003	Established DoDoHome, Started parking construction and management operations. Entering China market in partnership with AE Power (Japan).
	Established operations task force to enhance the operation and maintenance services of the incineration plant.
	Implemented third buyback of treasury stock, and acquired 20 million shares of company stock.
	Implemented second buyback (3 years after initial issuance) of 22,804,267 shares of preferred stock.
	Invested in Parktron Technology Co., Ltd., engaged in the operation of electronic toll collection systems, upstream process of the existing parking management services operation.
	Formed a joint venture with Suzhou Long-Yuan Electric Appliances and established Suzhou Chemly Power Equipment Co., Ltd to jointly expand the heavy electrical equipment market in China.
2004	Formed a joint venture with Nan-Tong Aluminum Casting and established Chung-Hsin Precision Machinery Co., Ltd. To take over its precision aluminum casting processing business.
	Invested in Etrovision Technology, engaged in the design and manufacturing of digital video surveillance cameras.
	Formed a joint venture with Shandong Detong Industrial Co., Ltd. To establish Shandong Greider – Chung-Hsin Air Conditioning Co. with an investment amount of RMB 3.5 million.

	Implemented third buyback (4 years after initial issuance) of 2,485,791 shares of preferred stock.
	Implemented fourth buyback of treasury stock, and acquired 14,949,000 shares of company stock.
2005	Formed a joint venture to establish Baoji Yongxing and supplied Chung-Hsin Precision Machinery Co., Ltd. Cast aluminum conductor required for production.
	Implementing fourth buyback (5 years after initial issuance) of 9,862,548 shares of preferred stock.
2006	Formed a joint venture with subcontractor to establish Nantong Shengyi Precision Machinery Co., Ltd. In mainland China.
	Established Chung-Hsin Power Systems (Jiangsu) Corp. in China to manufacture & promote GIS/GCB business.
	Formed a joint venture to establish Chung-Hsin Power Systems (Shengyang) Inc. and expand the GIS market in Mainland China.
	Established "Chung-Hsin Charitable Trust" for emergency relief purposes.
2007	Renamed a number of subsidiaries in China for branding.
2008	Established New Energy R&D center dedicated solely to Hydrogen Fuel Cell products.
	Formed strategic alliance with Tranwo to consolidate and expand the wireless communications market share.
	Established Yuanchuang Biotech Co., Ltd. To carry out medical device related research and development and sales.
	Annual revenue of heavy electrical equipment operations of Chung-Hsin Group in China exceeded NT \$1.35 billion.
2009	Began annual stock dividend distribution. Received "IT Excellence Award (Application and Product)" for Saving Energy Management System (SEMS).
2010	Received "18 th Annual Technology Industry Innovation Excellence Award" from the Ministry of Economic Affairs
	Hydrogen Energy R&D Center successfully implemented and operated "Hydrogen Power Demonstration Station," combining 10kW Fuel Cell System with wind, solar, energy storage, and Smart Power Management Technology, and became the first fully operational Fuel Cell company in Taiwan.
2011	Established "Machine Tool Division," leveraging CHEM's extensive expertise in precision machining to produce large scale gantry type five-axis machine tools.
	Received "11 th Annual Public Construction Golden Quality Award" for the

	new construction projects – installing wind power generator sets – at Wang-Gong(Changhua County), Da-Tan II, and Huxi (Penghu Island).
	Received “Taoyuan County Evergreen Business Excellence Award” for its 55 th year of commitment deeply rooted in the community.
2012	Machine Tool Division awarded market development grant by Ministry of Economic Affairs Industrial Development Bureau for development of High Speed and Precision Five Axis Gantry Machine Tool.
	Hydrogen Energy R&D Center awarded Ministry of Economic Affairs Dept of Industrial Technology’s Industry Research Grant for development of Weather Resistant Self Humidifying Fuel Cell Stack and key components.
	Signed Strategic Partnership with leading Fuel Cell manufacturer Ballard Power Systems
2013	Engineering & Construction Division awarded subsidy of the leading product development program by Ministry of Economic Affairs Industrial Development Bureau for development of packaged air-conditioning unit for data center. CHEM selected as 2 nd Potential Taiwan Middlestand by Ministry of the Economic Affairs.
2014	Formed a joint venture with Nomura Machine Tool Works, Ltd. To establish Nomura Chung-Hsin Machinery Corporation to manufacture horizontal boring & milling machines in Taiwan. Acquired H2PT, INC with the aim to obtain the advanced technology and crucial patents for development of Fuel Cell products.
2015	TachiaChi Hydro Power Plant Ching-Shan Branch Power Plant Rehabilitation Project LOT II Power Generating Equipment & Auxiliary Equipment. “the 15 th annual Golden Quality Medal Award” Supreme Quality Award by Chinese Engineer’s Association CHEM exercises Government Uniform Receipt (GUR) responsibly and abides by tax collection law and regulatory for national treasury. In 2015, we received the certification of merit of operator exercising GUR from Ministry of Finance of Taiwan. “The Auditing Award of Suppliers to Corporate Social Responsibilities”
2016	The 16 th Public Construction Golden Quality Award, by Public Construction Commission Executive Yuan, Prize of Excellence in Facilities Category, for Linkou New Thermal Power Plants 345kV GIS & accessory equipments Project,
2017	2017 Energy Smart Communities Initiative (ESCI) Best Practices Awards

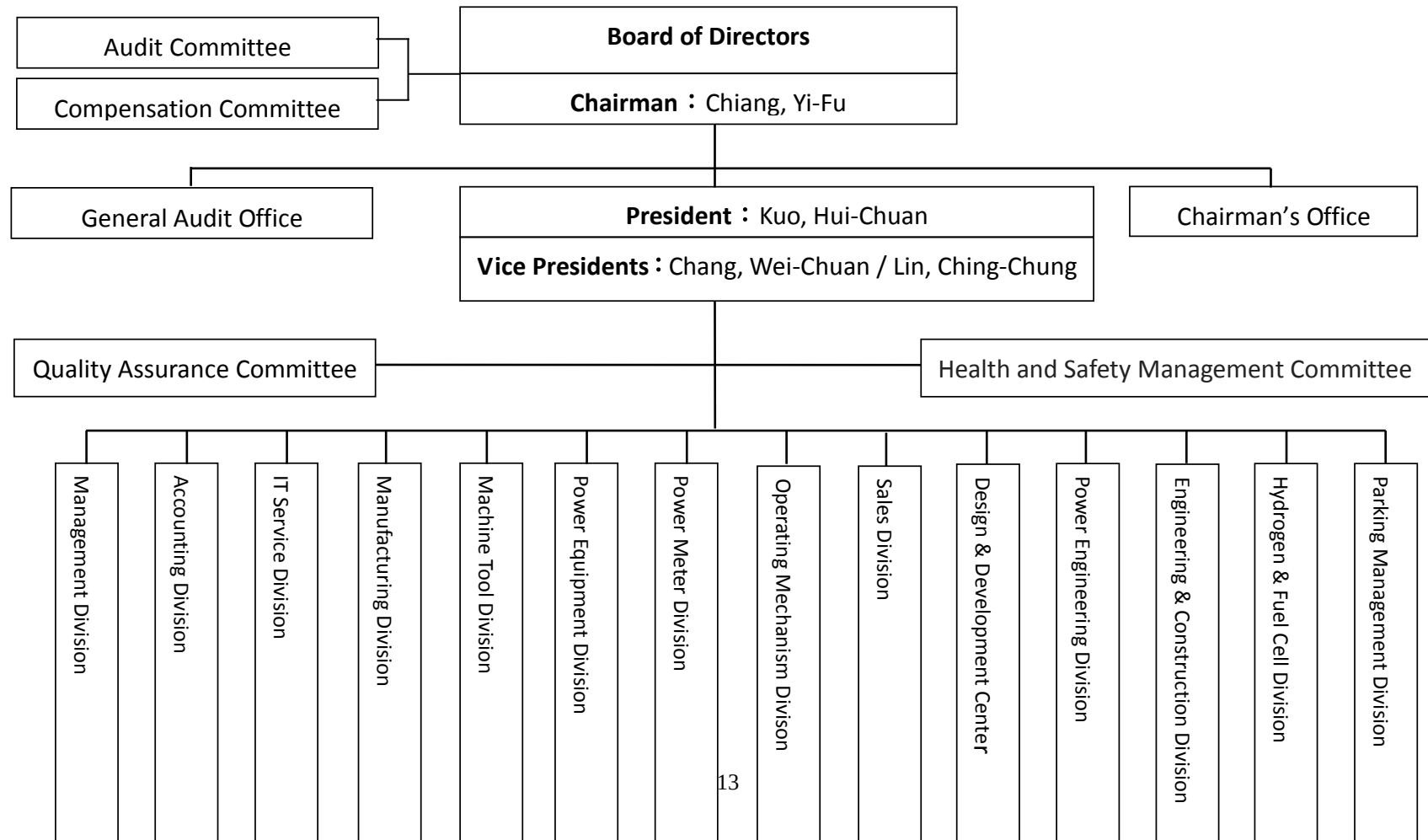
	Program. Pillar in Smart Grids, Silver in Ranking, Project Name: Penghu Dongjiyu Microgrid Small Power Supply System Formed the strategic partnership alliance for fuel cell with Toyota Tsusho from Japan. Toyota Tsusho takes the exclusivity for fuel cell in Japan. The 17th Public Construction Golden Quality Award, by Public Construction Commission Executive Yuan, Prize of Excellence in Facilities Category, for Linkou New Thermal Power Plants 345kV GIS & accessory equipments Project,
2018	CHEM Group's new Nanke factory has been built completely and is the main production base of vacuum chamber products such as semiconductor, display, solar energy equipment. Kinmen Tashan Powerplant New Construction of Unit 9 and 10 Power Generation project is designed with the concept of green environmental protection and introduced the concept of circular economy. This project won the High Distinction Award 2018 from Taiwan Power Company in Green Environmental Excellent Site Evaluation.
2019	Was granted with 19th Annual Public Construction Golden Quality Award for Chang-Kong (III) Yong Hsin – Wind Power Substation Engineering Project. Won the Contract for 193MW Solar Energy Power Plant granted by TaiSugar and 20 years in Managemnt for Service and Maintenance Was granted the Golden Award in ESCI (the Energy Smart Communities Initiative) under APEC Programs by <i>Smart Community Micro-Grid for Hsin-Long Public Housing - the 2nd Area Project</i> Received the Golden Award by Chunghwa Telecom with <i>"Best Partnership as the Supplier in Sustainability 2019"</i>

III. Corporate Governance Report

3.1 Organization

2020-4-15

3.1.1 Organizational Chart



3.1.2 Major Corporate Functions

Department	Functions
Management Division	Company-wide administrative management, personnel management, labor dispute management, guest reception, welfare and benefits, procurement, construction project management and related operations.
Accounting Division	Management and implementation of accounting system, preparation and management of budgets, billing, cashiering and matters alike.
IT Service Division	Management of company-wide computerized information systems and other matters.
Manufacturing Division	Responsible for operations related to sheet metal, precision machining, and manufacturing of GIS containers.
Machine Tool Division	CNC machine tool research and development, production, back-end applications and market development.
Power Equipment Division	Responsible for electricity supply and manufacturing of related products.
Power Meter Division	Manufacturing of electricity meter and related products.
Power Engineering Division	Power system automation, power generation and substation operations, engineering and construction related matters.
Operating Mechanism Division	Manufacturing and sales of pneumatic-operated, spring-operated, electric-operated, electric and spring-operated handlers of gas-insulated switchgear (GIS), and medium voltage switchgear equipments.
Sales Division	Business plan, domestic and overseas sales, market development.
Design & Development Center	Development, design, and manufacturing of power equipment products.
Engineering & Construction Division	Design, warranty, maintenance of engineering and construction projects, and manufacturing of air conditioning and electrical products.
Hydrogen & Fuel Cell Division	Hydrogen energy research and product development, and market development.
Parking Management Division	Parking construction projects and services management.

3.2 Directors, Supervisors and Management Team

3.2.1 Directors

May 6, 2020

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Taiwan, R.O.C.	Yi-Fu Chiang (Note 1)	male	June 28, 2017	3	June 10, 2005	31,522,546 105,956	7.51% 0.03%	35,194,546 105,956	8.38% 0.03%	0	0.00%	0	0.00%	Department of Diplomacy, National Chengchi University, Head of Investigation Bureau President of CEM	Note3	Director	Fu-Nien Chiang	parent/son
Director	Taiwan, R.O.C.	Hui-Chuan Kuo (Note 1)	female	June 28, 2017	3	June 10, 2005	31,522,546 0	7.51% 0.02%	35,194,546 0	8.38% 0%	0	0.00%	0	0.00%	MS of Industrial Management, National Cheng Kung University Vice President of CEM	Note 4	None	None	None

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
Director	Taiwan, R.O.C.	Jin-Tiao Wu (Note 1)	male	June 28, 2017	3	June 10, 2005	31,522,546 0	7.51% 0%	35,194,546 65,799	8.38% 0.02%	1,312	0.00%	0	0.00%	Ph.D.(Chemistry and Biochemistry), University of Maryland,U.S.A. President of Reinnova entech engineering Corp.	Note 5	None	None	None
Director	Taiwan, R.O.C.	Wei-Chuan Chang (Note 1)	male	June 28, 2017	3	June 10, 2005	31,522,546 193,932	7.51% 0.05%	35,194,546 287,794	8.38% 0.07%	1,750	0.00%	0	0.00%	China Maritime College Vice President of CHEM	None	None	None	None
Director	Taiwan, R.O.C.	Fu-Nein, Chiang (Note 1)	male	June 28, 2017	3	June 10, 2005	31,522,546 0	7.51% 0%	35,194,546 39,600	8.38% 0.01%	0	0.00%	0	0.00%	COO, Dodohome Group, Chung Hsin Electric & Machinery Mfg. Corp. Ltd.	Chairperson, FinData Finance Technology Corporation.	Chairman	Yi-Fu Chiang	Son/Parent
Director	Taiwan, R.O.C.	Ming-Xian Weng (Note 2)	male	June 28, 2017	3	June 12, 1997	2,256,730 0	0.54% 0.00%	2,256,730 0	0.54% 0.00%	0	0.00%	0	0.00%	Department of Agricultural Engineering, National Taiwan University	Note 6	None	None	None

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
Independent Director	Taiwan, R.O.C.	Gene-Tzn Chen	male	June 28, 2017	3	June 28, 2017	0	0%	0	0%	0	0.00%	0	0.00%	Department of Law, National Taiwan University. Legislator, Delegate to the National Assembly, Investigator, Lawyer, President of Taishin Securities Investment Trust CO.,LTD	Note 7	None	None	None

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
Independent Director	Taiwan, R.O.C.	Sing-San Pai	male	June 28, 2017	3	June 28, 2017	0	0%	0	0%	0	0.00%	0	0.00%	S.J.D of Chinese Culture University M.Arch. National Cheng Kung University B.Arch. Chung Yuan Christian University M. Administration Management, University of San Francisco National Policy Advisor to the President. Board Director, Taipei Architects Association. Chairman, Consumers' Foundation, Chinese Taipei. Chairman, Memorial Foundation of 228. P.C.C Complaint Review Board for Government Procurement	Note 8	None	None	None

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
Independent Director	Taiwan, R.O.C.	Horng-Chi Chen	male	June 28, 2017	3	June 28, 2017	0	0%	0	0%	0	0.00%	0	0.00%	S.J.D of Kindai University Legislator, Delegate to the National Assembly, Deputy Representative, Representative offices in Japan Chairperson of Taiwan-Japan Relations Association, Associate Professor	Note 9	None	None	None

Note 1 : Representative of Sheng-Yuan Investment Corp.

Note 2 : Representative of Chung Chia International Investment CO., LTD.

Note 3: Chairman of Sunrise Investment Corp., Etrovision technology Co.,Ltd., Chung Hsin Precision Machinery Co. Ltd., Chem-tech (Shang-hai) Corp., Chung-Hsin Power Systems (Shenyang) INC. Chung-Hsin Power Systems (Jiangsu) Corp. Chung- Hsin Energy Tech. Inc. Tian Chong Energy Co., Ltd. Tian Cin Energy Co., Ltd. Tian Peng Energy Co., Ltd. Tian Fu Energy Co., Ltd.,etc. Director of CHEM USA 、CHEM CORP. 、CHEM J-V LIMITED 、CHEM POWER LIMITE 、Jiangsu Fumei Landscape & Real Esta Development Co., Ltd. ,etc.

Note 4: Director of Cheng-hsin engineering & services Co., Ltd., Sunrise Investment Corp., Li-Xiang Technology Co., Ltd., Etrovision technology Co.,Ltd., Global-entech laboratories Co., Ltd., Tone-zoom industry Co., Ltd., Xian-han Co., Ltd., Tranwo Tecology Corp., CHEM USA, NOMURA Chung-Hsin Machinery Corporation. Chung- Hsin Energy Tech. Inc. Tian Chong Energy Co., Ltd. Tian Cin Energy Co., Ltd. Tian Peng Energy Co., Ltd. Tian Fu Energy Co., Ltd. President of CHEM and the Director of Finance.

Note 5: Director of Chung- Hsin Energy Tech. Inc. Jiangsu Chung-Hsin Precision Machinery Co.,Ltd., Chem-tech (Shang-hai) Corp.,Chung-Hsin Power Systems (Shenyang) Inc., etc.

Note 6: Chairman of CMC Magnetics Corp. Chairman and director of CMC Group subsidiaries.

Note 7: Chairman of Won-Jon Management Consulting Company Limited, Board of Director, Taiwan Flower Biotechnology Co., LTD. , Independent Director, Champion Building Materials Co., Ltd.

Note8: Chairman, Consumers' Foundation, TMA Architects & Associates, Adjunct Professor, National Taiwan University of Science and Technology, Chairman of Consumers' Foundation, Director of Contemporary Taiwan Development Foundation

Note 9: Senior Consultant, Institute for National Policy Research. Independent Director, SinKang Industries Co., Ltd.

Major shareholders of the institutional shareholders

May 6, 2020

Name of Institutional Shareholders	Major Shareholders
Chung Chia International Investment CO., LTD.	CMC Magnetics Corp. Ltd. (100%)
Sheng Yuan Investment Corp. Ltd.	Chung Hsin Electric & Machinery Mfg. Corp. Ltd. (29.33%), Guang Xing Electric & Machinery Mfg. Corp. Ltd. (70.67%)

Major shareholders of the Company's major institutional shareholders

May 6, 2020

Name of Institutional Shareholders	Major Shareholders
Chung Hsin Electric & Machinery Mfg. Corp. Ltd.	SHENG-YUAN investment Corp.(8.38%) , Guang Xing Electric & Machinery Mfg. Corp. Ltd.(5.91%), Han Sin investment corp. Ltd.(5.28%) , Fubon Life Insurance Co., Ltd.(4.23%), Asset Trusteeship of Norges Bank, Norway, Authorized by CitiBank (2.35%), A-Wen Lan (2.10%), Quark Investment Co., Ltd.(1.89%), Bureau of Labor Funds, Ministry of Labor(1.52%), Sunrise Investment Corp. Ltd. (1.49%), Hua Nan Commercial Bank- – CHEM's Employee Trust Account (1.47%)

CMC Magnetics Corp. Ltd.	Ming-Xian Weng (7.75%), Li-Rong, Yang (2.55%), Concord International Securities Co. Ltd.,(2.16%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.47%), Jui-Jung Tsai(1.33%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund (1.23%), Jin-Chong Wu(0.96%), Ya-Hsiu Yang(0.79%) , JP Morgan Investment Account (0.72%), Shiao-Wei Weng(0.57%)

Professional qualifications and independence analysis of directors

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12		
Yi-Fu Chiang)	No	No	Yes	-	-	✓	-	✓	✓	✓	-	✓	-	✓		0	
Ming-Xian Weng	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0	
Hui-Chuan Kuo	No	No	Yes	-	-	✓	✓	✓	✓	✓		✓	✓	✓		0	
Jin-Tiao Wu	No	No	Yes	-	-	✓	✓	✓	✓	✓		✓	✓	✓		0	
Wei-Chuan Chang	No	No	Yes	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0	

Fu-Nien Chiang	No	No	Yes	-	-	✓	-	✓	✓	✓	-	✓	-	✓		0
Gene-Tzn Chen	No	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Sing-San Pai	No	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Horng-Chi Chen	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

3.2.2 Management Team

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	Taiwan, R.O.C.	Hui-Chuan Kuo	female	July 5, 2011	0	0.00%	0	0.00%	0	0.00%	MS of Industrial Management, National Cheng Kung University Vice President of CHEM	Note 1	No	No	No
Vice President	Taiwan, R.O.C.	Wei-Chuan Chang	male	Dec.28, 2006	287,794	0.07%	1,750	0.00%	0	0.00%	China Maritime College Vice President of CHEM	No	No	No	No
Vice President	Taiwan, R.O.C.	Ching-Chun g Lin	male	Aug. 30, 2011	208,965	0.05%	10,250	0.00%	0	0.00%	Department of Electrical Engineering, National Taipei University of Technology Director of Power Equipment Division of CHEM	No	No	No	No
Director of Accounti ng Departm ent	Taiwan, R.O.C.	Shu-Chen Wu	female	February 4, 2006	249,941	0.06%	55,750	0.01%	0	0.00%	Department of Accounting and Statistics, National Taipei College of Business Director of Accounting Division of CHEM	No.	No	No	No

Note 1 : Director of Cheng-hsin engineering & services Co., Ltd., Sunrise Investment Corp., Li-Xiang Technology Co., Ltd., Etrovision technology Co.,Ltd., Global-entech laboratories Co., Ltd., Tone-zoom industry Co., Ltd., Xian-han Co., Ltd., Tranwo Tecology Corp., CHEM USA, NOMURA Chung-Hsin Machinery Corporation. Chung- Hsin Energy Tech. Inc. Tian Chong Energy Co., Ltd. Tian Cin Energy Co., Ltd. Tian Peng Energy Co., Ltd. Tian Fu Energy Co., Ltd. President of CHEM and the Director of Finance.

Note 5: Director of Chung- Hsin Energy Tech. Inc. Jiangsu Chung-Hsin Precision Machinery Co.,Ltd., Chem-tech (Shang-hai) Corp.,Chung-Hsin Power Systems (Shenyang) Inc., etc.

3.3 Remuneration of Directors, Supervisors, President, and Vice President

3.3.1 Remuneration of Directors

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
Chairman	Yi-Fu Chiang (Note 1)	0	0	0	0	15,980,609	15,980,609	480,000	480,000	2.59%	2.59%	20,044,318	21,162,359	870,792	870,792	0	0	0	0	5.88%	6.06%	NA
Director	Hui-Chuan Kuo (Note 1)																					
Director	Jin-Tiao Wu (Note 1)																					
Director	Wei-Chuan Chang (Note 1)																					
Director	Fu-Nein, Chiang (Note 1)																					
Director	Ming-Xian Weng (Note 2)																					
Independent Director	Gene-Tzn Chen	1,800,000	1,800,000	0	0	0	0	243,000	243,000	0.32%	0.32%	0	0	0	0	0	0	0	0	0	0	NA

Independent Director	Sing-San Pai																					
Independent Director	Horng-Chi Chen																					
1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: The board of directors are authorized to decide the remuneration of the independent directors of the Company based on the degree of participation and contribution, and also the usual practice from other domestic/foreign businesses into account. 2. In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors: None																						

Note 1 : Representative of Sheng-Yuan Investment Corp.

Note 2 : Representative of Chung Chia International Investment CO., LTD.

Range of Remuneration

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Less than NT\$ 1,000,000	Representative of Sheng-Yuan Investment Corp.(Yi-Fu Chiang, Hui-Chuan Kuo, Jin-Tiao Wu, Wei-Chuan Chang ,Fu-Nien Chiang), Representative of Chung Chia International Investment Co., LTD.(Ming-Xian Weng), Gene-Tzn Chen, Sing-San Pai, Horng-Chi Chen	Representative of Sheng-Yuan Investment Corp.(Yi-Fu Chiang, Hui-Chuan Kuo, Jin-Tiao Wu, Wei-Chuan Chang ,Fu-Nien Chiang), Representative of Chung Chia International Investment Co., LTD.(Ming-Xian Weng), Gene-Tzn Chen, Sing-San Pai, Horng-Chi Chen	Representative of Chung Chia International Investment Co., LTD.(Ming-XianWeng), Gene-Tzn Chen, Sing-San Pai, Horng-Chi Chen	Representative of Chung Chia International Investment Co., LTD.(Ming-XianWeng), Gene-Tzn Chen, Sing-San Pai, Horng-Chi Chen

NT\$1,000,000 ~ NT\$1,999,999	NA	NA	Representative of Sheng-Yuan Investment Corp.(Fu-Nien Chiang),	Representative of Sheng-Yuan Investment Corp.(Fu-Nien Chiang),
NT\$2,000,000 ~ NT\$3,499,999	NA	NA	Representative of Sheng-Yuan Investment Corp.(Wei-Chuan Chang	Representative of Sheng-Yuan Investment Corp.(Wei-Chuan Chang
NT\$3,500,000 ~ NT\$4,999,999	NA	NA	Representative of Sheng-Yuan Investment Corp.(Jin-Tiao Wu ,Hui-Chuan Kuo)	Representative of Sheng-Yuan Investment Corp.(Jin-Tiao Wu ,Hui-Chuan Kuo)
NT\$5,000,000 ~ NT\$9,999,999	NA	NA	Representative of Sheng-Yuan Investment Corp. (Yi-Fu Chiang)	Representative of Sheng-Yuan Investment Corp. (Yi-Fu Chiang)
NT\$10,000,000 ~ NT\$14,999,999	NA	NA	NA	NA
NT\$15,000,000 ~ NT\$29,999,999	NA	NA	NA	NA
NT\$30,000,000 ~ NT\$49,999,999	NA	NA	NA	NA
NT\$50,000,000 ~ NT\$99,999,999	NA	NA	NA	NA
Greater than or equal to NT\$100,000,000	NA	NA	NA	NA
Total	9	9	9	9

3.3.2 Remuneration of the President and Vice President

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Hui-Chuan Kuo	5,548,977	5,548,977	448,208	448,208	3,902,017	3,902,017	0	0	0	0	1.56	1.56	N/A
Vice President	Wei-Chuan Chang													
Vice President	Ching-Chung Lin													

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Less than NT\$ 1,000,000	NA	NA
NT\$1,000,000 ~ NT\$1,999,999	NA	NA
NT\$2,000,000 ~ NT\$3,499,999	Wei-Chuan Chang, Ching-Chung Lin	Wei-Chuan Chang, Ching-Chung Lin
NT\$3,500,000 ~ NT\$4,999,999	Hui-Chuan Kuo	Hui-Chuan Kuo
NT\$5,000,000 ~ NT\$9,999,999	NA	NA
NT\$10,000,000 ~ NT\$14,999,999	NA	NA
NT\$15,000,000 ~ NT\$29,999,999	NA	NA
NT\$30,000,000 ~ NT\$49,999,999	NA	NA
NT\$50,000,000 ~ NT\$99,999,999	NA	NA
Greater than or equal to NT\$100,000,000	NA	NA
Total	3	3

3.3.3 Managerial officers with the top five highest remuneration amounts in a TWSE/TPEX-listed company

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Hui-Chuan Kuo	6,141,033	6,141,033	503,288	503,288	4,411,931	4,411,931	386,100	0	0	0	1.80	1.80	NA
Vice President	Wei-Chuan Chang													
Vice President	Ching-Chung Lin													
Direct of Accounting Division	Shu-Chen Wu													

3.3.4 The Distribution of Employee Bonus to Managers and the Names

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Hui-Chuan Kuo	0	386,100	386,100	0.06
	Vice President	Wei-Chuan Chang				
	Vice President	Ching-Chung Lin				
	Direct of Accounting Division	Shu-Chen Wu				

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

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

Year Title	2018		2019	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Director	2.79%	2.79%	2.91%	2.91%

Presidents and Vice Presidents	3.79%	3.79%	1.56%	1.56%
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In accordance with the Article 33 of the Corporate Charter, the Company shall compensate less than 3% to the board of directors. The remuneration of 2019 and 2018 were compensated in accordance with the required percentage from the Net Profit before Tax. The remuneration from 2019 was NT\$72,000 more than the amount from 2018.

The Net Profit after Tax of 2019 was \$635,299,038. 2.91% was used for the remuneration for the board of directors, and 6.2% is for those who were both directors and employees of the same year.

The Net profit after tax of 2018 was \$544,837,600. 2.79% was used for the remuneration for the board of directors, and 8.76% is for those who were both directors and employees of the same year.

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance.

The remuneration policies for the payment for directors and supervisors are governed by the Shareholders Meeting according to the rules of the Articles of Incorporation. The reward which company offers to Presidents and Vice Presidents for the services rendered is measured based on the contribution made to the business operation and the employee's personal achievements.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

A total of 5 (A) meetings of the Board of Directors were held in the previous period.

The attendance of director were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairman	Representative of Sheng-Yuan Investment Corp.: Yi-Fu Chiang	5	0	100	
Director	Representative of Sheng-Yuan Investment Corp.: Hui-Chuan Kuo	5	0	100	
Director	Representative of Sheng-Yuan Investment Corp.: Jin-Tiao Wu	3	2	60	
Director	Representative of Sheng-Yuan Investment Corp.: Wei-Chuan Chang	5	0	100	
Director	Representative of Sheng-Yuan Investment Corp.: Fu-Nien Chiang	5	0	100	
Director	Representative of Chung Chia International Investment Co., LTD.: Ming-Xian Weng	5	0	100	
Independent Director	Gene-Tzn Chen	4	1	80	
Independent Director	Sing-San Pai,	5	0	100	
Independent Director	Horng-Chi Chen	5	0	100	

Other mentionable items:

1. If there are circumstances referred to in Article 14-3 of the Securities and Exchange Act and resolutions of the directors' meetings objected to by independent directors or subject to qualified opinion and recorded or declared in writing, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified: Please refer to page 15-16 of the Chinese annual report.
2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None
3. Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties. : None

● Implementation Status of Board Evaluations

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once every year	Jan. 1 to Dec. 31, 2019	Performance of the	Self-Evaluation	1. The level of participation of the business

		Board		operation. 2. Decision Quality of the Board 3. Composition and Structures of the Board 4. Election of the Board Directors, Settlement, and Continuous Training Courses 5. Internal Control
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3.4.2 Audit Committee:

A total of 5 (A) meetings of Audit Committee were held in the previous period. The attendance of independent directors were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Independent Director	Gene-Tzn Chen	4	1	80	
Independent Director	Sing-San Pai,	5	0	100	
Independent Director	Horng-Chi Chen	5	0	100	
Other mentionable items: 1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified: (1) Matters referred to in Article 14-5 of the Securities and Exchange Act. Please refer to page 16-17 of the Chinese annual report. (2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors. 2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None 3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)					

3.4.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1.Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?		✓	The company has not established the Corporate Governance Best-Practice Principles.	None
2.Shareholding structure & shareholders’ rights Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure? Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? Does the company establish and execute the risk management and firewall system within its conglomerate structure? Does the company establish internal rules against insiders trading with undisclosed information?	✓ ✓ ✓ ✓		The Company assigned spokesperson, deputy spokesperson, and stock representative to handle shareholder suggestions or complaints. The Company assigned stock representative to keeps track of the major shareholders that listed by the stock affair attorney. The Company execute the risk management and firewall system in accordance with relevant provisions. The company has established the Regulations on Insider Trading to prevent insider trading.	None
3.Composition and Responsibilities of the Board of Directors Does the Board develop and implement a diversified policy for the composition of its members? Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? Does the company establish a standard to measure the performance of the Board, and implement it annually?	✓ ✓ ✓		Member diversification is considered by the Board members. The Board objectively chooses candidates to meet the goal of member diversification. The Company has established the Remuneration Committee and will established the Audit Committees in 2017.	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
Does the company regularly evaluate the independence of CPAs?	✓		The company has formulated rules and procedures for evaluating the Board’s performance and conducts it periodically.	
	✓		The Company evaluates the independence of CPAs periodically in accordance with relevant provisions.	
4.Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?	✓		The board appointed the director of division as the Corporate Governance Director in 2019. The Chairman’s office is also responsible for the relevant matters for Corporate Governance Matters. This includes the support and management of holding Board Meetings, Auditors’ Committes, Remuneration Committes, and the matters of related meetings and shareholders’ meetings. The Office also sports the administrative matters for Board Directors being onboard, continuous learning, information and/or materials needed for business operation, and supporting board directors with requirement-to-follow.	None
5.Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?		✓	The Company assigned spokesperson, deputy spokesperson, and stock representative to communicate with our stakeholders.	None
6.Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		We have appointed KGI Securities Corp. as our registrar for our Shareholders' Meetings.	None
7.Information Disclosure	✓		The Company has set up a Chinese/English website (www.chem.com.tw) to disclose information regarding the Company’s financials, business and corporate governance status.	
Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		1. The Company has set up Chinese/English website (www.chem.com.tw) to disclose information.	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		2. The Company has assigned an appropriate department to handle information collection and disclosure.	
Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?			3.The Company has submitted and announced the yearly financial statement as required and also the business report of the first to the third Quarter and the monthly operation report.	
8.Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors?	✓		1.The Company was founded more than sixty years ago, and it has a complete employee pension and benefit system which is being effectively implemented to allow employees and their families enjoy the care of the lifetime employment system. The Company also operates on the basis of no lay-off and no pay cut regardless of operating results. Due to social changes induced by political and economic transformations, the Company does, however, adjust its business strategy and offer severance package superior to the terms specified in the Labor Standards Act to those let go, as well as assist them with re-employment. 2.The Company has established a point of contact for investor retaliations on the company web site to respond to inquiries promptly. 3.The Company is in strict compliance with the relevant provisions of the contract entered into with its customers, and is committed to delivering on our promises. 4. All the major operational decisions, investment projects, lending of capital, endorsements and guarantees, etc. shall be evaluated by the departments concerned and be effective after ratification at board meetings. 5.Directors’ and supervisors’ training records: Please refer to the table below.	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			6.Managers’ training records: Please refer to the table below.	
9.Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures: 1. The company has formulated the "Code of Integrity Management" in March 2017 to prohibit the event of dishonesty, and it has been disclosed on the company's official website.The company's specific implementation of the integrity management policy and the plan to prevent dishonesty are to be disclosed on the company's official website in 2020. 2. The company has established the "Protection Procedures for Preventing Insider Transaction Management" in August 2017, and as revealed on company's official website that it is forbidden for insiders to use information that is not available in the market to make profits. The details of the transaction are to be disclosed on the company's website in 2020.				

Note 1: The accounting department of the company evaluates the independence of Certificated Accountants once a year and also submits the results to the board of directors for approval. After the evaluation, none of the appointed Certificated Accountants has the aboved-describe circumstances in independent evaluation. Thus it is confirmed that the Certificated Accountants has met the independence and suitability, and the reliability of the financial report issued is unquestionable. The evaluation standards of accountant independence are as follows:

Items for Evaluation	Result of Evaluation	If Qualified for Independence
1. Is not employed by the Company or its affiliates.	Qualified	Qualified
2. Is not the directors of the board or the supervisors of the Company and its affiliates. (However, if it is an independent director of a company or its parent company, a company that directly or indirectly holds more than 50% of the voting shares, this shall be excluded)	Qualified	Qualified
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.	Qualified	Qualified
4. Does not have a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, in the preceding two subparagraphs	Qualified	Qualified
5. Are not legal shareholders who directly hold more than 50% of the company's issued shares, or directors, supervisors or employees who are the top five legal shareholders.	Qualified	Qualified
6. Not any of directors, supervisors, managers or shareholders holding more than 5% of a particular company or organization that has financial or business dealings with the Company.	Qualified	Qualified
7. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.	Qualified	Qualified
8. Not been a person of any conditions defined in Article 30 of the Company Law.	Qualified	Qualified
9. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.	Qualified	Qualified
10. Has obtained the "Aloof Independent Statement" issued by the accountant and audit team.	Qualified	Qualified
11. receives regulation training.	Qualified	Qualified

10. Directors' and supervisors' training records:

Title	Name	Training hours	Study period		Sponsoring Organization	Course
			From	To		

Director	Wei-Chuan Chang	6	2019/12/26	2019/12/26	The Introduction of IIA Taiwan	Case Analysis: Business Secret Act and Prohibition of Competition
Director	Ming-Xian Weng	3	2019/11/07	2019/11/07	Taiwan Corporate Governance Association	Innovation for profitability in Digital Economy
		3	2019/12/23	2019/12/23	Taiwan Corporate Governance Association	Tax Regulation and Legal Responsibilities for Directors of Board
Director	Hui-Chuan Kuo	6	2019/12/26	2019/12/26	The Introduction of IIA Taiwan	Case Analysis: Business Secret Act and Prohibition of Competition
Director	Jin-Tiao Wu	6	2019/12/26	2019/12/26	The Introduction of IIA Taiwan	Case Analysis: Business Secret Act and Prohibition of Competition
Director	Wei-Chuan Chang	3	2019/12/16	2019/12/16	Securities & Futures Institute	Case Study –Fraud in Corporate Financial Statement
		3				IP Analysis – View From Business Secret
Director	Fu-Nein, Chiang	6	2019/12/26	2019/12/26	The Introduction of IIA Taiwan	Case Analysis: Business Secret Act and Prohibition of Competition
Independent Director	Gene-Tzn Chen	6	2019/12/26	2019/12/26	The Introduction of IIA Taiwan	Case Analysis: Business Secret Act and Prohibition of Competition
Independent Director	Sing-San Pai	6	2019/12/18	2019/12/18	The Introduction of IIA Taiwan	How to Interpret Operating Performance the IFRS Financial Statement – From Internal Auditors’ Point of View
Independent Director	Horng-Chi Chen	3	2019/09/24	2019/09/24	Securities & Futures Institute	How to Perform Duties as Directors and Supervisors in Listed Companies
		3	2019/11/21	2019/11/21	Taiwan Stock Exchange	Board Functions Enhancement Seminars

11.Managers’ training records:

Title	Name	Training hours	Duration		Sponsoring Organization	Course
			From	To		
Direct of Accounting Division	Shu-Chen Wu	12	2019/08/15	2019/08/16	Account Research And Development Foundation	IFRS15

3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

Title (Note1)	Criteria Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Gene-Tzn Chen,		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Sing-San Pai,		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Horng-Chi Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Please specify as Director, Independent Director or others.

Note2: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not a person of any conditions defined in Article 30 of the Company Law.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not been a person of any conditions defined in Article 30 of the Company Law.

B. Attendance of Members at Remuneration Committee Meetings

There are 3 members in the Remuneration Committee. A total of 2 (A)
Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Gene-Tzn Chen,	2	0	100	
Committee Member	Sing-San Pai,	2	0	100	
Committee Member	Horng-Chi Chen	2	0	100	
Other mentionable items: 1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None. 2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.					

3.4.5 Fulfillment of CSR and Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation Status ¹			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation ²	
1. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies? ³	✓		1. The Company has stipulated the code of practice of corporate social responsibility. The principles and policies that regulate corporate social responsibility in the code are to implement and promote corporate governance, to develop a sustainable environment, also to participate in the promotion of social welfare, and strengthen corporate social responsibility with information disclosure. 2. The Company has formulated the corporate governance code and has established an internal control system, for reviews and evaluation at any time in order to respond to changes internally and externally. This is to ensure that the design and implementation of the system is continuous and effective. 3. The company has established environmental operation control procedures to standardize the company 's environmental related control operations while at the same time, being able to identify and operate the related environmental risks, to ensure that various processes, activities and services comply with environmental protection laws and the company 's environmental policies, and have the identified risks controlled appropriately for needs.	No significant difference
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in		✓	The company has formulated the code of practice for corporate social responsibility and actively practices corporate social responsibility to promote economic, environmental and social progress in order to achieve the goal of sustainable development. The company's corporate	No significant difference

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
charge of proposing the corporate social responsibility policies and reporting to the board?			social responsibility promotion situation is handled by the senior management, authorized by the board of directors, and the handling situation is reported to the board of directors from time to time.	
3. Environmental issues (1) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		The Company has established a complete environmental management system according to the company's industrial characteristics and operational needs, and also the Company has passed Certification ISO14001 (Validity period: 2017.Nov.1 ~ 2020.Dec.2)	No significant difference

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		The Company advocates the use of related products such as recycled paper and environmental protection labels, and continues to promote paperlessness and waste reduction. In addition, the company's products also prohibits the use of hazardous substances, product development in line with international regulations, and strives to minimize the environmental impact.	No significant difference

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
(3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?		✓	The Company has not yet assessed the current and future potential risks and opportunities of the Company against climate change, and has not taken measures to deal with climate-related issues, which will gradually be improved in the future.	The implementation will be conducted based on the needs from Company’ s operational needs.
(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?	✓		In addition to complying with the domestic greenhouse gas reduction laws and regulations, the Company has conducted independent investigations of greenhouse since this year, in order to promote the control in greenhouse gas emission.	No significant difference
4. Social issues (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		The company protects the lawful rights and interests of employees in accordance with labor laws and regulations, provides retirement pensions according to law. The Company also unblocks the communication between employers and employees, and actively understands and has reasonable salary and remuneration to achieve a win-win situation for labor and management. The employee welfare committee has set up for handling various matters in employee welfares.	No significant difference

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	✓		The company has set up "employee work regulations", "employee assessment operation methods", "employee compensation distribution method", and has set up "personnel evaluation committee", to give fair and objective evaluation for awards and penalties.	No significant difference
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		The Company regularly conducts employee health checkups, and conducts special operation health checkups for technicians or operators with different needs. The Company also often organizes labor safety and health educational trainings, to ensure a safe and healthy work environment for employees in implementation.	No significant difference
(4) Does the company provide its employees with career development and training sessions?	✓		The Management Division of the Company has a complete training plan for the career development of employees.	No significant difference
(5) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of	✓		The Company's marketing activities, labeling of products and services all comply with relevant regulations and international standards to ensure the quality of products and services. The Company has also formulated major customer complaint handling procedure to standardize customer complaint procedures to protect customer rights and interests.	No significant difference

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
products and services, and are relevant consumer protection and grievance procedure policies implemented?				
(6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	✓		The Company has established a manufacturer management operation method as a basis for supplier management, and regularly implements supplier evaluation to monitor and ensure the safety and health, risk, environmental protection and labor human rights of suppliers.	No significant difference
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?		✓	The company has not yet prepared a corporate social responsibility report.	The implementation will be conducted based on the needs from Company’ s operational needs.
6. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies:				

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
In order to practice corporate social responsibility, the Company has established the "Corporate Social Responsibility Practice Code" based on the "Corporate Social Responsibility Practice Code of Listed Companies", and will continue to follow the norms and spirit of the "Corporate Social Responsibility Practice Code" and work with all employees of the company Implement and execute.				
7. Other useful information for explaining the status of corporate social responsibility practices: The Company has explained the status of corporate social responsibility operations on the company's official website, and will disclose relevant information on the company's website in the future according to the actual operation situation.				

3.4.6 Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implement status			Deviation from "Cooperate Social Responsibility Practice Principal for TWSE/GTSM listed Companies" and reason
	Yes	No	Summary	
1.Establishment of ethical corporate management policies and programs				
(1)Does the company reveal integrity policy in internal norm and external documents, and reporting to the board of Director?	V		(1)The company has established "Ethical Corporate Management Best Practice Principles for CHEM" and relevant units for the implementing, monitoring in integrity operating rules and reporting to board of director in a regular basis.	No significant difference
(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice	V		(2) The company promotes corporate governance and integrity management concepts at regular and irregular meetings. The company has set up a "Code of Integrity Management" to regulate the business activities for possible behaviors of higher risk of dishonesty within the business model, such as preventing bribery, and providing illegal political contributions.	No significant difference

Principles for TWSE/TPEX Listed Companies? (3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	V		(3) The Company's "Integrity Management Code" and "Corporate Governance Code" has already included plans to prevent dishonesty. The Company also has a sound system for handling complaint and disciplinary, through emailing to the Management Division	No significant difference
2.Implementing integrity operation (1)Does the company evaluate its counterparty's integrity record and set up integrity rules of code and conducts?	V		(1)We establish "Ethical Corporate Management Best Practice Principles for CHEM" to prohibit inappropriate integrity behavior. Contract could be terminated or retrieved once involving inappropriate integrity behavior.	No significant difference
(2)Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	V		(2)We establish Management Department to take care of the developing, executing in integrity operating rules and reporting to board of director in a regular basis.	No significant difference
(3)Does the company establish interest conflict prevention policy, providing appropriate appealing channel and execution?	V		(3)We prohibit all employees to in accepting in appropriate gift which affect the transaction with counterparty and provide appropriate reporting	No significant difference

(4) Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits? (5) Does the company hold integrity education training on a regular basis?	V V		channel. (4) We establish effective accounting system, internal controlling system and report to board of director in a regular basis. (5) We hold integrity education training on a regular basis.	No significant difference No significant difference
3. Reporting System execution (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures? (3) Does the company take action in protecting litigant not to be treated in an inappropriate way when reporting an	V V V		(1) We establish human resource review committee and appealing special line and designate exclusively staff in charge of each offense. (2) We establish human resource review committee to assure the duty of protecting the secrecy of litigant. (3) We establish human resource review committee to assure the duty of protecting the secrecy of litigant. We assure that the litigant will not be treated in an	No significant difference No significant difference No significant difference

offense?			inappropriate way when reporting an offense.	
4.Enhancing information disclosure Does the company reveal its integrity content and execution in its website and MOPS (Market Observation Post System)?	V		We establish website to reveal relating information in corporate culture, operating guidance and reveal integrity operating rules in MOPS (Market Observation Post System)	No significant difference
5.If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. There have been no differences.				
6.Other information which help to understand corporate integrity operation (e.g. Corporate amendment in corporate integrity operation): No				

3.4.7 Corporate Governance Guidelines and Regulations

We establish “investor relation”-“Corporate governance” in our website (<http://www.chem.com.tw>) for investor to search or download relating regulation in corporate governance, Board meeting resolution, and material information

3.4.8 Other Important Information Regarding Corporate Governance

More Information on corporate governanc is available from the Company official website for further reference. Instant and important announcement is also disclosed in a timely manner to general public.

3.4.9 Internal Control Systems

Please refer to page 27 of the Chinese annual report.

The person who entrusts the accountant to review the internal control system in special projects shall disclose the accountant's review report: None.

3.4.10 If there has been any legal penalty against the company and its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings

Item	Date	Major resolutions
Shareholders' Meeting	06.27.2019	1.Approval of the 2018 financial statements. 2.Approval of the distribution of 2018 retained earnings. 3.Approval of the mendment to the Operational Procedures for the Acquisition or Disposal of Assets. 4.Approval of the mendment to the Operational Procedures for Loaning of Company Funds. 5. Approval of the mendment to the Operational Procedures for Endorsements/Guarantees . 6. Approval of the Spin-off of the Renewable Energy Group for the formation of Chung- Hsin Energy Tech. Inc.
Board Meeting	03.26.2019	1. Approval of the 2018 financial statements. 2. Approval of the distribution of 2018 retained earnings. 3.Approval of the mendment to the Operational Procedures for the Acquisition or Disposal of Assets. 4.Approval of the mendment to the Operational Procedures for Loaning of Company Funds. 5. Approval of the mendment to the Operational Procedures for Endorsements/Guarantees . 6. Approval of the Spin-off of the Renewable Energy Group for the formation of Chung- Hsin Energy Tech. Inc. This is formed as an independent entity to facilitate the expansion of international business and the operation of capital market
Board Meeting	08.12.2019	1.Approval of the consolidated financial statements for Q2 of year 2019. 2.Approval of the Issuance of the Company's first unsecured convertible bond 3. Approval of Measures for the Supervision and Management of Subsidiaries 4.Approval of Corporate Governance Code
Board Meeting	11.12.2019	1. Approval of the mendment to the Operational Procedures for the Acquisition or Disposal of Assets. 2. Approval of the mendment to the Operational Procedures for Endorsements/Guarantees .
Board Meeting	01.16.2020	1.Approval of the mendment to the Operational Procedures for the Acquisition or Disposal of Assets. 2.Approval of the mendment to the Operational Procedures for Loaning of Company Funds. 3. Approval of the mendment to the Operational Procedures for Endorsements/Guarantees .
Board Meeting	02.14.2020	1.Approval of participation of Capital Increase of Tian Fu Energy Co., Ltd.
Board Meeting	03.27.2020	1.Approval of participation of Capital Increase and Adjustment of Tian Fu Energy Co., Tian-Cin Energy Co., and Tian Chong Energy Co., and Tian Peng Energy Co..

		2. Approval of the 2019 financial statements. 3. Approval of the distribution of 2019 retained earnings. 4. Approval of the Amendment to the Company's Corporate Charter.
Board Meeting	04.16.2020	1.Approval of the Postponement of Spin-Off Record Date of Renewable Energy Group.

3.4.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None

3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance Officer and R&D: None

3.5 Information Regarding the Company's Audit Fee and Independence

3.5.1 Audit Fee

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Crowe Horwath(TW) CPAs	Lin, Chun-Chih	4,060	No	No	No	345	345	2019.01.01~ 2019.12.31	Direct Deduction Method of Business Tax audit
	Wu, Meng-Da								

3.6 Replacement of CPA

None

3.7 The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations shall disclose the fact of holding any positions in the Company's independent auditing firm or its affiliates during the most recent year: None.

3.8 In the most recent year and as of the date of publication of the annual report, directors, supervisors, managers and shareholders with a shareholding ratio of more than 10% share transfer and equity changes:

3.8.1 Changs for Directors, Supervisors, Managers and Top Shareholders:

unit: Shares

Title	Name	2019		As of May 2, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Representative of Sheng-Yuan Investment Corp.: Yi-Fu Chiang	0 0	0 0	0 0	0 0
Director	Representative of Sheng-Yuan Investment Corp.: Hui-Chuan Kuo	0	0	0	0
Director	Representative of Sheng-Yuan Investment Corp.: Jin-Tiao Wu	0	0	0	0
Director	Representative of Sheng-Yuan Investment Corp.: Wei-Chuan Chang	0	0	0	0
Director	Representative of Sheng-Yuan Investment Corp.: Fu-Nein Chiang	0			
Director	Representative of Chung Chia International Investment Co., LTD.: Ming-Xian Weng	0 0	0 0	0 0	0 0
Independent Director	Gene-Tzn Chen	0	0	0	0
Independent Director	Sing-San Pai	0	0	0	0
Independent Director	Horng-Chi Chen	0	0	0	0
President	Hui-Chuan Kuo	0	0	0	0
Vice President	Wei-Chuan Chang	0	0	0	0
Vice President	Ching-Chung Lin	0	0	0	0
Director of Accounting Division	Shu-Chen Wu	0	0	0	0

3.8.2 Shares Trading with Related Parties:

None

3.9 Relationship among the Top Ten Shareholders

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Teng-Ying Wang (Representative of Sheng-Yuan Investment Corp.)	35,194,546 0	8.38% 0.00%	- 0	- 0.00%	- 0	- 0.00%	Guang-Hsin engineering & services Co., Ltd.	Investor who uses the equity method to account for the investment in the Company	
Teng-Ying Wang (Representative of Guang-Hsin engineering & services Co., Ltd.)	24,815,223 0	5.91% 0.00%	- 0	- 0.00%	- 0	- 0.00%	Sheng-Yuan Investment Corp.	Investees accounted for under the equity method	
CHE-HSIUNG TSAI (Representative of Han Sin investment corp. Ltd.)	22,163,000 0	5.28% 0%	- 0	- 0.00%	- 0	- 0.00%	- -	- -	
Min-HSIN TSAI, (Representative of Fubon Life Insurance Co., Ltd.)	17,782,000 0	4.23% 0.00%	- 0	- 0.00%	- 0	- 0.00%	- -	- -	
Asset Trusteeship of Norges Bank, Norway, Authorized by CitiBank Taiwan	9,858,000	2.35%							
A-Wen Lan	8,799,000	2.10%	0	0.00%	0	0.00%	-	-	
Yi-Fang Lin (Representative of Quark Investment Co., Ltd.	7,951,500 0	1.89% 0.00%	- 0	- 0.00%	- 0	- 0.00%	- -	- -	
Bureau of Labor Funds, Ministry of Labor	6,398,000	1.52%							
Yi-Fu Chiang (Representative of Sunrise Investment Corp.)	6,266,514 105,956	1.49% 0.03%	- 0	- 0.00%	- 0	- 0.00%	- -	- -	
Hua Nan Commercial Bank— CHEM's Employee Trust Account	6,187,233	1.47%	-	-	-	-	-	-	

3.10 Ownership of Shares in Affiliated Enterprises

Unit: shares/ %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
CHEM USA Corporation	1,300,000	100.00%	0	0.00%	1,300,000	100.00%
Guang-Hsin engineering & services Co., Ltd.	5,678,623	24.29%	0	0.00%	5,678,623	24.29%
Sunrise investment Corp.	26,200,000	100.00%	0	0.00%	26,200,000	100.00%
CHENG-HSIN Engineering & Services CO.,LTD	38,153,625	100.00%	0	0.00%	38,153,625	100.00%
Global-Entech Co., Ltd.	1,699,705	99.98%	0	0.00%	1,699,705	99.98%
Tone-zoom industry Co., Ltd.	1,680,000	58.04%	0	0.00%	1,680,000	58.04%
Sheng-yuan investment Corp.	8,601,821	29.33%	0	0.00%	8,601,821	29.33%
Etrovision technology Co.	1,500,598	99.99%	0	0.00%	1,500,598	99.99%
Bao-Sheng Global Co.,Ltd.	10,000,000	100.00%	0	0.00%	10,000,000	100.00%
Li-Xiang Technology Co., Ltd.	667,000	40.00%	0	0.00%	667,000	40.00%
Fumei Development Co., Ltd.	11,700,000	45.00%	0	0.00%	11,700,000	45.00%
Nomura Chung-Hsin Machinery Corporation.	2,087,400	49.00%	0	0.00%	2,087,400	49.00%
FinData Finance Technology Corp.	2,000,000	100.00%	0	0.00%	2,000,000	100.00%
Chung- Hsin Energy Tech. Inc.	500,000	100.00%	0	0.00%	500,000	100.00%
Tian Cin Energy Co., Ltd.	50,000	50.00%	0	0.00%	50,000	50.00%
Tian Peng Energy Co., Ltd.	50,000	50.00%	0	0.00%	50,000	50.00%
Tian Chong Energy Co., Ltd.	50,000	50.00%	0	0.00%	50,000	50.00%
CHEM CORP.	97,526,648	100.00%	0	0.00%	97,526,648	100.00%
ME ENERGY SYSTEMS LIMITED	6,910,000	100.00%	0	0.00%	6,910,000	100.00%

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
1988.8	10	96,784,349	967,843,490	96,784,349	967,843,490	Capitalization of Earnings 126,240,450	-	-
1989.7	10	130,000,000	1,300,000,000	130,000,000	1,300,000,000	Capitalization of Earnings and Capital Reserve 303,542,010	-	-
1990.9	20	234,600,000	2,346,000,000	234,600,000	2,346,000,000	Cash Offering 500,000,000 Capitalization of Earnings and Capital Reserve 546,000,000	-	-
1991.8	10	269,790,000	2,697,900,000	269,790,000	2,697,900,000	Capitalization of Earnings and Capital Reserve 351,900,000	-	-
1992.9	10	283,300,000	2,833,000,000	283,300,000	2,833,000,000	Capitalization of Capital Reserve 135,100,000	-	-
1993.11	10	311,630,000	3,116,300,000	311,630,000	3,116,300,000	Capitalization of Capital Reserve 283,300,000	-	-
1994.9	26	490,000,000	4,900,000,000	380,327,800	3,803,278,000	Cash Offering 500,000,000 Capitalization of Earnings and Capital Reserve 186,978,000	-	-
1995.9	10	490,000,000	4,900,000,000	410,000,000	4,100,000,000	Capitalization of Earnings and Capital Reserve 296,722,000	-	-
1997.7	10	334,200,000	3,342,000,000	254,200,000	2,542,000,000	Capital reduction 1,558,000,000	-	-
1997.12	13.8	600,000,000	6,000,000,000	410,000,000	4,100,000,000	Cash Offering 1,558,000,000	-	-
1998.9	10	600,000,000	6,000,000,000	430,500,000	4,305,000,000	Capitalization of Capital Reserve 205,000,000	-	-
1999.8	10	600,000,000	6,000,000,000	473,550,000	4,735,500,000	Capitalization of Capital Reserve 430,500,000	-	-
2000.3	10.5	750,000,000	7,500,000,000	573,550,000	5,735,500,000	Issuance of preferred stock for cash 1,000,000,000	-	-
2000.9	10	750,000,000	7,500,000,000	623,304,000	6,233,040,000	Capitalization of Earnings	-	-

						308,120,000 Capitalization of Capital Reserve 189,420,000		
2002.10	10.5	750,000,000	7,500,000,000	558,456,606	5,584,566,060	Capital Reduction from Cancellation of preferred stock 648,473,940	-	-
2002.12	10	750,000,000	7,500,000,000	550,101,606	5,501,016,060	Capital Reduction from Cancellation of Treasury 83,550,000	-	-
2003.4	10	750,000,000	7,500,000,000	530,101,606	5,301,016,060	Capital Reduction from Cancellation of Treasury 200,000,000	-	-
2003.5	10.5	750,000,000	7,500,000,000	507,297,339	5,072,973,390	Capital Reduction from Cancellation of preferred stock 228,042,670	-	-
2004.4	10.5	750,000,000	7,500,000,000	504,811,548	5,048,115,480	Capital Reduction from Cancellation of preferred stock 24,857,910	-	-
2004.10	10	750,000,000	7,500,000,000	489,862,548	4,898,625,480	Capital Reduction from Cancellation of Treasury 149,490,000	-	-
2005.04	10.5	750,000,000	7,500,000,000	480,000,000	4,800,000,000	Capital Reduction from Cancellation of preferred stock 98,625,480	-	-
2014.10	10	750,000,000	7,500,000,000	420,000,000	4,200,000,000	capital reduction by cash 600,000,000	-	-

B. Type of Stock

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Stock	420,000,000	230,000,000	650,000,000	-
Preferred stock	0	100,000,000	100,000,000	-
Total	420,000,000	330,000,000	750,000,000	-

C. Information for Shelf Registration: None

4.1.2 Status of Shareholders

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	22	169	60,452	130	60,774
Shareholding (shares)	8	36,930,820	137,435,465	196,458,353	49,175,354	420,000,000
Percentage	0.00%	8.79%	32.73%	46.77%	11.71%	100.00%

4.1.3 Shareholding Distribution Status

A. Common Shares(The par value for each share is \$10 NTD)

As of 05/06/2020

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	38,889	8,821,879	2.10%
1,000 ~ 5,000	15,758	35,121,092	8.36%
5,001 ~ 10,000	3,124	24,303,443	5.79%
10,001 ~ 15,000	883	11,112,739	2.65%
15,001 ~ 20,000	647	11,873,000	2.83%
20,001 ~ 30,000	476	12,000,334	2.86%
30,001 ~ 50,000	428	17,281,344	4.12%
50,001 ~ 100,000	300	21,653,107	5.16%
100,001 ~ 200,000	128	17,874,914	4.26%
200,001 ~ 400,000	71	19,435,613	4.63%
400,001 ~ 600,000	17	8,692,210	2.07%
600,001 ~ 800,000	10	6,748,625	1.61%
800,001 ~ 1,000,000	5	4,666,942	1.11%
1,000,001 or over	38	220,414,758	52.45%
Total	60,774	420,000,000	100.00%

4.1.4 List of Major Shareholders

Shareholder's Name	Shareholding	
	Shares	Percentage
Sheng-Yuan Investment Corp	35,194,546	8.38%
Guang-Hsin engineering & services Co., Ltd.	24,815,223	5.91%
Han Sin investment corp. Ltd.	22,163,000	5.28%
Fubon Life Insurance Co., Ltd.	17,782,000	4.23%
Asset Trusteeship of Norges Bank, Norway, Authorized by CitiBank Taiwan	9,858,000	2.35%
A-Wen Lan	8,799,000	2.10%
Quark Investment Co., Ltd.	7,951,500	1.89%
New Labor Pension Fund	6,398,000	1.52%
Sunrise Investment Corp.	6,266,514	1.49%
Hua Nan Commercial Bank— CHEM's Employee Trust Account	6,187,233	1.47%

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Items	2018	2019	01/01/2020-03/31/2020
Market Price per Share			
Highest Market Price	24.70	25.00	29.25
Lowest Market Price	18.95	19.00	19.70
Average Market Price	20.87	20.75	25.81
Net Worth per Share			
Before Distribution	17.91	18.44	18.62
After Distribution	-	-	-
Earnings per Share			
Weighted Average Shares	410,961,324	410,961,324	410,961,324
Earnings Per Share	1.33	1.55	0.26
Dividends per Share			
Cash Dividends	1.00	1.20	
Stock Dividends			
Dividends from Retained Earnings	-	-	-
Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends	-	-	-
Return on Investment			
Price / Earnings Ratio (Note 1)	15.69	13.39	-
Price / Dividend Ratio (Note 2)	20.87	17.29	-
Cash Dividend Yield Rate (Note 3)	0.048	0.058	-

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 4: Please list the record to the date that this annual handbook is published

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

Dividends will be distributed in accordance with the resolution approved by the Board of Directors and at the annual shareholders' meeting. The annual earnings distribution should be considered in terms of the business environment, industry development and long-term financial plan for sustainable development of the Company. If earnings are available for distribution at the end of a fiscal year, the amount of cash dividend shall not be less than 10% of the total amount of dividends distribution.

B. Proposed Distribution of Dividend

The proposal for the distribution of 2019 profits was passed at the meeting of the Board of Directors. The proposal for a cash dividend of NT\$ 1.2 per share will be discussed at the annual

shareholders' meeting.

4.1.7 Employee Bonus and Directors' and Supervisors' Remuneration

A. Information Relating to Employee Bonus and Directors' and Supervisors' Remuneration in the Articles of Incorporation :

Article 33 - The Company shall compensate more than 1% of the current year distributable as employees' compensation and less than 3% to the board of directors. However, the company's accumulated losses shall have been covered before distributing the profit according to the amount of the balance after the deduction from accumulated losses.

Estimate Foundation of Employee Bonus and Directors' and Supervisors' Remuneration : None.

Information about Profit Distribution for Employee Bonus for 2019 Approved in Board of Directors Meeting:

(1) Distribution for Employee Bonus and Directors' and Supervisors' Remuneration :

Employee Bonus – in Cash	\$7,990,305
Directors' and Supervisors' Remuneration	\$15,980,609

(2) Ratio of Recommended Employee Stock Bonus to Capitalization of Earnings: N/A

Information of 2018 Earnings Set Aside for Employee Bonus and Directors' and Supervisors' Remuneration:

Unit: NT\$

Distribution of 2018 Earnings (NT\$ thousands)

Directors' Remuneration	\$12,623,471
Employee Bonus-in Cash	\$6,311,735

The above-mentioned actual distribution of employee bonus and directors' and supervisors' remuneration was in line with the recommended resolution of the Board of Directors.

4.1.8 Buyback of Treasury Stock: None

4.2 Bonds

Type of Corporate Bonds	First Domestic Unsecured Convertible Corporate Bonds (note3)
Par Value	NT\$100,000
Issuance Date	January 16, 2020.

Issuance location and trading center (note1)	Taipei Exchange, TPEx Republic of China
Issue Price	Issued at 100.35%
Total Amount	NT\$1.5 billion
Interest Rate	Coupon Rate of 0%
Maturity	5 years; Martures on Jan. 16, 2025
Gurantor	none
Trustee	KGI Bank
Underwriting Institution	KGI SECURITIES CO.
Accurance Attorney	Chiu, Ya-Wen of Handsome Attorneys-at-Law
Accurance Accountant	Chuan-Zhi Lin and Meng-Da Wu of Crowe Horwath (TW) CPAs
Repayment Method	Except when the holder of this convertible corporate bond converts into the Company's common share in accordance with the Terms, or when there is a need for redemption, the Company buys it back and writes off from secruties firm and pays the par value in a lumps sum cash payment to the holder upon maturity.
Outstanding	NT\$1,500,000,000
Redemption or Early Repayment Clause	Redemption will be 100.75% of net value per share after the issuance of 3 years full, and 101.00% of net value per share after the issuance of 4 years full.
Covenants (note2)	None

Credit Rating		None
Other Rights of Bondholders	Amount of Converted or Exchanged Common Shares, ADRs or Other Securities	
	Conversion Right	<i>The Guideline of the first domestic unsecured convertible corporate bonds</i>
Dilution Effect and Other Adverse Effects on Existing Shareholders		None
custodian		None
Note 1: for oversea corporate bonds, this should be listed. Note 2: examples of covenants could be only if cash dividends are released, possible external investment requirement, or certain percentage of assets has to be kept. Note 3: in the event of private equity, this should be shown and highlighted.		

Type of Corporate Bonds		First Domestic Unsecured Convertible Corporate Bonds
Year		January 1, 2020 to May 11, 2020.
Item		
Current Price of the Convertible Corporate Bonds (note1)	At the highest	114.00
	At the lowest	101.00
	Average Price	107.69
the Conversion Price		NT\$27.7
Issuance Date & the Conversion Price at Issuance		Date of Issuance: Janurary 16, 2020, with the conversion price of NT\$27.7 at the time of issue,
How warrant obligations will be satisfied (note2)		New shares to be issued.
Note 1: in the even of multiple locations of oversea corporate bond, the price shall be listed according to different locations of trading.		
Note 2: delivery of the issued shares or issuance of the new share		

4.3 Preferred Stock

None

4.4 Global Depository Receipts

None

4.5 Employee Stock Options

None

4.6 New Restricted Employee Shares, and Other Merger & Acquisition Activities

None

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions

None

4.8 Financing Plans and Implementation

4.8.1 Finance Plans: None

4.8.2 Implementation: None

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

Main areas of business operations

- (1) Manufacturing and marketing of household electrical appliances, air conditioning and refrigeration products, generators, power meters, power equipment products, industrial mechanical parts, components and products.
- (2) Installations of electrical wiring, turnkey contracts of air conditioning and electrical engineering, electrical equipment installations and maintenance project services.
- (3) Turnkey projects of incinerators and pollution control engineering, and power supply systems and power SCADA engineering.
- (4) Turnkey projects of wind power, hydro power, solar power, etc. Turnkey projects of power substation.
- (5) Manufacturing and marketing of parking management and parking equipment.
- (6) Manufacturing and marketing of power automation equipment of smart grid.
- (7) R&D, manufacturing and marketing stationary fuel cell systems, mainly including key components as stack module, power converter, methanol water reformer and power conditioner.
- (8) Sale and rental of residence and building.
- (9) Manufacturing and marketing of large gantry 5-Axis machining center and moving beam/moving column 5-Face machining center.
- (10) Manufacturing and selling of pneumatic-operated, spring-operated, electric-operated, electric and spring-operated handlers of gas-insulated switchgear (GIS), and medium voltage switchgear equipments.
- (11) A business service content of the production and manufacture of GIS components, aerospace components, OLED, precision machining for components and semiconductor components.
- (12) Engineering, construction, turn-key solution, maintenance and service for Solar Energy Plant.

B. Revenue distribution

Major Product Categories	(%) of Total Sales
Power Business	57.51%
Engineering Business	18.16%
Service Business	16.40%
Others	7.93%

C. Main products and use

Engineering and construction business: Integrate the engineering technology and capability of heavy power, wind power, hydro power units, air conditioning, generator, instrument control, environmental protection, electrical and mechanical services to improve the effectiveness of industrial construction.

Air conditioning : Provide customers with high-quality air conditioning products such as Flooded chiller, air-cooled chillers, HSR package A/C for computer room, in-row cooling A/C , precision A/C, air handling unit, etc. to create comfortable living environment.

Generator: CHEM is the leading manufacturer for Standby Diesel Generator Set in Taiwan with complete product line rated from 5kW up to 2500kW. The generator products can supply stable power for electrical equipments and solve the problems at the time of the power outage for customers. All the Tactical Diesel Generator Set of CHEM are built in accordance with the American military standard, fully tested and certified by General Dynamics.

Electricity meter: Record, calculate and monitor the use of electricity.

High Voltage Circuit Breakers: Isolate the system failure to provide protection for power facilities and improve power quality.

Parking equipments: Combine the safe and comfortable design with high technology to create unlimited parking environment in limited space.

Parking Management: Provide consumers with high-quality and convenient parking space.

Power Automation Equipment of Smart Grid: Combined with the electronics, telecommunications and software, the main purpose of Power distribution automation equipment of Smart Grid is to improve the operation safety of power distribution system, reduce loss of energy, reduce failures and improve the quality of power supply.

Smart DC micro-grid system integration: Develop the energy management systems with artificial intelligence (Energy Management System, EMS)

- Micro-grid energy management system (iFlex-uEMS)
- DC / DC Converter
- DC / AC Inverter
- Embedded Intelligent Energy Management System (EMS)
- The fuel cell system
- Micro-grid dynamic display system

Stationary fuel cell system: Establish reliable and stable backup power system for telecom application, broadcast & media and highway infrastructure and create clean power application.

Methanol water reformer: Provide stable and high purity hydrogen for LED/ semiconductor production lines and high-power fuel cell.

5-Axis Machining Center: All linear axis driven by linear motor, and multi-axial design equipped with an advance controller Siemens controller, the machine is able to perform high-precision machining on complex free surfaces.

Moving beam/moving column 5-Face machining center : X/Y axis is driven by high-rigidity rack and pinion, and equipped with master-slave double servo motors to eliminate backlash. This way ensures the movement of X/Y axis will not be affected by backlash, whereby achieving the demand for high-precision. Z axis is driven by servo motor and lead screw, it can steadily provide the power for heavy duty machining, and achieve the best response of cutting.

Integrated Gantry type 5-Axis machining Center: The working table and base are designed as integrated structure, which improves the rigidity and stability. Wide door open for the machining center allows easier material loading/unloading. Linear moter is driven by magnetic suspension gives better traverse speed for accuracy. Different types of spindle choices are available to cater different needs in quality machining especially in components or spaces for aerospace or automobile industries.

Operating Mechanism: Mainly used for high-voltage switchgear equipments. The function of

operating mechanism is to isolate the system failure, provide protection for power facilities and improve power quality.

OLED and Vacuum Chamber for Semi-Conductor: Used in television, screen for mobile phone, and also process equipment for CVD and PVD in semi-conductors.

Combustor case and structural parts: for aircraft engine and airframe.

D. New products development

Unit: In thousands

Department in Charge	Projects for New Product Development	Estimated Expenses
Air conditioning – R&D Department	Dual Compressor System & Magnetic Centrifugal Chiller R&D Project	300
	Fan Array R&D Project and Application	100
Design & Development Department of Heavy Power Division	New Type 69kV 40kA Gas Insulated Switchgear	853
	161kV 50kA 4000A(1.4m) GIS	2,205
	345kV 63kA 6000A(Generating Line 8000A) GIS	5,020
Hydrogen and Fuel Cell R&D Center	CHEM own product for fuel cell stack and long-term test plan	1
	Development plan for Distributed Hydrogen refueling station	158
	Technology Development for 2.5KW Methanol Reformed Fuel Cell	5,413

5.1.2 Industry Overview

A. Current Status and Future Development

(1) Heavy power business

Taiwan Power Company (TPC) has planned the 7th Transmission Project from 2010 to 2021 and plans to build 103 new substations at all levels (E / S, P / S, D / S, S / S). The entire substation projects capacity for the totaled to approximately 18,554 MVA (thousand KVA), and the total project budget is about NT \$ 236.9 billion. Power equipments accounts for about 45% of the 7th Transmission Project budget, and GIS is main products among the power equipments.

Additionally, 141.6 billion as the budget has been planned by TPC for “Reinforcement of facilities in off-shore wind power plan for Chungwha, stage 1.” Meanwhile, TPC has also planned approximately 20 billion for wind, hydraulic and thermal power generating projects based on the prediction for power usage from the next decade to improve the quality of power supply by the distribution feeder automation project. In June, 2016, the *Solar Energy 2-year Initiative Project* (太陽光電 2 年推動計畫) was started. To continue, the *2020 Solar Energy Goal for 6.5GW Project* (109 年太陽光電 6.5 GW 達標計畫) aims at reaching the goal of 20GW from overall solar energy generation. This is the project collaborated by authorities and commercial business where the growing demands are unveiled, especially in engineering solution, construction and maintenance with service. The 7th stage of installation project in distribution feeder automation has been contracted and has gradually started the establishment. We see the great potential in the market needs for power distributing automation and growing business opportunities from the maintenance projects of earlier plans. Moreover, the government has been pushing forward the renewable energy plans and projects, electricity monitoring and controlling management for solar power and wind power plants have generated more potential business opportunities for automation system in electricity.

Emerging opportunities has grown as Taiwan Power Company’s (TPC) Advanced Metering Infrastructure (AMI) project was officially launched. TPC purchased 250,000 units in 2017 and 15,000 units in 2018 respectively. Meanwhile, TPC is planning to acquire another 800,000 units for implementing the AMI purchasing and completing the installation in 3 million homes in 5 years. Oversea growing opportunities in emerging markets for heavy power industry is also another highlight for overseas business in heavy power equipment as the focus will lead to another promising milestone.

(2) Engineering business

The development of system engineering business is highly related with economic conditions, business climate of construction industry and public infrastructure. In order to enhance domestic infrastructure market and promote economic development, the fixed capital investment budget of Taiwan government will increase to approximately 500 billion. With the positive development of urban renewal, traffic infrastructure, hydro power and environmental engineering projects, the demand of system engineering business is highly expected to increase

(3) Parking management

According to the statistics of the Ministry of Transportation and Communications, the total registered cars and small trucks of Taiwan reached 8.119 million in 2019. However, there are only around 3 million off-street parking lots in Taiwan, and the government budgets toward newly-established car parks have all been cancelled or postponed in recent years. The shortage in parking spaces in Taiwan apparently does not seem to be an easy task to deal with.

The government-owned public parking facility and management is gradually transferred to private business because of concerns, policies, and restriction brought from tight budget and lack of manpower. Future possibilities of releasing the parking spaces for private business are expected in near term and also, this will benefit the Company’s future business development.

(4) Smart grid automation equipments

In line with the growth of electricity demand in Taiwan, Penghu, Kinmen and Matsu, Taiwan Power

Company will continuously promote the distribution automation project. The iPAC-CN (FTU) of CHEM is not only applicable to domestic market but also meets the needs of the China and the international electricity market. CHEM has been cooperated with world-renowned companies to participate in international bids and has further enhanced the corporate visibility in global market. CHEM has won the CSVC SCADA project in Vietnam, SCADA of CSCI in India, Protection Relay System Project, etc.

In order to further enhance the efficiency, reliability and safety level in power grids, real-time pricing is introduced and implemented along with the higher percentage of renewable energy usage. For the coming 15 years, TPC aims to renew the 60% of the national grid and to gradually implement the SMART Meter Automation and Micro-Grid Technology; this has been one of CHEM's strengths and also shows our competitiveness in Grid Management Technology with proven achievement, as seen in completion of TPC's DDCC for operational center in Taoyuen Area with our SCADA system, and the Staged Enhancement for Engineering Projects in TPC's Miao-Li operational center. CHEM also works closely with academia from top universities and Research Centers/Institutes for the latest technology in Micro-Grid Management in practice. We have fully grasped the needs and the trends in Micro-Grid Technology. Thus, CHEM is fully-equipped with robust foundation for the next step especially in entering the global distributed power-equipment market.

(5) Stationary fuel cell system

Stationary fuel cell system is the most commercialized product among the various kinds of global fuel cell applications. The system is applicable for factories, shopping malls, telecom base station, etc. The market driving force mainly comes from backup power market demand in emerging countries (such as China, Southeast Asia, as rapid economic growth is seen in these developing countries, the power grid infrastructure however, has not yet become well-constructed. The shortage of electricity supply is obvious in some areas, so is the solution for backup power). Meanwhile, the same is to those countries which have strong demands on development of clean energy (For example, both the U.S. federal government and state governments are providing subsidies for stationary fuel cell system. The demands have undoubtedly speeded up the rapid commercialization of stationary fuel cell system.

(6) Machining tool

Based on the analysis from TMBA (Taiwan Machine Tool & Accessory Builders' Association), the overall exports for machining tools in 2019 are approximately USD 30.64 billion and it has shown the decline of 16.2% if compared to the analysis from 2018. As of which, the exports for cutting tools for metal are also showing a decrease, a 17.4% lower.

In 2019, Taiwan's the top 10 highest amount of exports to other countries includes China (HK included), U.S.A, India, Vietnam, Thailand, Japan, Germany, the Netherlands, Russia, Turkey. Take China as example, a decrease of 21.9% if compared with the data from 2018 and also another decrease is seen from U.S.A, as seen 14.7% decline.

Under the unfavorable influence from the lasting trade war between China and U.S., also the discontinued production of Boeing 737MAX, the sales activities for the 5-axis Machining Center needs to own higher flexibility to cater market needs. The business itself will continue to improve the performance of machining tools and related product series, reinforce the competitiveness, and

to meet the demands from clients by providing customized and/or modularized solution. At the same time, the business also proactively seeks for the potentials of growing the business in the U.S. and South-East Asian market.

(7) Operating mechanism

The products in operating mechanism are mainly used in heavy power equipment of 22kV~550kV voltage level, and are the key components of heavy power switch equipment. Domestically, the Company is contributing in TaiPower Company's 7th-phased power transmission and transformation plan, wind power generation plans, hydroelectric power generation, thermal power plant renewal and also other expansion projects. Meanwhile, demand continues to increase. Various new products for international market have also been developed and have been continuously working through the certification process. Products are expected with a stable business growth in the next few years.

(8) Vacuum Chamber for OLED and Semi-Conductor

According to market watch analysis from IHS Market Ltd. UK, the demands and needs for technology and entertainment are growing dramatically, especially in large-sized and advanced version of OLED and Low Temperature Poly-silicon (LTPS).

If taking Compound Annual Growth Rate (CAGR) into consideration, the overall growth shall reach 17.27% in 2019. In 2017, Prediction for market needs in cloud computing, big data, Artificial Intelligence (AI), SEMI for medical use and IoT even further triggers the growing needs for 4.3%, especially in wearable gadgets, vehicle-related computing, domestic needs in wireless controlling and paying mechanism. IoT, in particular, 22% of growth is expected in 2020. Applied Materials, has officially decided to move the production line of OLED to Taiwan and more than half of the vacuum chambers in planning for needs will be manufactured and assembled in Taiwan. Responding to the growth in needs and sales shall be the priority to cater the needs at this moment.

(9) Aviation components

Despite the risk concerns over the political situations in nearby countries and the worries brought by possible economic crisis, the two giants in Aviation Industry, Airbus and Boeing still foresee the growth in demands between 2019 and 2038. For passenger flights, Airbus is expecting 39000 units while Boeing at the same time is looking at 44000 units from the growth of demands. Moreover, Boeing stated that the economic value from the market in passenger flights is estimated around USD6.8 trillion. MRO (Maintenance, repair and overhaul) business is also estimated around USD1 trillion in value. Seemingly from a long-term perspective, the growth in aviation industry is foreseeable and thriving continuously. Nevertheless, the short-term and mid-term impact are obvious from the outbreak of COVID-19 pandemic. The aviation companies and businesses should be alerted and continued with proper adjustment financially to avoid the influences for future business competitiveness.

B. Relationship with Up-, Middle- and Downstream Companies

(1)Heavy Power Business

Taipower Company's Feeder & Distribution Automation Engineering Project is bringing continuous business opportunities to the heavy power industry. Meanwhile, CHEM also participates in the tendering-submitting proactively. The tender includes development of hardware, facilities and other various engineering projects. The standard of quality is undoubtedly high because of its requirement in precision. Looking from a broader perspective, the requirement and standards speed up introducing new technology, upgrading in R&D, precision machining in components/parts, manufacturing, evaluating, assembling on site, testing and validating for the up-, middle- and downstream companies.

(2)Engineering business

-Generator Product Series

The supply chain of generator product series integrates up-, middle- and downstream companies. The upstream companies are the raw materials providers, or the components suppliers in engine suppliers in engine, generators, controlling mechanism systems, purifier and etc. The middle-stream companies are the assembling (as CHEM is included in); companies in this group are in charge of with assembly, wiring arrangement, evaluating, validating for requirements, packaging and marketing. The downstream companies are the customers and purchasers. This group shall usually include the two; purchasers and the end-users. Generally the purchasers are the contractors in plumbing/electricity business, construction & engineering companies whereas the end-users are mostly building management committees. In some cases the purchasers and end-users might possibly be from the same unit or competent authority (for example, Chungwha Telecom, Taipower Company, or Defense Department from Ministry of National Defense, etc), for units as such are usually ones for public engineering projects and are usually under contracted through tender-submitting process.

-Air Conditioning Product Series

The upstream companies of air conditioning product series are the raw materials suppliers, which include steel, steel preparation, air compressor, electricity distributor, and system controlling components providers. Middle stream companies are assemblers and are in charge of raw material preparation, assembling, testing, packaging, marketing and transporting. The downstream companies are purchasers and/or users. Purchasers are usually engineering & installation service providers for end-users.

(3)Parking management

The upstream companies/units are private property owners or land owners, or building management committees, hospitals or shopping malls, parking management providers for public or private parking lots. As for the downstream companies/units, they provide parking management solution to general public or banking service industry.

(4)Smart-Grid automation equipments

Smart-Grid is the integration of the up-, middle- and downstream companies. The upstream part includes provider/suppliers in wind power generators, solar energy power generating systems and facilities, fuel cell power generating, monitoring systems, integrated protection system for power system, data communication and energy management service. The middle stream companies take in charge of system integration (CHEM is as such), which integrates the distributed energy and

smart-grid monitoring by data communication and energy management system. This is to improve the quality of electricity in transmission and reduce the possible waste from transmission or distribution. The downstream companies are power companies or large-scaled power users.

(5) Stationary fuel cell system

With the Company's belief in "Independent R&D with Deep-Rooted Technology in CHEM," the renewable energy group has successfully developed the main components in fuel cell, stack and reformer, also the critical sub-components, distributors and controllers. Therefore, the upstream companies are the raw materials, electrical accessories, gadgets or valves, the downstream ones are back-up electricity users. Additionally, the critical components and systems in the fuel cell systems have also been seen with great potential for further market penetration.

(6) Machining tools

The Machining Tools are designed, assembled, and evaluated by CHEM independently. The upstream components suppliers are ones in CNC controllers, 2-axis connecting pieces, lathe-attached pieces, linear slides, linear scale and other additional facilities using gasoline, gas and water. The middle stream companies are the ones in large-scaled welding, casting and machining factories. The downstream companies focus on the application, which includes not only the parent company's (CHEM) manufacturing in aviation industry and vacuum chamber machining center in semi-conductor industry, but also molding in automobile industry, wind power generating components manufacturing and precision machining center. The deployment includes various valued-added applications for in automobile industry, aviation/marine equipment industry, machinery industry and also winder power generating industry. (For more details to be included in graphs, please check Chinese version of annual report, page42.)

(7) Operating Mechanism

The product series in operating mechanism for clients includes, design, development, customized solution for upstream companies, and material preparation, machining process, evaluation and testing after assembly for components manufacturing in middle stream ones. As for the downstream companies, warranty and maintenance are needed. CHEM, at the same time, is standing at the point to provide the most comprehensive service and products to cater different needs and requirements.

(8) Vacuum Chamber for OLED and Semi-Conductor

Upstream companies are raw materials suppliers, including metal and steel, machining center suppliers, components or parts suppliers. Middle stream companies are contracted manufacturers, including welding, machining, sandblasting, surface finishing and logistics. Downstream companies are buyers and users, including clients and the equipment users at the last end.

(9) Aviation components

Upstream companies as clients are the flight companies. Middle stream companies are the aircraft manufactures and the downstream companies are the machining business operators for components.

C. Product Trends and Competition

(1) Heavy Power Business

Taipower Company sees 345 kV for Extra High Voltage Substations in the 7th Power Generation & Transmission Project as the focus of the project. The GIS in 345kV used in the project is CHEM's core technology with great team efforts in R&D for independent research ability, designing and producing for the key components. Also, as the only qualified manufacturers in domestic market, the promising development is expected. On the other side, the market for GIS in 161kV, we stand out among other competitors because of CHEM's quality, service, wide-range products and capability for meeting deadlines, manufacturing requirements, and system integration ability. Currently, CHEM holds approximately 70% of the market share.

(2)Engineering business

-Generator Product Series

The trend of Generator products includes two parts, one is development in better-quality products, and the other one is maintenance and durability. The department's new plans in material selection for better precision and efficiency are the main task for quality products and for the second part, the Company has integrated better use of human resource and the system – SAP for keeping on track for materials used, which allows the after-service staff for a more complete evaluation on maintenance and repair.

The Company takes product differentiation as the strategy for market competitors. Robust and complete package with testing facilities and capabilities from R&D group is the Company's strengths to be highly competitive in the same industry. High-quality and high standard for the product series are the Company's strategies for the product planning.

-Air Conditioning Product Series

The trend in air conditioning industry is aiming at energy-saving, air quality control and automation. The company's air conditioning products are not only looking at high-efficiency but also emphasizing the compatibility with modern smart-living architectures. Meanwhile, energy-saving choices and after-sales service are also the department's focus and target. To lead the trend, the product series of CHEM is available for customization and also it is also how CHEM comes in and takes the trend in the leading position. Our competitiveness in such area takes us to be different from other products in the same industry.

(3)Parking management

Taking the consideration of the policies on streamlining the manpower for street parking management, it is expected to see that the government-owned parking management will be gradually transferred or contracted to private business. "Dodohome," the brand under CHEM, offers the parking solution with years of experiences and superiority of quality in management to achieve the expected goal from 3-side satisfactory, from the government, Dodohome, parking needs of general public.

Despite the fact that "Dodohome" is holding the greatest market share because of better performance, larger-scale service and quality service providing, it's inevitably to see that the competitions in the market are intense. Therefore, the department's focus has been on developing an even more robust parking management system, parking applications on smart phones (which will be available for downloading in 2017) and meanwhile, working with cross-industry alliances. In near term, car-related products are also included in marketing strategy and business focus. Value-added service and satisfactory from parking solution needs shall then be

expected.

(4)Smart grid automation equipments

The integration of smart-grid in a global scale is getting even more requested because of adversity brought from global warming effect and intense energy consumption. It is obvious that all of the power equipment suppliers are pursuing the improvement in smart-monitoring system and development in smart-grid with a global scale. CHEM owns the technology for self-monitoring over the power equipment and also now puts much emphasis on the development in monitoring system for gas intensity of SF₆, partial power discharge and circuit breaker automation in GIS for further reliability, durability and improvement in power equipment.

(5)Stationary fuel cell system

CHEM is the only supplier/manufacturer that withholds the capability in developing in stack, reformer, and power regulator. Moreover, the Company also participates and demonstrates in the most of the governmental projects for fuel cell and renewable energy. When it comes to practices in installation and operation cases, the Company is also standing at the leading position for the number of cases involved and/or taking the directing role. So far, the fuel cell, reformer and power regulators are all in the stage of mass production, this means better cost reduction and high-competitiveness plus the strengths in core technology of critical components. The stationary fuel cell systems can be further integrated into the micro grid system and also be expanded for the application into the smart grid. The market potential is now clearly seen with the products' competitiveness.

(6)Machining tools

The development in Machining Centers is continuously targeting the goal of higher-speed, higher precision and higher compatibility. CHEM's high-level Machining Center is designed for large-scale high precision machining purposes, for example, aviation structural components, combustors, vacuum chamber and punching press in automobile use. These components are highly valued-added in later application. While in processing, machining efficiency and process control are the key, and the high precision machining which CHEM holds as the core technology is much needed and highly requested.

The demands are growing, so are the numbers of domestic competitors and overseas ones in the development of 5-axis Machining Centers. CHEM's machining center is positioned in the leading position from the domestic market especially in efficiency and stability for precision machining. The price range is also one of the strengths in the same market for the whole solution package.

(7)Operating Mechanism

The demand in 69~345kV high pressure power equipment & facilities grows intensively because of the implementation from Taipower Company's Power Generation & Transmission Projects. CHEM's strengths in being as the only domestic qualified supplier in 345kV and holding the 70% marketshare in switchgear benefit our products in market domination.

(8)Vacuum Chamber for OLED and Semi-Conductor

The CVD process equipment from Applied Materials owns more than 90% of market share. The competitiveness of CHEM is to greatly improve the defect-free rate for the client. CHEM's quality has reached the considerable level for machining and welding, the strength in integration of electrical and mechanical engineering also benefits greatly. The overall strategy is to develop and integrate vertically and horizontally. The special process needed included surface finishing, assembling and testing, these has to be considered along with logistics for the most competitive business model for the market. CHEM aims at the best in quality management, on-time delivery, cost efficiency and customers' satisfactory for the global market.

(9)Aviation components

The increasing needs in aviation and transportation are clear to see because of the significant economic growth in Asia. Demands for manufacturing & maintenance are also increasing from AirBus and Boeing. The market prediction reveals that a great potential of the market values up to USD 3.5 trillion for year 2012-2030, to USD 8.7 trillion for purchasing and maintenance within 10 years' time according to Q4 2019 Seasonal Report from Boeing.

For the demands from domestic market, the budgeted 110 billion, Fong-Cheng Project (鳳展專案) by the Government aims at upgrading the F-16A/B Type to F-16V with *Lockheed Martin Corporation* from U.S. This reveals great potential in business opportunities from 66 advanced jet trainers, and \$37.5 billion from potential orders. AIDC is expecting orders up to \$20 billion and the rest for purchases (approximately 10 billion dollars) is also expected to be contracted by the aviation strategic alliance in Taiwan, which includes 108 companies as members. Contractors with such competitiveness in domestic market are seeing the great potential in growth.

5.1.3 Research and Development

Unit: NT\$ thousands

Department	Projects	Estimated Expenses	Actual Expenses	Estimated Launch Time
Air conditioning-R&D Department	Development plan for high sensible heat and inverter energy-saving air-conditioners with air purification	599	599	2021/01
Design & Development Department of Heavy Power Division	New-type 69kV 40kA GIS Development	18,950	10,419	2021/02
	345kV 8000A GIL/GIS Development	16,649	16,649	2020/01
Meter Products R&D Team	3-phased Electrical Smart Meter Project	872	872	2020/03

Department	Projects	Estimated Expenses	Actual Expenses	Estimated Launch Time
Hydrogen and Fuel Cell R&D Center	CHEM own product for fuel cell stack and long-term test plan	10,828	10,818	2021/01
	2.5kW Methanol-Based Fuel Cell System and the R&R for Critical Technology	80,000	25,871	2021/09
	Development plan for Distributed Hydrogen refueling station	30,000	28,422	2021/06

5.1.4 Long-term and Short-term Development

Please refer to *Long-term and Short Term Development* of the Chinese annual report.

5.2 Market and Sales Overview

5.2.1 Market Analysis

A. Most of CHEM products are sold domestically. Heavy power products are sold to Taipower Company, Public Service Company and large factories directly. Besides, heavy power products now are also distributed to the India and Middle East successfully. CHEM also undertake global OEM/ODM orders and export relative parts and modules to Japan, China and Southeast Asia.

The scope of operations of the engineering business covers projects contracting of wind, hydro, solar photovoltaic power generation program and various types of turnkey substations, utilities, fire protection systems and all kinds of factory engineering & field erection. All of engineering business services is provided domestically now.

Parking management provides the parking management services for OT (Operation Transfer), private buildings and open space parking lots.

B. Market Share (%) of Major Product Categories in the Last Two Years

Product category	Market share
Heavy power products	70%
Turnkey projects of power substation	37%
Turnkey projects of wind power	36%
Parking management	12.1%

C. Favorable and Unfavorable Factors in the Long Term

Please refer to page 54-58 of the Chinese annual report, industry overview, product trends and competition.

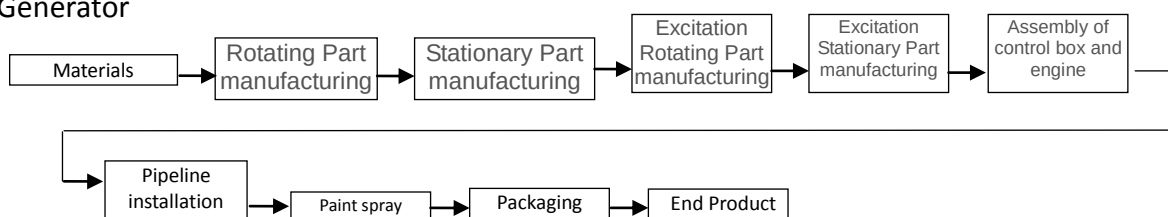
5.2.2 Production Procedures of Main Products

A. Major Products and Their Main Uses

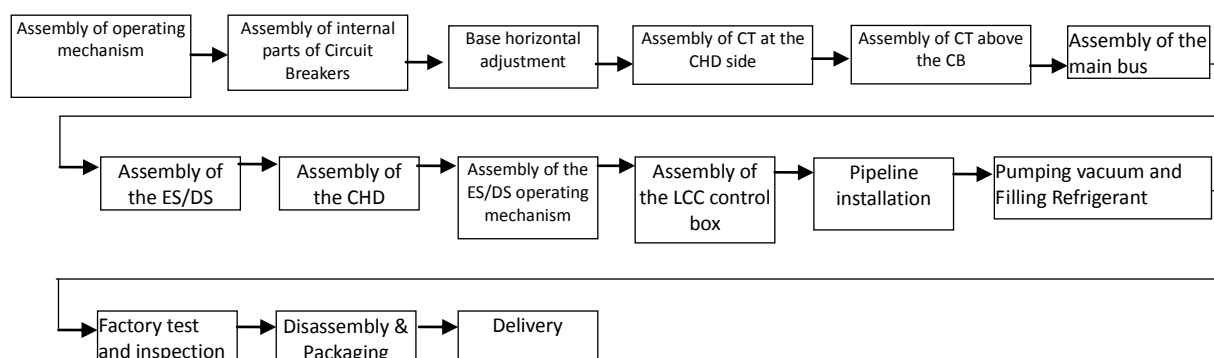
Please refer to page 72-75

B. Major Products and Their Production Processes

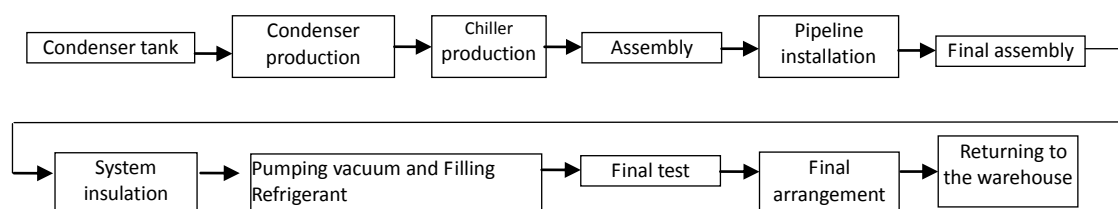
(1) Generator



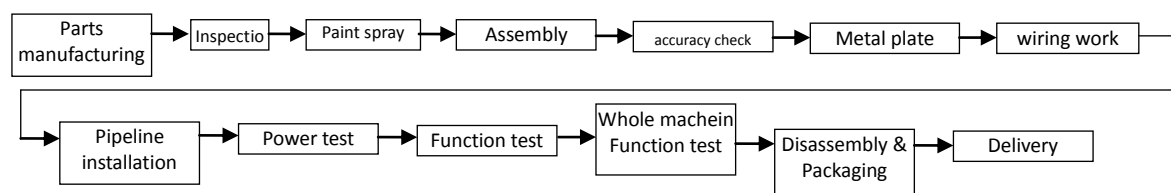
(2)Circuit Breakers



(3)Chiller machines



(4) Machine tool



5.2.3 Supply Status of Main Materials

Please refer to page 59-60 of the Chinese annual report.

5.2.4 Major Suppliers and Clients

A.Major Clients in the Last Two Calendar Years

Unit: NT\$ thousands

2018				2019				2020 (As of March 31)			
Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
Company A	5,049,088	41.26%	None	Company A	4,125,652	33.33%	None	Company A	1,027,536	33.77%	None
Others	7,186,909	58.74%		Others	8,251,864	66.67%		Others	2,015,629	66.23%	
Net Sales	12,235,997	100%		Net Total Supplies	12,377,516	100.00%		Net Total Supplies	3,043,165	100.00%	

Note: Major clients refer to those commanding 10%-plus share of annual order volume.

B. Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousands

2018				2019				2020 (As of March 31)			
Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
Others	7,893,362	100%		Others	8,777,494	100%		Others	2,859,085	100.00%	
Net Total Supplies	7,893,362	100%		Net Total Supplies	8,777,494	100%		Net Total Supplies	2,859,085	100.00%	

Note: Major suppliers refer to those commanding 10%-plus share of annual order volume.

5.2.5 Production in the Last Two Years

Unit: NT\$ thousand

Output Year		2019			2018		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major Products (or by department)							
Power Equipments		178,821	159,445	2,239,267	382,694	397,368	3,042,359
Other Products		912	769	203,861	1,718	1,635	221,987
Total		179,733	160,214	2,443,128	384,412	399,003	3,264,346

5.2.6 Shipments and Sales in the Last Two Years

Unit: NT\$ thousands

Shipments & Sales Year		2019				2018			
		Local		Export		Local		Export	
Major Products (or by departments)		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Power Equipments		143,085	1,746,195	229	270,838	390,430	2,934,331	284	312,071
Other Sales		4,447	255,606	33,475	1,702,310	3,829	263,422	29,976	1,600,146
Engineering		-	4,653,939	-	-	-	3,868,455	-	-
Other Products		-	3,707,121	-	41,507	-	3,213,165	-	44,407
Total		147,532	10,362,861	33,704	2,014,655	394,259	10,279,373	30,260	1,956,624

5.3 Human Resources

Year		2018	2019	As of March 31, 2020
Number of Employees	direct labor	1,868	1,867	1,899
	indirect labor	1,342	1,369	1,410
	Total	3,210	3,236	3,309

Average Age		41	39.8	40.3
Average Years of Service		6.3	5.6	5.9
Education	Ph.D.	1%	1%	1%
	Masters	3%	3%	3%
	Bachelor's Degree	38%	37%	36%
	Senior High School	41%	46%	48%
	Below Senior High School	17%	13%	12%

5.4 Environmental Protection Expenditure

5.4.1 Total Losses and Penalties

The loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report: None

5.4.2 Countermeasures

The Company has taken into consideration any potential risks or violation of environmental and regulations in formulating its environmental management system. The Company also closely monitors developments in the government's environmental policies and regulations to be able to design precautionary measures.

5.5 Labor Relations

Please refer to page 63 of the Chinese Annual Report.

5.6 Employees's Behavior & Work Ethics

Please refer to page 64 of the Chinese Annual Report.

5.7 Work Environment, Protections & Safety Measures

Please refer to page 65 of the Chinese Annual Report.

5.8 Corporate Social Responsibilities: Measures and Practices to Environmental Protection, Community Involvement, Contribution to Society, Social Work and Service, Charity Work, Consumer Rights, Safety Regulation and Other Social Corporate Responsibilities.

Please refer to page 65-68 of the Chinese Annual Report.

5.9 Important Contracts

Please refer to page 69 of the Chinese Annual Report.

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet

A. Consolidated Condensed Balance Sheet

Unit: NT\$ thousands

Year item		Financial Summary for The Last Five Years					As of 03/31/2020
		2015	2016	2017	2018	2019	
Current assets		9,208,651	9,285,005	9,958,957	9,930,297	11,276,153	12,401,225
Property, Plant and Equipment		3,376,320	3,204,206	3,685,188	4,221,019	4,461,786	4,930,674
Intangible assets		88,780	83,054	71,658	66,718	39,226	386,892
Other assets		2,487,167	2,470,263	2,768,767	2,722,732	4,444,384	4,422,874
Total assets		15,160,918	15,042,528	16,484,570	16,940,766	20,221,549	22,141,665
Current liabilities	Before distribution	5,675,022	6,100,508	7,309,520	8,284,828	7,730,055	8,739,339
	After distribution	6,095,022	6,520,508	7,729,520	8,704,828	-	-
Non-current liabilities		1,859,221	1,386,179	1,641,498	1,040,128	4,676,243	5,510,070
Total liabilities	Before distribution	7,534,243	7,486,687	8,951,018	9,324,956	12,406,298	14,249,409
	After distribution	7,954,243	7,906,687	9,371,018	9,744,956	-	-
Equity attributable to shareholders of the parent		7,367,234	7,315,101	7,269,563	7,361,728	7,576,685	7,653,870
Capital stock		4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000
Capital surplus		390,643	398,397	409,877	410,300	421,024	510,448
Retained earnings	Before distribution	2,598,620	2,680,943	2,686,249	2,866,198	3,050,843	3,156,589
	After distribution	2,178,620	2,260,943	2,266,249	2,446,198	-	-
Other equity interest		294,851	152,641	90,317	2,110	21,698	(87,287)
Treasury stock		(116,880)	(116,880)	(116,880)	(116,880)	(116,880)	(116,880)
Non-controlling interest		259,441	240,740	263,989	254,082	238,566	238,386
Total equity	Before distribution	7,626,675	7,555,841	7,533,552	7,615,810	7,815,251	7,892,256
	After distribution	7,206,675	7,135,841	7,113,552	7,195,810	-	-

B. Unconsolidated Condensed balance sheet

Unit: NT\$ thousands

Item \ Year		Financial Summary for The Last Five Years				
		2015	2016	2017	2018	2019
Current assets		6,541,034	6,992,897	7,562,660	7,756,000	9,127,129
Property, Plant and Equipment		2,128,346	2,085,240	2,551,170	3,037,313	3,162,799
Intangible assets		-	-	-	-	-
Other assets		5,529,922	4,985,593	5,426,625	5,262,543	5,962,405
Total assets		14,199,302	14,063,730	15,540,455	16,055,856	18,252,333
Current liabilities	Before distribution	5,099,130	5,475,588	6,639,562	7,556,514	6,483,625
	After distribution	5,519,130	5,895,588	7,059,562	7,976,514	-
Non-current liabilities		1,732,938	1,273,041	1,631,330	1,137,614	4,092,023
Total liabilities	Before distribution	6,832,068	6,748,629	8,270,892	8,694,128	10,675,648
	After distribution	7,252,068	7,168,629	8,690,892	9,114,128	-
Equity attributable to shareholders of the parent		7,367,234	7,315,101	7,269,563	7,361,728	7,576,685
Capital stock		4,200,000	4,200,000	4,200,000	4,200,000	4,200,000
Capital surplus		390,643	398,397	409,877	410,300	421,024
Retained earnings	Before distribution	2,598,620	2,680,943	2,686,249	2,866,198	3,050,843
	After distribution	2,178,620	2,260,943	2,266,249	2,446,198	--
Other equity interest	Other equity interest	294,851	152,641	90,317	2,110	21,698
Treasury stock	Treasury stock	(116,880)	(116,880)	(116,880)	(116,880)	(116,880)
Total equity	Before distribution	7,367,234	7,315,101	7,269,563	7,361,728	7,576,685
	After distribution	6,947,234	6,895,101	6,849,563	6,941,728	

6.1.2 Condensed Statement of Comprehensive Income/Condensed Statement of Income
A. Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years					As of 03/31/2020
	2015	2016	2017	2018	2019	
Operating revenue	10,352,334	12,716,788	11,397,456	12,235,997	12,377,516	3,043,165
Gross profit	2,096,270	1,877,045	1,825,281	1,941,618	2,065,515	566,715
Income from operations	571,124	440,703	417,072	581,076	655,278	242,845
Non-operating income & expenses	150,826	140,806	168,521	66,487	133,751	(88,489)
Income before tax	721,950	581,509	585,593	647,563	789,029	154,356
Net income (Loss)	548,947	501,844	514,091	562,062	638,788	108,317
Other comprehensive income (income after tax)	(104,627)	(161,679)	(127,857)	(65,298)	2,576	(111,001)
Total comprehensive income	444,320	340,165	386,234	496,764	641,364	(2,684)
Net income attributable to shareholders of the parent	551,190	503,067	488,165	544,837	635,299	105,746
Net income attributable to non-controlling interest	(2,243)	(1,223)	25,926	17,225	3,489	2,571
Comprehensive income attributable to Shareholders of the parent	448,489	358,828	362,982	484,423	645,919	(3,239)
Comprehensive income attributable to non-controlling interest	(4,169)	(18,663)	23,252	12,341	(4,555)	555
Earnings per share	1.34	1.22	1.19	1.33	1.55	0.26

B. Unconsolidated Condensed Statement of Income

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years				
	2015	2016	2017	2018	2019
Operating revenue	8,588,265	10,801,955	9,225,672	10,119,536	9,745,724
Gross profit	1,980,405	1,811,905	1,563,919	1,700,181	1,813,632
Income from operations	925,284	659,406	469,924	575,707	647,275
Non-operating income & expenses	(209,444)	(85,164)	69,510	36,531	127,785
Income before tax	715,840	574,242	539,434	612,238	775,060
Net income (Loss)	551,190	503,067	488,165	544,837	635,299
Other comprehensive income (income after tax)	(102,701)	(144,239)	(125,183)	(60,414)	10,620
Total comprehensive income	448,489	358,828	362,982	484,423	645,919
Net income attributable to shareholders of the parent	551,190	503,067	488,165	544,837	635,299
Net income attributable to non-controlling interest	0	0	0	-	-
Comprehensive income attributable to Shareholders of the parent	448,489	358,828	362,982	484,423	645,919
Comprehensive income attributable to non-controlling interest	-	-	-	-	-
Earnings per share	1.34	1.22	1.19	1.33	1.55

6.1.3 Auditors' Opinions from 2015 to 2019

Opinion/Year		2015	2016	2017	2018	2019
CPA		LIN CHUN-CHIH	LIN CHUN-CHIH	LIN CHUN-CHIH	LIN CHUN-CHIH	LIN CHUN-CHIH
		LIN CHIN-FENG	WU MENG TA	WU MENG TA	WU MENG TA	WU MENG TA
Opinion	Unconsolidated	modified unqualified opinion	unqualified	unqualified	unqualified	unqualified
	Consolidated	modified unqualified opinion	unqualified	unqualified	unqualified	unqualified

6.2 Five-Year Financial Analysis

A. Consolidated Financial Analysis

Year Item		Financial Analysis for the Last Five Years					As of 03/31/2020
		2015	2016	2017	2018	2019	
Financial structure (%)	Debt Ratio	49.70	49.77	54.30	55.04	61.35	64.36
	Ratio of long-term capital to property, plant and equipment	280.95	279.07	248.97	205.07	279.97	271.8215
Solvency (%)	Current ratio	162.27	152.20	136.25	119.86	145.87	141.90
	Quick ratio	82.52	86.72	69.27	54.10	65.75	49.80
	Interest earned ratio (times)	24.34	19.51	16.83	16.67	15.80	10.44
Operating performance	Accounts receivable turnover (times)	5.90	6.60	5.89	6.58	6.89	8.10
	Average collection period	61.86	55.30	61.96	55.47	52.97	45.06
	Inventory turnover (times)	1.80	2.09	2.36	2.58	2.27	1.76
	Accounts payable turnover (times)	202.78	174.64	154.66	141.47	160.79	207.38
	Average days in sales	9.42	10.80	7.98	8.63	8.95	6.99
	Property, plant and equipment turnover (times)	3.03	3.86	3.31	3.10	2.85	2.59
	Total assets turnover (times)	0.71	0.84	0.72	0.73	0.67	0.57
Profitability	Return on total assets (%)	3.92	3.50	3.46	3.56	3.67	2.29
	Return on stockholders' equity (%)	7.17	6.61	6.81	7.42	8.28	5.52
	Ratio to issued capital (%)	Operating income	13.60	10.49	9.93	13.84	15.60
			17.19	13.85	13.94	15.42	18.79
	Profit ratio (%)		5.30	3.95	4.51	4.59	5.16
	Earnings per share (NT\$)		1.34	1.22	1.19	1.33	1.55
Cash flow	Cash flow ratio (%)	1.93	3.49	7.83	16.83	21.56	0
	Cash flow adequacy ratio (%)	46.90	44.67	29.04	41.51	48.15	48.37
	Cash reinvestment ratio (%)	-2.83	-1.52	1.10	7.23	7.18	0
Leverage	Operating leverage	4.38	6.38	6.24	4.86	6.13	4.40
	Financial leverage	1.06	1.08	1.10	1.08	1.09	1.07

Note 1: The calculation formula of financial analysis:

1. Capital Structure Analysis

(1) Debt ratio = Total Liabilities / Total Assets

(2) Long-term fund to fixed assets ratio= (Shareholders' Equity + Long-term Liabilities) / Net Properties

2. Liquidity Analysis

(1) Current ratio = Current Assets / Current Liabilities

(2) Quick ratio = (Current Assets – Inventories - Prepaid Expenses) / Current Liabilities

(3) Times interest earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

(1) Average collection turnover = Net Sales / Average Trade Receivables

- (2) Average collection days = 365 / Receivables Turnover rate
- (3) Average inventory turnover = Cost of Sales / Average inventory
- (4) Average inventory turnover days = 365 / Inventory Turnover rate
- (5) Average payment turnover = Cost of Sales / Average Trade Payables
- (6) Fixed assets turnover = Net Sales / Average Net Properties
- (7) Total assets turnover = Net Sales / Average Total Assets
4. Profitability Analysis
- (1) Return on total assets = {Net Income + Interest Expenses * (1 - Effective tax rate)} / Average Total Assets
- (2) Return ratio on stockholders' equity = Net Income / Average Shareholders' Equity
- (3) Operating income to paid-in capital = Operating Income / Capital
- (4) Pre-tax income to paid-in capital = Income before tax/ Capital
- (5) Net income to net sales = Net Income / Net Sales
- (6) Earnings per share = (Net Income – Preferred Stock Dividend) / Weighted Average Number of Share Outstanding
5. Cash Flow
- (1) Cash flow ratio = Net Cash Provided by Operating Activities / Current Liabilities
- (2) Cash Flow Adequacy Ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividends.
- (3) Cash flow reinvestment ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Plant + Investment + Other Assets + Working Capital)
6. Leverage
- (1) Operating leverage = (Net Sales - Variable Cost) / Income from Operations
- (2) Financial leverage = Income from Operations / (Income from Operations - Interest Expenses)

B. Unconsolidated Financial Analysis

Year Item		Financial Analysis for the Last Five Years				
		2015	2016	2017	2018	2019
Financial structure (%)	Debt Ratio	48.12	47.99	53.22	54.15	58.49
	Ratio of long-term capital to property, plant and equipment	427.57	411.85	348.89	279.83	372.10
Solvency (%)	Current ratio	128.28	127.71	113.90	102.64	140.77
	Quick ratio	52.53	66.34	47.66	35.75	51.07
	Interest earned ratio (times)	30.32	24.95	19.10	18.73	19.49
Operating performance	Accounts receivable turnover (times)	7.35	7.46	6.21	7.16	7.13
	Average collection period	49.66	48.93	58.78	50.98	51.19
	Inventory turnover (times)	1.68	2.06	2.27	2.29	1.61
	Accounts payable turnover (times)	217.26	177.18	160.79	159.39	226.70
	Average days in sales	8.91	10.54	7.87	9.06	10.06
	Property, plant and equipment turnover (times)	4.05	5.13	3.98	3.62	3.14
	Total assets turnover (times)	0.63	0.76	0.62	0.64	0.57
Profitability	Return on total assets (%)	4.17	3.70	3.47	3.62	3.90

	Return on stockholders' equity (%)		7.46	6.85	6.69	7.45	8.51
	Ratio to issued capital (%)	Operating income	22.03	15.70	11.19	13.71	15.41
		Pre-tax income	17.04	13.67	12.84	14.58	18.45
	Profit ratio (%)		6.42	4.66	5.29	5.38	6.52
	Earnings per share (NT\$)		1.34	1.22	1.19	1.33	1.55
Cash flow	Cash flow ratio (%)		0.00	0.93	4.76	14.37	12.43
	Cash flow adequacy ratio (%)		50.74	45.24	20.95	27.25	29.08
	Cash reinvestment ratio (%)		-4.09	-3.08	-0.85	5.58	2.53
Leverage	Operating leverage		2.57	3.86	4.63	4.11	4.94
	Financial leverage		1.03	1.04	1.07	1.06	1.07

Note 1: The calculation formula of financial analysis:

1. Capital Structure Analysis

(1) Debt ratio = Total Liabilities / Total Assets

(2) Long-term fund to fixed assets ratio= (Shareholders' Equity + Long-term Liabilities) / Net Properties

2. Liquidity Analysis

(1) Current ratio = Current Assets / Current Liabilities

(2) Quick ratio = (Current Assets – Inventories - Prepaid Expenses) / Current Liabilities

(3) Times interest earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

(1) Average collection turnover = Net Sales / Average Trade Receivables

(2) Average collection days = 365 / Receivables Turnover rate

(3) Average inventory turnover = Cost of Sales / Average inventory

(4) Average inventory turnover days = 365 / Inventory Turnover rate

(5) Average payment turnover = Cost of Sales / Average Trade Payables

(6) Fixed assets turnover = Net Sales / Average Net Properties

(7) Total assets turnover = Net Sales / Average Total Assets

4. Profitability Analysis

(1) Return on total assets = {Net Income + Interest Expenses * (1 - Effective tax rate)} / Average Total Assets

(2) Return ratio on stockholders' equity = Net Income / Average Shareholders' Equity

(3) Operating income to paid-in capital = Operating Income / Capital

(4) Pre-tax income to paid-in capital = Income before tax/ Capital

(5) Net income to net sales = Net Income / Net Sales

(6) Earnings per share = (Net Income – Preferred Stock Dividend) / Weighted Average Number of Share Outstanding

5. Cash Flow

(1) Cash flow ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio =Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividends.

(3) Cash flow reinvestment ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Plant + Investment + Other Assets + Working Capital)

6. Leverage

(1) Operating leverage = (Net Sales - Variable Cost) / Income from Operations

(2) Financial leverage = Income from Operations / (Income from Operations - Interest Expenses)

6.3 Audit Committee's Report for the Most Recent Year

Chung Hsin Electric & Machinery Mfg. Corp. Ltd. Audit Report by Audit Committee

The Board reports the financial statement, business report, and earnings distribution proposal of 2018, and financial statement have been audited by Crowe Horwath CPAs TAIWAN. The financial statements, business report and earnings distribution proposal have been audited by us as Audit Committee of the Company. We deem no inappropriateness on these documents. Pursuant to Article 219 of the Company Act, we hereby present the audited report. Please review.

Chung Hsin Electric & Machinery Mfg. Corp
Chairperson of the Audit Committee:
Gene-Tzn Chen

On the Date of March 27, 2020

6.4 Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To The Board of Directors and the Stockholders
Chung-Hsin Electric and Machinery Manufacturing Corp.

Opinion

We have audited the consolidated financial statements of Chung-Hsin Electric and Machinery Manufacturing Corp. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 audit 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 Consolidated Financial Statements section of our report. We are independent of the Group 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The description of the key audit matters of the consolidated financial statements for the year ended December 31, 2019 are as follows:

Engineering Revenue Recognition

Key Audit Matters statements

Refer to the Note 4(19) to the accounting policy of revenues recognition.

The Group business included electric power engineering construction and design. Contract

revenue should be recognized by reference to the stage of completion of the performance obligation over time. Performance obligation should be recognized by reference to the stage of completion of the contract activity. The stage of completion of a contract is measured by the proportion of contract costs incurred for work performed to date to the estimated total costs for the contract which are based on significant accounting estimation and judgment of management. Construction revenue amount was 37.6% of operation revenue. The construction revenue has significant influence on financial statements. Therefore, the recognition of construction revenues is considered as a key audit matter by decision of CPA.

Key Audit procedures

By conducting the tests of controls, we obtained an understanding of the Group's recognition of construction revenues and of the design and implementation of related controls. We also perform corresponding audit procedures as follows:

1. Review the amount and estimate cost of matter contracts to confirm the accuracy of the information in the profit or loss on construction.
2. Test the accuracy of the construction listing on percentage of completion calculation and confirm the accuracy of the information in the accounting system.
3. Acquire the statements about the matter changing of construction, which is assessed by the corporation.

Other Matter

Certain investments which were accounted for under the equity method based on the financial statements of the investees were audited by other independent accountants. Our audit, insofar as it related to these companies' total assets were NT 1,925,277 thousands and NT 1,532,757 thousands, which represented 9.52% and 9.05% of the total consolidated assets as of December 31, 2019 and 2018, the related shares of net operating revenue from the associates in the amount of NT 1,183,781 thousands and NT 736,823 thousands, which represented 9.56% and 6.02% of the total consolidated net operating revenue for the years ended December 31, 2019 and 2018;

The investments accounted for under the equity method balance of NT 711,660 thousands and NT 638,369 thousands, which represented 3.52% and 3.77% of the total consolidated assets as of December 31, 2019 and 2018, the related shares of profit of associates and joint ventures accounted for using equity method in the amount of NT 58,310 thousands and NT 21,576 thousands, which represented 7.39% and 3.33% of the consolidated income from continuing operations before income tax for the years ended December 31, 2019 and 2018.

We have audited and expressed an unqualified opinion with other matter paragraph on the parent company only financial statements of Chung-Hsin Electric and Machinery Manufacturing Corp. for the years ended December 31, 2019 and 2018, respectively.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 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.

March 27, 2020

Notice to Reader

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying consolidated 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 auditors' report and consolidated financial statements shall prevail.

CHUNG-HSIN ELECTRIC AND MACHINERY MANUFACTURING CORPS. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2019		December 31, 2018		LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS :					CURRENT LIABILITIES :				
Cash and cash equivalents (Note 6)	\$ 983,260	5	\$ 986,461	6	Short-term debts (Notes 6 and 7)	\$ 718,945	4	\$ 2,229,840	13
Financial assets at fair value through profit and loss	476,509	2	415,145	3	Short-term bonds payable (Note 6)	14,980	-	1,318,506	8
– current (Notes 6 and 8)					Contract liabilities, current (Note 6)	3,133,100	15	2,904,287	17
Contract assets, current (Notes 6 and 7)	1,609,897	8	833,175	5	Notes payable	9,047	-	5,836	-
Notes receivable, net (Note 6)	66,431	-	85,342	1	Accounts payable	1,164,495	6	1,091,426	7
Notes receivable- related parties (Notes 6 and 7)	21,088	-	9,903	-	Accounts payable - related parties (Note 7)	16,608	-	16,440	-
Accounts receivable, net(Note 6)	1,516,170	8	1,702,611	10	Other payables (Note 6)	716,310	4	592,658	4
Accounts receivables-related parties (Notes 6 and 7)	28,713	-	9,807	-	Other payables-related parties (Note 7)	1,410	-	2,099	-
Other accounts receivables, net	28,915	-	33,772	-	Current tax liabilities	95,189	-	53,079	-
Other accounts receivables-related parties (Note 7)	59,819	-	70,618	-	Provisions, current (Note 6)	170,525	1	54,428	-
Current tax assets	2,889	-	2,352	-	Current portion of long-term liabilities (Note 6)	700,000	3	-	-
Inventory - manufactory(Note 6)	3,075,219	15	2,610,984	15	Lease liabilities, current (Note 6)	962,258	5	-	-
Inventory - Construction(Notes 6 and 8)	2,570,665	13	1,831,451	11	Other current liabilities	27,188	-	16,229	-
Prepayments (Notes 6 and 7)	547,441	3	1,005,797	6	Total current liabilities	7,730,055	38	8,284,828	49
Other current assets (Note 8)	289,137	2	332,879	2	NONCURRENT LIABILITIES :				
Total current assets	11,276,153	56	9,930,297	59	Long-term debts (Note 6)	3,452,417	17	647,939	4
NONCURRENT ASSETS :					Deferred income tax liabilities (Note 6)	340,753	2	342,946	2
Financial assets at fair value through profit and loss	282,366	1	243,503	1	Lease liabilities, noncurrent (Note 6)	804,221	4	-	-
– noncurrent (Note 6)					Other noncurrent liabilities (Notes 6 and 7)	78,852	-	49,243	-
Investments under equity method (Note 6)	912,119	5	834,667	5	Total noncurrent liabilities	4,676,243	23	1,040,128	6
Property, plant and equipment(Notes 6, 7 and 8)	4,461,786	22	4,221,019	25	Total liabilities	12,406,298	61	9,324,956	55
Right-of-use assets (Note 6)	2,076,356	10	-	-	Equity attributable to owners of parent				
Investment property, net(Notes 6 and 8)	533,441	3	539,690	3	Common stock (Note 6)	4,200,000	21	4,200,000	25
Intangible property (Note 6)	39,226	-	66,718	-	Capital surplus (Note 6)	421,024	2	410,300	3
Deferred income tax assets (Note 6)	96,384	-	90,603	1	RETAINED EARNINGS (Note 6)				
Deposit out (Note 8)	154,086	1	177,831	1	Legal reserve	1,143,143	6	1,088,659	7
Other noncurrent assets (Note 6, 7 and 8)	389,632	2	836,438	5	Special reserve	858,940	4	858,678	5
Total noncurrent assets	8,945,396	44	7,010,469	41	Unappropriated earnings	1,048,760	5	918,861	5
					Total retained earnings	3,050,843	15	2,866,198	17
					Other equity(Note 6)	21,698	-	2,110	-
					Treasury stock (Notes 6 and 8)	(116,880)	-	(116,880)	(1)
					Total Equity attributable to owners of parent	7,576,685	38	7,361,728	44
					Non-controlling interests (Note 6)	238,566	1	254,082	1
					Total equity	7,815,251	39	7,615,810	45
TOTAL ASSETS	\$ 20,221,549	100	\$ 16,940,766	100	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 20,221,549	100	\$ 16,940,766	100

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

CHUNG-HSIN ELECTRIC AND MACHINERY MANUFACTURING CORPS. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 6 and 7)	\$ 12,377,516	100	\$ 12,235,997	100
OPERATING COST (Notes 6 and 7)	(10,312,001)	(83)	(10,294,379)	(84)
GROSS PROFIT	2,065,515	17	1,941,618	16
OPERATING EXPENSES (Notes 6 and 7)				
Marketing expenses	(428,941)	(3)	(430,923)	(3)
General and administrative expenses	(832,286)	(7)	(714,477)	(6)
Research and development expenses	(195,208)	(2)	(237,298)	(2)
Expected credit impairment losses (gains)	46,198	-	22,156	-
Total operating expenses	(1,410,237)	(12)	(1,360,542)	(11)
OPERATING INCOME	655,278	5	581,076	5
NON-OPERATING INCOME AND EXPENSES				
Other revenues (Notes 6 and 7)	143,163	1	112,479	1
Other incomes and losses (Note 6)	(62,174)	(1)	(16,095)	-
Financial cost (Notes 6 and 7)	(53,322)	-	(41,333)	-
Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6)	106,084	1	11,436	-
Total non-operating income and expenses	133,751	1	66,487	1
PROFIT BEFORE INCOME TAX	789,029	6	647,563	6
INCOME TAX (Note 6)	(150,241)	(1)	(85,501)	(1)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	638,788	5	562,062	5
OTHER COMPREHENSIVE INCOME (Note 6)				
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS				
Remeasurements of defined benefit pension plans	(8,968)	-	27,793	-
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS				
Exchange differences on translating foreign operations	(84,733)	(1)	(42,747)	-
Share of other comprehensive income of associates and joint ventures accounted for using equity method	96,277	1	(50,344)	(1)
TOTAL OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	2,576	-	(65,298)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 641,364	5	\$ 496,764	4
Income attributable to :				
Owners of parent	\$ 635,299	5	\$ 544,837	5
Non-controlling interests	3,489	-	17,225	-
	\$ 638,788	5	\$ 562,062	5
COMPREHENSIVE INCOME attributable to :				
Owners of parent	\$ 645,919	5	\$ 484,423	4
Non-controlling interests	(4,555)	-	12,341	-
	\$ 641,364	5	\$ 496,764	4
BASIC EARNINGS PER SHARE (Note 6)	\$ 1.55		\$ 1.33	

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

CHUNG-HSIN ELECTRIC AND MACHINERY MANUFACTURING CORPS. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	RETAINED EARNINGS						OTHER EQUITY							
	Common Stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total Retained earnings	Exchange differences on translating foreign operations	Unrealized gain (loss) on Financial assets at fair value through other comprehensive incomes	Unrealized gain (loss) on Available for sale financial assets	Total Other equity	Treasury stock	Total Equity attributable to owners of parent	Non-controlling interests	Total Equity
BALANCE, JANUARY 1, 2018	\$ 4,200,000	\$ 409,877	\$ 1,039,843	\$ 858,678	\$ 787,728	\$ 2,686,249	\$ (92,366)	\$ -	\$ 182,683	\$ 90,317	\$ (116,880)	\$ 7,269,563	\$ 263,989	\$ 7,533,552
Effect of retrospective application	-	-	-	-	27,319	27,319	-	182,683	(182,683)	-	-	27,319	-	27,319
BALANCE, JANUARY 1, 2018 AS RESTATED	4,200,000	409,877	1,039,843	858,678	815,047	2,713,568	(92,366)	182,683	-	90,317	(116,880)	7,296,882	263,989	7,560,871
APPROPRIATION AND DISTRIBUTION OF RETAINED EARNINGS														
Legal reserve	-	-	48,816	-	(48,816)	-	-	-	-	-	-	-	-	-
Common stock cash dividends	-	-	-	-	(420,000)	(420,000)	-	-	-	-	-	(420,000)	-	(420,000)
Changes in capital surplus from investments in associates accounted for using the equity method	-	(11,230)	-	-	-	-	-	-	-	-	-	(11,230)	-	(11,230)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	-	-	-	-	544,837	544,837	-	-	-	-	-	544,837	17,225	562,062
OTHER COMPREHENSIVE INCOME	-	-	-	-	27,793	27,793	(39,924)	(48,283)	-	(88,207)	-	(60,414)	(4,884)	(65,298)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	-	-	-	-	572,630	572,630	(39,924)	(48,283)	-	(88,207)	-	484,423	12,341	496,764
Adjustments of capital surplus for company's dividends received by subsidiaries	-	9,039	-	-	-	-	-	-	-	-	-	9,039	-	9,039
Changes in Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(22,248)	(22,248)
Other	-	2,614	-	-	-	-	-	-	-	-	-	2,614	-	2,614
BALANCE, DECEMBER 31, 2018	4,200,000	410,300	1,088,659	858,678	918,861	2,866,198	(132,290)	134,400	-	2,110	(116,880)	7,361,728	254,082	7,615,810
Effect of retrospective application	-	-	-	-	(21,686)	(21,686)	-	-	-	-	-	(21,686)	(657)	(22,343)
BALANCE, JANUARY 1, 2019 AS RESTATED	4,200,000	410,300	1,088,659	858,678	897,175	2,844,512	(132,290)	134,400	-	2,110	(116,880)	7,340,042	253,425	7,593,467
APPROPRIATION AND DISTRIBUTION OF RETAINED EARNINGS														
Legal reserve	-	-	54,484	-	(54,484)	-	-	-	-	-	-	-	-	-
Common stock cash dividends	-	-	-	-	(420,000)	(420,000)	-	-	-	-	-	(420,000)	-	(420,000)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	-	-	-	-	635,299	635,299	-	-	-	-	-	635,299	3,489	638,788
OTHER COMPREHENSIVE INCOME	-	-	-	-	(8,968)	(8,968)	(76,689)	96,277	-	19,588	-	10,620	(8,044)	2,576
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	-	-	-	-	626,331	626,331	(76,689)	96,277	-	19,588	-	645,919	(4,555)	641,364
Adjustments of capital surplus for company's dividends received by subsidiaries	-	9,039	-	-	-	-	-	-	-	-	-	9,039	-	9,039
Changes in Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(10,304)	(10,304)
Other	-	1,685	-	262	(262)	-	-	-	-	-	-	1,685	-	1,685
BALANCE, DECEMBER 31, 2019	\$ 4,200,000	\$ 421,024	\$ 1,143,143	\$ 858,940	\$ 1,048,760	\$ 3,050,843	\$ (208,979)	\$ 230,677	\$ -	\$ 21,698	\$ (116,880)	\$ 7,576,685	\$ 238,566	\$ 7,815,251

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

CHUNG-HSIN ELECTRIC AND MACHINERY MANUFACTURING CORPS. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Income Tax	\$ 789,029	\$ 647,563
Adjustments to reconcile profit to net cash provided by (used in) operating activities		
Depreciation	1,686,180	316,753
Amortization	167,299	131,603
Expected credit impairment losses (gains)	(46,198)	(22,156)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(89,960)	20,703
Interest expenses	53,322	41,333
Interest income	(19,326)	(19,813)
Dividend income	(86,358)	(31,194)
Share of (profit) loss of associates and joint ventures accounted for using equity method	(106,084)	(11,436)
Loss (Gain) on disposal of property, plant and equipment	26,048	960
Loss (Gain) on disposal of investment	(1,831)	(19,592)
Impairment loss on financial assets	78,090	-
Impairment loss on non-financial assets	42,031	-
Net changes in operating incomes and losses which do not affect cash flows	1,703,213	407,161
Net changes in operating assets and liabilities		
Increase in financial assets mandatorily classified as at fair value through profit or loss	(13,602)	17,968
(Increase) Decrease in contract assets	(768,083)	(42,493)
(Increase) Decrease in notes receivable	18,911	55,445
(Increase) Decrease in notes receivable - related parties	(11,185)	(763)
(Increase) Decrease in accounts receivables	164,860	(52,153)
(Increase) Decrease in accounts receivable - related parties	44,118	30,204
(Increase) Decrease in other accounts receivables	1,057	1,072
(Increase) Decrease in other accounts receivable - related parties	9,941	(27,754)
(Increase) Decrease in inventory	(1,203,449)	(556,150)
(Increase) Decrease in prepayments	307,902	3,268
(Increase) Decrease in other current assets	43,742	(25,838)
Net cash provide by (used in) operating assets	(1,405,788)	(597,194)
(Decrease) Increase in contract liabilities	228,813	1,103,086
(Decrease) Increase in notes payable	3,211	(28,406)
(Decrease) Increase in accounts payable	73,069	(132,122)
(Decrease) Increase in accounts payable - related parties	168	1,382
(Increase) Decrease in other accounts receivables	133,502	62,570
(Increase) Decrease in other accounts receivable - related parties	(689)	710
(Decrease) Increase in provisions	116,097	(10,545)
(Decrease) Increase in other current liabilities	10,959	(5,995)
(Decrease) Increase in net defined benefit liability	-	(66,670)
Net cash provide by (used in) operating liabilities	565,130	924,010
Net changes provide by (used in) operating assets and liabilities	(840,658)	326,816
Total Adjustments	862,555	733,977
Cash provided by (used in) operating activities	1,651,584	1,381,540

(Continued)

	2019	2018
Cash received for interest	20,100	20,027
Cash received for dividend	145,093	88,009
Cash paid for interest	(33,666)	(41,044)
Cash received (paid) for Income tax	(116,757)	(53,797)
Net cash provide by (used in) operating activities	1,666,354	1,394,735
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Investments under equity method	-	(48,308)
Proceeds from non-current assets as held for sale	-	91,872
Acquisition of property, plant and equipment	(408,798)	(981,627)
Proceeds from disposal of property, plant and equipment	3,613	6,175
Increase in deposit out	-	(22,972)
Decrease in deposit out	23,745	-
Acquisition of intangible assets	(3,711)	(3,968)
Acquisition of right-of-use assets	(90,687)	-
Increase in long-term lease receivables	(16,250)	(40,361)
Increase in other noncurrent assets	(149,428)	-
Decrease in other noncurrent assets	-	52,220
Other investment activities	1,206	2,651
Net cash provide by (used in) investing activities	(640,310)	(944,318)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term debts	-	97,804
Decrease in short-term debts	(1,510,895)	-
Increase in short-term bonds payable	-	-
Decrease in short-term bonds payable	(1,304,500)	(30,500)
Increase in long-term debts	3,505,000	-
Decrease in long-term debts	-	(629,280)
Increase in guarantee deposit received	6,899	516
Repayment of the principal portion of lease liabilities	(1,295,215)	-
Increase in other noncurrent liabilities	21,561	13,497
Cash Dividends Paid	(420,000)	(420,000)
Net change in non-controlling interests	(18,348)	(27,132)
Other financing activities	2,204	-
Net cash provided by (used in) financing activities	(1,013,294)	(995,095)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(15,951)	(4,539)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,201)	(549,217)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	986,461	1,535,678
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 983,260	\$ 986,461

(Concluded)

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

**CHUNG-HSIN ELECTRIC AND MACHINERY MANUFACTURING CORPS.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018
(Expressed in New Taiwan dollars, except as otherwise indicated)**

1. HISTORY AND ORGANIZATION

The Corporation

Chung-Hsin Electric and Machinery Manufacturing Corp. (the Corporation), a Republic of China (R.O.C.) corporation, registered in Chung Ho city of New Taipei City, main business operated at No. 25, Wen-Te Rd., Lo Shan Tsun, Guishan Dist., Taoyuan city.

(a)The Corporation starts in May, 1956 as name in Chung-Hsin factory before and reorganizes to Chung-Hsin Electric and Machinery Manufacturing Corps. in 1962.

(b)The Corporation is engaged mainly in manufacturing equipments and machinery for power supplying, transmission and distribution; power automation system; generators, air conditioning; incinerator, ash recycling plant; pollution prevent project; turn key project for power supply and control, wind power generator, hydro power generator; producing and trading wireless and microwave communication product; parking management and constructing automatic parking facility, sale and rental residence and building ; manufacturing and marking of large gantry 5-Axis machining center; manufacturing and selling of pneumatic-operated and medium voltage switchgear equipments ; production and manufacture of aerospace components, OLED, precision machining for components and semiconductor components. The principal operating activities of the Corporation's subsidiaries are described in Note 4(4).

(c)The common shares of the Corporation have been listed on Taiwan Stock Exchange since March 8, 1994.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

The consolidated financial statements were approved by the board of directors and authorized for issue on March 27, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1)Effect of adoption of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") in issue and endorsed by the Financial Supervisory Commission (FSC) and Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers:

Except for the following, 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 did not have a significant effect on the Group's accounting policies:

IFRS 16, "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "Leases" and IFRIC 4 "Determining whether an Arrangement contains a Lease". Upon initial application of IFRS 16, the Group will 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 Group as lessee

Under application of IFRS 16, if the Group is a lessee, except for payments for low-value asset and short-term leases which will be recognized as expenses on a straight-line basis, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets. The right-of-use assets that meet the definition of investment property will be recognized

as investment property. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities and computed using the effective interest method. On the consolidated 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.

Before application of IFRS 16, payments under operating lease contracts 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 finance leases contracts are classified within lease assets and lease payments on the consolidated statements of balance sheet.

The Group elects to apply modified retrospective to not restate the comparison period information and recognizes the cumulative effect of the initial application of this Standard recognized at the date of initial application.

The Group recognized leases liabilities of parking lands and buildings as operating lease under IAS 17 before, these lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. The related right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

Right-of-use assets are subject to impairment testing under IAS 36. In the transition to IFRS 16, the Group will apply the following practical expedients:

- A. The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- B. The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- C. Except for lease payment, the Group will exclude incremental costs of obtaining the lease from the measurement of right-of-use assets on January 1, 2019.
- D. The Group will determine lease period (if including option of lease extension or termination in contract) based on the projected status on January 1, 2019.

The range of lessee's weighted average of incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 0.96%. The difference between the lease liabilities recognized and operating lease commitments disclosed on December 31, 2018 is explained as follows:

Expressed in thousands of New Taiwan Dollars	
The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 1,562,518
Add: Adjustments as a result of a different treatment of extension and termination options	1,036,208
Undiscounted amounts on January 1, 2019	<u>\$ 2,598,726</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 2,365,928</u>
Lease liabilities on January 1, 2019	<u>\$ 2,365,928</u>

The Group as lessor

In the transition to IFRS 16, the Group will not make any adjustments for leases in which it is a lessor, and will account for those leases under IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity of first application of IFRS 16 on January 1, 2019 is set out below:

Expressed in thousands of New Taiwan Dollars			
	Before adjusted Carrying Amounts as of January 1, 2019	Adjustments from Initial Application	Adjusted Carrying Amounts as of January 1, 2019
<u>Current Assets</u>			
Prepayments	\$ 1,005,797	\$(150,454)	\$ 855,343
<u>Noncurrent Assets</u>			

	Before adjusted Carrying Amounts as of January 1, 2019	Adjustments from Initial Application	Adjusted Carrying Amounts as of January 1, 2019
Investments under equity method	834,667	(25)	834,642
Right-of-use assets	—	2,684,576	2,684,576
Other noncurrent assets	836,438	(190,512)	645,926
Impact on assets	<u>\$ 2,676,902</u>	<u>\$ 2,343,585</u>	<u>\$ 5,020,487</u>
<u>Current Liabilities</u>			
Leases liabilities	\$ —	\$ 1,102,716	\$ 1,102,716
<u>Noncurrent Liabilities</u>			
Leases liabilities	—	1,263,212	1,263,212
Impact on liabilities	<u>\$ —</u>	<u>\$ 2,365,928</u>	<u>\$ 2,365,928</u>
<u>Equity</u>			
Retained earnings	\$ 918,861	\$(21,686)	\$ 897,175
Non-controlling interests	254,082	(657)	253,425
Impact on equity	<u>\$ 1,172,943</u>	<u>\$(22,343)</u>	<u>\$ 1,150,600</u>

(2) The impact of the Group has not applied the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs in issue and endorsed by FSC:

The IFRSs endorsed by the FSC for application starting from 2020 were listed below:

New Standards, Amendments And Interpretations	Effective Date of IASB
Amendments of IFRS 3 Definition of a Business	January 1, 2020(Note 1)
Amendments of IAS 1 and IAS 8 Definition of Material	January 1, 2020(Note 2)
Amendments of IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform	January 1, 2020(Note 3)

Note 1: The Group shall apply these amendments to asset acquisitions that occur on or after the beginning of January 1, 2020.

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

Note 3: The Group shall apply these amendments beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is assessing the potential impact of other standards and amendments continuously. The related impact will be disclosed when the Group completes the evaluation.

(3)The IFRSs issued by IASB but not endorsed by FSC

The IFRSs issued by IASB but not endorsed by FSC were listed below:

New Standards, Amendments And Interpretations	Effective Date of IASB (Note)
Amendments of IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date to be determined by IASB
IFRS 17 Insurance Contracts	January 1, 2021
Amendments of IAS 1 Classification of Liabilities as Current or Non-current	January 1, 2022

Note : Unless otherwise stated, the above new standards, amendments and interpretations are effective for annual periods beginning on or after the date mentioned.

The Group is assessing the potential impact of the new standards and amendments above continuously. The related impact will be disclosed when the Group completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the notes listed. The summary of significant accounting policies listed below is consistent adopted in all reporting periods.

(1) Compliance statement

The consolidated financial statements have been prepared in accordance with Rules Governing

the Preparation of Financial Statements by Securities Issuers (Regulations) and IFRSs as endorsed by FSC.

(2) Basis of preparation

Except for the financial instruments that are measured at fair value, these consolidated financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The items listed in the financial statements of each individual in the Group are measured in the individual functional currency. This consolidated financial statement is prepared using the functional currency New Taiwan dollar of the Corporation as the expression currency.

The Group retrospectively applied IFRS 16 on January 1, 2019, choosing not to restate the 2018 financial statements and notes, and recognizing the difference in the retained earnings on January 1, 2019.

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

Current assets are assets held for trading purposes and assets expected to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

The construction business cycle is longer than one year. Its related assets and liabilities are classified as current or noncurrent by normal business cycle.

(4) Basis of consolidation

A. The basis for the consolidated financial statements:

(A) The Group includes all subsidiaries in the consolidated financial statement. Subsidiaries refer to individuals (including structural individuals) controlled by the Group. When the Group is exposed to the right to change the remuneration of the individual or the remuneration rights for such variation, and the ability to affect such remuneration through the power of the individual, the Group controls the individual. Subsidiaries are included in the consolidated financial report from the date the Group obtains control, and are not included in the consolidated financial report when the Group loses control.

(B) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Corporation and its subsidiaries are eliminated in consolidated financial statements. The accounting policies of the subsidiaries have been adjusted as necessary, consistent with the policies adopted by the Group.

(C) The components of profit and loss and other comprehensive income are attributed to Corporation and non-controlling interests; total comprehensive income attributed to the Corporation and non-controlling interests, even though non-controlling becomes loosed.

(D) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are accounted for as equity transactions. The carrying amounts of the Corporation's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(E) When the Group lose control of a subsidiary, a profit or loss is calculated as the difference between (i) the Group remeasures any investment retained in the former subsidiary at its fair value; (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss or transferred directly to retained earnings as appropriate, on the same basis as would be required if the related assets or liabilities were disposed of.

B. The subsidiaries in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)	
			December 31, 2019	December 31, 2018
Chung-Hsin Electric And Machinery Manufacturing Corps.	CHEMUSACORP.	Selling and assembly of note book computers	100.00%	100.00%
	CHENG-HSIN Engineering & Services CO.,LTD.	Environmental protection incinerator set up and maintenance Electric power and monitor equipment	100.00%	100.00%
	Etrovision technology Co., Ltd.	Plan, design and maintenance for electricity, water and fire fighting system of building and factory	99.99%	99.99%
		Electric equipment installment		
		Automatic control equipment		
	CHEM Corp.	Communication engineering	100.00%	100.00%
		TV-KU channel and C channel installment		
	Sunrise investment Corp.	Export and import goods	100.00%	100.00%
	Global - Entech Co., Ltd.	General investment	100.00%	100.00%
		Air pollution sample testing		
		Waste water and environmental water testing		
	Tone-zoom industry Co., Ltd.	Noise testing Evaluation of environmental affection	99.98%	99.98%
		Intensified fiber plastic material and product		
		Bathing equipment Industrial plastic product		
	Bao-Sheng Global Co., Ltd.	Manufacture machinery equipment	58.04%	58.04%
		Lift installation		
		Automation control equipment and traffic mark		
	FinData Technology Corp.	Parking business management, etc.	100.00%	100.00%
		Software Design Services, Data Processing Services, Digital Information Supply Services		
CHENG-HSIN Engineering & Services CO.,LTD.	Chung- Hsin Energy Tech. Inc.	Manufacturing machinery for generating, transmitting and distributing electric power and fuel cells; energy technology services.	100.00% (Note1)	—
	Tian Cin Energy Co., Ltd.	Manufacturing machinery for generating, transmitting and distributing electric power and energy technology services.	50.00% (Note1)	—
	Tian Peng Energy Co., Ltd.	Manufacturing machinery for generating, transmitting and distributing electric power and energy technology services.	50.00% (Note1)	—
	Tian Chong Energy Co., Ltd.	Manufacturing machinery for generating, transmitting and distributing electric power and energy technology services.	50.00% (Note1)	—
	H2 PowerTech,Inc.	Holding company	— (Note2)	100.00%
	EGME Energy Ecosystems (India) Private Limited	To promote, own, acquire, erect, construct, establish, maintain, improve, manage, devise, develop, manufacture, install, commission, alter, carry on, control, take on backup power services, fuel cells equipment projects, telecom towers or other facilities of generation back power services of green energy and their sales and distribution	— (Note2)	—
	ME Energy Systems Limited	Power EQU, engineering & parking management services	100.00% (Note3)	—
	San - feng construction Co., Ltd.	Civil engineering, construction, water conservancy, contract management industry	100.00%	100.00%
	Wha Dun Building Management Service Co., Ltd.	Apartment managing services and consulting, etc.	100.00%	100.00%
	Accumis System Technologies Inc.	Optical and precision equipment manufacturing and software information services	100.00%	100.00%

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)	
			December 31, 2019	December 31, 2018
CHEM Corp.	CHEM POWER Corp.	Export and import goods	100.00%	100.00%
	CHEM Power Limited	Export and import goods	100.00%	100.00%
	CHEM J-V Limited	Export and import goods	100.00%	100.00%
CHEM POWER Corp.	Chemly power equipment Corp.	Manufacturing machinery for generating, transmitting and distributing electric power	100.00%	100.00%
CHEM Power Limited	Chung - Hsin Power Systems (Jiangsu) Corp.	220kV~550kV high voltage GIS/GCB assembly and manufacturing.	100.00%	100.00%
	Nantong Shengyi precision machinery Co.	Processing tanks, plates, over 1.5M of conductors and various machinery parts	50.00%	50.00%
	Shannxi baoji Yong - shin Ltd.	Aluminum alloy casting and related machinery manufacturing	69.12%	69.12%
	Jiangsu Chung - Hsin Precision Machinery Co., Ltd.	Alloy casting and precision manufacturing	99.17%	99.17%
	Chem-tech (Shang hai) Corp.	Parking equipment & parts manufacturing	100.00%	100.00%
	Chung-Hsin Power Systems (Shenyang) Inc.	International trade	100.00%	100.00%
Jiangsu Chung - Hsin Precision Machinery Co., Ltd.	Wuhan HaiXin Energy and Electronic Co.	Manufacturing ultra high voltage gas insulated switchgear for power transmission and distribution	100.00%	100.00%
	Zhen xing parking management Co., Ltd.	Aluminum casting and precision machinery manufacturing and selling	—	—
		Design, research, assemble, produce, sale of electronic control product	—	(Note4)
Chem-tech (Shang-hai) Corp.		Parking business management	100.00%	100.00%
CHEM J-V Limited	Jiangsu Fumei Landscape & Real Estate Development Co., Ltd.	Resort development and management	100.00%	100.00%
H2 Power Tech, Inc.	H2 Power Tech, LLC.	Technical services, licensing and equipment sales	100.00%	100.00%
ME Energy Systems Limited	H2 PowerTech,Inc.	Holding company	100.00% (Note2)	—
	EGME Energy Ecosystems(India) Private Limited	To promote, own, acquire, erect, construct, establish, maintain, improve, manage, devise, develop, manufacture, install, commission, alter, carry on, control, take on backup power services, fuel cells equipment projects, telecom towers or other facilities of generation back power services of green energy and their sales and distribution	99.99% (Note2)	—
	CHEM Fuel Cell (M) SDN. BHD.	To promote Fuel cells, Microgrid and their sales	100.00% (Note3)	—
	CHEM ME ENERGY SYSTEMS HOLDINGS (PTY) Ltd.	Holding company for manufacturing, sales and service related to fuel cell generators and other generation and energy storage systems.	100.00% (Note3)	—
		Manufacturing and Sales of fuel generators, battery charging services, power generating services, fuel service and parts and maintenance thereof.	100.00% (Note3)	—
	CHEM ME ENERGY SYSTEMS HOLDINGS (PTY) Ltd.		100.00% (Note3)	—

Note 1: Set up and acquire in this period.

Note 2: The investment structure was adjusted that the equity held by the Corporation was adjusted to be held by ME Energy Systems Limited.

Note 3: Acquire in this period.

Note 4: Liquidation in 2018.

(A) Subsidiaries not included in the consolidated financial statements: none.

(B) The significant non-controlling interests' information of subsidiaries: none.

(5) Foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity'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. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

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

In presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations 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, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income.

(6) Cash equivalents

Cash equivalents are readily convertible to known amount of cash; and subject to an insignificant risk of changes in value which are short-term highly liquid investments.

(7) Financial Instruments

Financial assets and financial liabilities of the Group is meet one of financial instruments' contract, are recognized in consolidated balance sheets.

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

A. Financial assets

Financial assets transactions on a regular way purchase or sale are recognized and derecognized using trade date accounting.

(A) Categories of financial assets

The Group has held categories of financial assets are including financial assets at fair value through profit or loss and financial assets at amortized cost.

a. Financial asset at fair value through profit or loss

Financial assets at fair value through profit or loss are including mandatorily at fair value through profit or loss or financial assets designated as at fair value through profit or loss. Mandatorily at fair value through profit (loss) includes equity instrument investment that the Group does not designate to measure at fair value through other comprehensive profit (loss), and debt instruments that are not measured as amortised cost or fair value through other comprehensive profit or loss investment.

Financial assets at fair value through profit or loss are recognized at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss. These profit or loss are not including any dividends or interests (including receivable of invest in first year). The method of adoption in fair value please refer to Note 12(2).

b. Financial assets at amortized cost

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

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

(b) 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. Financial assets at amortized cost equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

- (a) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- (b) Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

(B) Impairment of financial assets

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

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

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

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

(C) Derecognition of financial assets

The Group derecognises 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 are transferred to another party.

On derecognition of an AC financial asset in its entirety, the difference between the carrying amount and the consideration received that had been recognized in profit or loss.

B. Equity Instruments

Equity instruments issued by the Group are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instrument is the any contracts issued by the Group's residual interest after assets less liabilities. The Group issues equity instrument and recognized with acquirement price less direct issuable cost.

The Group reacquires the Group's equity instruments recognized and derecognized under equity. The Group purchase, disposal, issue or write-down their equity instruments do not recognize in profit or loss.

C. Financial liabilities

(A) Subsequently measured

Financial liabilities are subsequently measured at amortised cost using the effective interest method, except the conditions as follows:

Financial liabilities at fair value through profits and losses

Financial liabilities at fair value through profits and losses are including held for trading and designated as at fair value through profit and loss. Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement

recognized in profit or loss.

(B) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognized in profit or loss.

(8) Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognized in profit or loss. The derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(9) Hedge Accounting

Cash flow hedge

The Group designates partial of hedging instrument (Forward foreign exchange contract) for avoiding foreign currency exchange rate risk arising from expected transactions that are highly likely to happen. The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. When the forecast transaction actually occurs and is recognized, the amount initial recognized in other comprehensive gains and losses is transferred from equity to the original cost of the hedged item. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The Group only roll forward suspends the hedging accounting when a hedging instrument expires, or is sold, cancelled or executed or a hedge no longer meets the criteria for hedge accounting.

(10) Inventories

The inventory of manufactory comprises raw materials, materials, finished goods and work in progress. At the end of year, inventories are evaluated at the lower of cost and net realizable value, and the individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value should be based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses. The cost is determined using the monthly weighted-average method except from equipments and machinery for power supplying, transmission and distribution produced by orders. These inventories cost is determined using the specific method.

The inventory of construction comprises real estate as held for sale, construction in progress and prepayment for land purchases and so on. Contract costs are expensed as incurred. Transactions are recorded based on Completed Contract Method. Prepayment for land purchases will be classified land held for construction site as acquisition of ownership, and then reclassified to construction in progress as active development. The requirements of the interests (borrowing costs) that should be capitalized during the period of active development or start of construction until finished.

(11) Investments in associates

Associates are all entities over which the Group has significant influence but not belong to subsidiaries or joint ventures. Significant influence means has rights of financial and operation decision but not control or join control to investee.

Investments in associates are accounted for using the equity method and are initially recognized at cost. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is

recognized in other comprehensive income.

In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of. The above adjustment is debit capital surplus exceeds the amount of capital surplus, and then the excess shall be reduced to retain earnings. When the Group's share of losses in an associates equals or exceeds its interest in the associate, including carrying amount in investment of associates under equity method and net investment portfolio to an associates in other long-term equity by the Group, is stop to recognize loss. The Group recognizes further losses when legal obligation, constructive obligation and the payment for associates happened.

If the total of the fair values of the consideration of acquisition and any non-controlling interest in the acquire as well as the acquisition-date fair value of any previous equity interest in the acquire is higher than the fair value of the Group's share of the identifiable net assets acquired, the difference is recorded as goodwill; if less than the fair value of the Group's share of the identifiable net assets acquired, the difference is recognized directly in profit or loss.

The Corporation assess at carrying amount (including Goodwill) of investment where there is an indication to compare recoverable amount (the higher of an asset's fair value less costs to sell or value in use) with carrying amount for impairment test. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Upon loss of significant influence over an associate, the Group stops to use equity method and remeasure any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss. The Group loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate on the same basis as would be required if the relevant assets or liabilities were disposed of.

Gains or losses on sales from intercompany transactions between the Group is recognized in consolidated financial statement when intercompany transaction are realized through transaction with third parties.

(12)Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment to measure, cost includes directly attributable to the acquisition or build assets incremental cost. Properties in the course of construction for production are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. Any change is accounted for as a change in estimate from the date of the change.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined

as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(13) Leases

2019

The Group assesses whether the contract is (or includes) a lease on the commencement date of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

A. The Group as lessee

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

Right-of-use assets

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

Except for the right-of-use assets that meet the definition of investment property, right-of-use assets are presented on a separate line in the consolidated balance sheets.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments less any lease incentives received. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

B. The Group as lessor

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

When a lease includes both land and building elements, the Group assesses the classification of each element separately as finance or an operating lease. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted

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

Under finance leases, the lease payments included fixed payments and variable lease payments that depend on an index or a rate. The net investment in the leases is the sum of the present value of the lease receivable and the unguaranteed residual value, plus the initial direct cost, and is expressed as the finance lease receivable. The Group aims to allocate finance income over the lease term on a systematic and rational basis term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease.

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

2018

Based on the terms of a lease contract, a lease is classified as a finance lease if the Group assumes substantially all the risks and rewards incidental to ownership of the leased asset. An operating lease is a lease other than a finance lease.

The Group applies IFRIC 4, "Determining whether an Arrangement contains a Lease", for the sale of electricity contracts, which are classified as finance leases.

A. The Group as lessor

Under finance leases, the amount due from the lessee is recognized as lease receivables based on the net lease investment by the Group. Finance income is allocated to each accounting period to reflect the fixed rates of return available for each period of the undue net lease investment by the Group.

Operating lease receivables are recognised as an income on a straight-line basis over the lease term.

B. The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

(14) Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are also including the land without design of held purpose.

An investment property is stated initially at its cost, including transaction costs and measured subsequently using the cost model.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(15) Intangible Assets

A. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method. After the date of acquisition, goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

B. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis which is in accordance with IAS 8.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

(16) Impairment of Tangible and Intangible Assets

A. Other tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets (except Goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The Group can not estimate its recoverable amount by identifiable assets, and then estimated recoverable amount by cash-generated unit of each assets. The corporate asset shall be allocated to each cash-generated units when it could allocated by reasonable and consistent basis. Otherwise, it allocated to each min cash-generated units by reasonable and consistent basis. The recoverable amount is the higher of an asset's 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 subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed 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 immediately in profit or loss.

B. Goodwill

Goodwill is not amortized, but impairment testing is required on each year periodically. In the purpose of test goodwill for impairment, goodwill is allocated to cash-generating units or groups of cash-generating (collectively, the "cash-generating units"). The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

Goodwill belongs to cash generating units should be impairment tested annually. An impairment loss should be recognized whenever the recoverable amount of the assets is below the carrying amount. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in loss. Impairment losses on goodwill are not reversed.

(17) Provisions

Provisions recognition is the consideration of the risks and uncertainties of the obligations. It is the best estimate of the required expenditure on the obligation to pay off on the balance sheet date.

Loss contract when it is expected that the cost of fulfilling the contractual obligation exceeds the expected economic benefit of the contract, the present obligation to recognize the loss contract is provisions.

(18) employee benefits

(A) Short-term employee benefits

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

(B) Retirement benefits

a. Defined contribution retirement benefit plans

Payments to defined contribution retirement benefit plans are recognized as an expense

when employees have rendered service entitling them to the contributions.

b. Defined benefit plan

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. 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 they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

(19) Revenue Recognition

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

A. Sale of goods

Revenue from the sale of goods is mainly comes from sales of electricity power products.

The Group recognized revenue when a customer obtains control of promised goods, at which time the goods are delivered to the customer's specific location and performance obligation is satisfied. Advance receipts for goods before delivery are recognized as contract liabilities.

When the Group provides material for processing, the control of the ownership of the processed products is not transferred, so the revenue is not recognized when the materials were supplied.

Sales of real estate within the scope of normal business receive fixed transaction prices in phases and recognize contract liabilities. After considering the major financial components, income is recognized when each real estate is completed and delivered to the buyer.

B. Offer of services and maintenances

The Group offers services and maintenances such as parking management and electricity power system maintenance and overhaul.

As the customer obtains and consumes the compliance benefits at the same time, revenue from offer of services and maintenances is recognized when services are provided.

C. Construction revenue

During the construction process, the Group recognized construction revenue based on the stage of completion of the construction contract. The Group gradually recognized contract assets during the construction process and converted them into accounts receivable upon billing. The excess of the construction money received over revenue recognized the difference is presented as contract liability. The engineering retention retained by the customer under the terms of the contract is intended to ensure that the Group completes all contractual obligations. The engineering retention is recognized as contract assets before the compliance of the Group is completed.

If the outcome of a performance obligation can not be estimated reliably, construction revenue is only recognized within the expected recoverable cost of satisfying the performance obligation.

(20) Borrowing Cost

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Specifies that the amount of borrowing costs eligible for capitalization on a qualifying asset is the actual borrowing costs incurred less any investment income earned on the temporary investment of such borrowings.

Borrowings are recognized in current expenses except above conditions.

(21)Income Tax

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

A. Current tax

The tax currently payable is based on taxable profit for the year. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

B. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements 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, such as temporary differences, loss carry forward or expenditure of R&D, are generally recognized for all deductible temporary differences 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 recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Corporation and its subsidiaries 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 utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, 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.

C. Current and deferred tax

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

5. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets

and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(1) Estimated impairment of financial assets

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

(2) Impairment of tangible and intangible assets (excluding goodwill)

When assessing the impairment of tangible and intangible assets, the Group will use their subjective judgment and take into account the status of the assets to determine the useful life and any profit and loss which will be generated by specific asset group. Any changes in accounting estimates arising from changes in economic situation and the Group's strategy may cause significant impairment in the future.

(3) Construction contracts

Construction contracts are according with service concession arrangement. The contract revenue and cost should be recognized by reference to the stage of completion of the contract activity. The stage of completion of a contract is measured by the proportion of contract costs incurred for work performed to date to the estimated total costs for the contract. Under IFRS 15, contract revenue should include the revenue arising from variations from the original contract work, claims and incentive payments that are agreed by the customer and can be measured reliably.

As the estimated total cost and contract items are assessed and judged by the management for the nature of the different projects, the expected amount of contract, the duration, the works and the work, etc., it may affect the calculation of the percentage of completion and the profit and loss of the project.

(4) Income tax

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred income tax assets involves critical accounting judgments and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

(5) Fair value measurement and evaluation process

For Level 3 fair value measurement on equity investments, the Group determines the estimated fair value by selecting appropriate valuation methods primarily based on investees' financial positions, operation results and recent financing activities, the market transaction prices of the similar investments, market conditions and the required discount factors. As such, the estimated fair value may be different from the actual disposal price in the future. The Corporation reassesses the fair value measurement quarterly based on the market conditions to ensure the appropriateness of the fair value measurement.

(6) Lease term-2019

At the commencement date, the Group assesses whether reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease. The Group considers all relevant facts and circumstances that create an economic incentive to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

As reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances is within the control of the Group.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand	\$ 5,861,184	\$ 2,663,421
Turnover cash	8,920,370	8,120,985
Cash in transit	210,899	34,695
Bank Deposit	968,267,961	975,641,456
	<u>\$ 983,260,414</u>	<u>\$ 986,460,557</u>

- A. The financial institutions of the Group have good credit. The Group has business with numbers of financial institutions to diversify credit risk. The probability of breach of contract is expected to be low.
- B. As of December 31, 2019 and 2018, the Group's bank deposit were used as collaterals for purchasing raw materials, engineering contracts, trust of advance in real estate and loans and listed as restricted assets. Please refer to Note 8.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets - current</u>		
<u>Mandatorily at fair value through profit or loss</u>		
Listed Stock	\$ 89,901,490	\$ 45,013,493
Beneficiary certificate	256,864,744	370,131,597
Financial products	129,743,023	—
	<u>\$ 476,509,257</u>	<u>\$ 415,145,090</u>

<u>Financial assets - noncurrent</u>		
<u>Mandatorily at fair value through profit or loss</u>		
Listed Stock	\$ 282,366,069	\$ 243,502,926

As of December 31, 2019 and 2018, financial assets held for trading was used as collaterals for bank loan. Please refer to Note 8.

(3) Hedging Financial Instruments

The Group entered into forward foreign exchange contracts to avoid some of the foreign currency exchange rate risks that are highly probable arising from forecast transactions. Accounting to the market conditions, the Group adjusts hedging ratio not exceeding 100%. The above forward foreign exchange contracts are due within 12 months. The hedging ineffectiveness of the hedging relationship is mainly due to the impact of the counterparty's credit risk on the fair value of the forward foreign exchange contract. There are no other sources of hedging ineffectiveness during the hedging period.

The hedging information of exchange rate risk was as follows:

<u>Hedging Instruments / Hedged Items</u>	<u>Increase (Decrease) in Value Used for Calculating Hedge Ineffectiveness</u>
Hedging Instruments	
Forward foreign exchange contracts	<u>\$ 114,382</u>
Hedging Instruments	
Forecast transactions	<u>\$ (114,382)</u>

(4) Notes receivable, net

	December 31, 2019	December 31, 2018
Notes receivable	\$ 66,431,090	\$ 85,342,314
Less: allowance for impairment loss	(—)	(—)
	<u>66,431,090</u>	<u>85,342,314</u>
Notes receivable – related parties	21,087,824	9,903,257
	<u>\$ 87,518,914</u>	<u>\$ 95,245,571</u>

As of December 31, 2019 and 2018, the Group has no notes receivable overdue.

(5) Accounts receivable, net

	December 31, 2019	December 31, 2018
Current:		
Accounts receivable	\$ 1,554,860,159	\$ 1,742,706,542
Less: allowance for impairment loss	(42,926,073)	(42,296,283)
	<u>1,511,934,086</u>	<u>1,700,410,259</u>
Accounts receivable – related parties	46,605,621	91,390,657
Less: allowance for impairment loss	(17,892,497)	(81,583,723)
	<u>28,713,124</u>	<u>9,806,934</u>
Lease payments receivables	7,912,260	5,939,484
Less: unearned finance income	(3,676,004)	(3,738,312)
	<u>4,236,256</u>	<u>2,201,172</u>
Current subtotal	<u>1,544,883,466</u>	<u>1,712,418,365</u>
Non-current:		
Lease payments receivables	115,029,933	105,331,753
Less: unearned finance income	(31,132,540)	(37,683,997)
	<u>83,897,393</u>	<u>67,647,756</u>
Non-current subtotal	<u>\$ 1,628,780,859</u>	<u>\$ 1,780,066,121</u>

Finance leases of lease payments receivables were as follows:

	December 31, 2019
Undiscounted lease payments	
Year 1	\$ 7,912,260
Year 2	7,912,260
Year 3	7,912,260
Year 4	7,912,260
Year 5	7,912,260
Over 5 years	<u>83,380,893</u>
	<u>122,942,193</u>
Less: unearned finance income	(34,808,544)
Lease investment, net	<u>\$ 88,133,649</u>
Current	\$ 4,236,256
Non-current	<u>83,897,393</u>
	<u>\$ 88,133,649</u>

Finance leases of lease payments receivables were as follows:

	Total lease investments	Unearned finance income on finance leases	The payment present value of total minimum lease payments receivable
December 31, 2018:			
<u>Current</u>			
Not later than one year	\$ 5,939,484	\$ 3,738,312	\$ 2,201,172
<u>Non-current</u>			
Later than one year but not later than five years	23,757,936	13,648,667	10,109,269
Over five years	<u>81,573,817</u>	<u>24,035,330</u>	<u>57,538,487</u>
	<u>105,331,753</u>	<u>37,683,997</u>	<u>67,647,756</u>
	<u>\$ 111,271,237</u>	<u>\$ 41,422,309</u>	<u>\$ 69,848,928</u>

- A. The Group signed the power supply contract of the solar power generation equipment is finance leased, and the average financing period is 20 years.
- B. The Group applies the approach to providing for expected credit losses, which permits the use of lifetime expected loss provision for Finance leases of lease payments receivables. As of the balance sheet date, there is no finance lease receivable overdue. In the meanwhile, the Group considers the past default record of the counterparty and the future development of the relevant industry of the lease object. The Group believes that the above mention of finance lease receivables has not impairment.
- C. As of December 31, 2019, the Group did not server as collaterals for finance leases of lease payments receivables

The Group applies the simplified approach to providing for expected credit losses, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using the past experience of the debtor. Due to the historical experience of the Group's credit losses, there was no significant difference in the credit losses of various customer groups. Therefore, the expected credit loss rate is based on the overdue days of accounts receivable.

The following table details the loss allowance of trade receivables.

	Not overdue	Overdue 1~180 days	Overdue over 181 days	Total
<u>December 31, 2019</u>				
Expected credit loss rate		0%~50%	50%~100%	
Total Book Value	\$ 1,614,089,000	\$ 23,093,516	\$ 52,416,913	\$ 1,689,599,429
Less: Loss allowance	(1,471,620)	(11,211,434)	(48,135,516)	(60,818,570)
Amortized cost	<u>\$ 1,612,617,380</u>	<u>\$ 11,882,082</u>	<u>\$ 4,281,397</u>	<u>\$ 1,628,780,859</u>
	Not overdue	Overdue 1~180 days	Overdue over 181 days	Total
<u>December 31, 2018</u>				
Expected credit loss rate		0%~50%	50%~100%	
Total Book Value	\$ 1,765,261,660	\$ 18,112,858	\$ 120,571,609	\$ 1,903,946,127
Less: Loss allowance	—	(4,219,080)	(119,660,926)	(123,880,006)
Amortized cost	<u>\$ 1,765,261,660</u>	<u>\$ 13,893,778</u>	<u>\$ 910,683</u>	<u>\$ 1,780,066,121</u>

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

	For the Years ended December 31, 2019		
	Accounts receivable	Other receivable	Contract asset
Balance, beginning of period	\$ 123,880,006	\$ 20,888,228	\$ 8,638,792
Increase on impairment loss for the period	22,777,575	3,884,500	—
Reversal on impairment loss for the period	(64,221,619)	—	(8,638,792)
Write off on impairment loss for the period	(19,496,461)	—	—
Effect of exchange rate changes	(2,120,931)	(44,255)	—
Balance, end of period	<u>\$ 60,818,570</u>	<u>\$ 24,728,473</u>	<u>\$ —</u>

For the Years ended December 31, 2018

	For the Years ended December 31, 2018		
	Accounts receivable	Other receivable	Contract asset
Balance, beginning of period	\$ 159,667,530	\$ 18,461,102	\$ —
Increase on impairment loss for the period	—	2,382,881	8,638,792
Reversal on impairment loss for the period	(33,177,687)	—	—
Write off on impairment loss for the period	(15,800)	—	—
Effect of exchange rate changes	(2,594,037)	44,245	—
Balance, end of period	<u>\$ 123,880,006</u>	<u>\$ 20,888,228</u>	<u>\$ 8,638,792</u>

Related credit risk management and assessment methods please refer to Note 12(2).

(6) Inventories-manufactory, net

	December 31, 2019	December 31, 2018
Raw materials	\$ 1,151,411,839	\$ 1,058,470,282
Semi-finished goods	226,043,724	235,562,959
Work in process	1,162,129,608	859,186,710
Finished goods	427,800,967	364,002,183
Supplies	27,994	186,148
Finished goods - purchased	82,432,404	84,011,060
Materials in transit	25,372,038	9,564,296
	<u>\$ 3,075,218,574</u>	<u>\$ 2,610,983,638</u>
Inventory as collateral	<u>None</u>	<u>None</u>

The profits and losses derived from cost of good sold for the years ended December 31, 2019 and 2018 were as follows:

	For the Years ended December 31,	
	2019	2018
Cost of inventory sold	\$ 3,036,819,928	\$ 3,890,681,412
Loss on obsolete and slow-moving	17,677,474	67,337,252
Loss on disposal of inventory	3,818,056	29,016,033
Loss on physical inventory	2,147,139	816,866
	<u>\$ 3,060,462,597</u>	<u>\$ 3,987,851,563</u>

The recovery in the value of inventories was due to increase on sales price cause on net realizable value of inventory increased.

(7) Inventories – Construction

A. Real Estate as Held for sale

	December 31, 2019	December 31, 2018
<u>Land as Held for sale</u>		
No94, 95, Chung Shan section	\$ 26,397	\$ 26,397
<u>Building as Held for sale</u>		
No94, 95, Chung Shan section	388,222	388,222
	<u>\$ 414,619</u>	<u>\$ 414,619</u>

(A) The real estate as held for sale means the land and building which constructions completed without sale.

(B) Bass of December 31, 2019 and 2018, the Group did not server as collaterals for real estate as held for sale.

B. Land held for construction site

	December 31, 2019	December 31, 2018
Land of Chengzhong section	<u>\$ 242,955,749</u>	<u>\$ 242,956,249</u>

- (A) For the years ended December 31, 2019 and 2018, the interest expense capitalized amount both were \$0.
- (B) In order to participate in the development, the Corporation pledged the Land of Chengzhong section to Jushengsheng Construction Co., Ltd. The Corporation also signed a trust contract with Pauguo Real Estate Management Corporation (Pauguo), registered the trust of land ownership to Pauguo, and entrusted him with the related affairs of trust property.
- (C) As of December 31, 2019 and 2018, for information regarding the Land held for construction site servers as collaterals for bank loan, please refer to Note 8.

C. Inventories – Construction

	December 31, 2019	December 31, 2018
<u>Land in construction</u>		
Fuxing section city project	\$ 42,392,251	\$ 42,392,251
Sanchongpu section city project	84,475,831	84,475,831
	<u>126,868,082</u>	<u>126,868,082</u>
<u>Building in construction</u>		
Fuxing section city project	2,086,438,055	1,348,829,539
Sanchongpu section city project	32,464,363	31,596,455
	<u>2,118,902,418</u>	<u>1,380,425,994</u>
	<u>\$ 2,245,770,500</u>	<u>\$ 1,507,294,076</u>

- (A) The inventory - construction means the cost of land and building which still in construction.
- (B) The Group had signed contracts with owners of land and used joint construction with allocation of housing units in Fuxing section city project and Sanchong section city project.
- (C) For the years ended December 31, 2019 and 2018, the interest expense capitalized amount was \$12,916,781 and \$7,795,858; and the capitalized interests' ratio range was 0.84% ~ 0.96% and 0.84% ~ 1.08%, respectively.
- (D) As of December 31, 2019 and 2018, the Group did not server as collaterals for Inventories Construction.

D. Prepayments for Land

	December 31, 2019	December 31, 2018
Land of Fuxing section	\$ 81,524,282	\$ 80,786,057

For the years ended December 31, 2019 and 2018, the interest expense capitalized amount was \$738,225 and \$731,540; and the capitalized interests' ratio range was 0.84% ~ 0.96% and 0.84% ~ 1.08%, respectively.

(8) Prepayments

	December 31, 2019	December 31, 2018
Prepaid rental	\$ 19,103,595	\$ 166,235,188
Other prepaid expense	20,464,720	27,800,503
Prepayments for purchasing materials	201,973,935	147,441,807
Withholding tax	18,044,598	18,748,537
Prepayments for construction	273,172,118	631,534,776
Others	14,681,839	14,035,854
	<u>\$ 547,440,805</u>	<u>\$ 1,005,796,665</u>

(9) Investments accounted for under the equity method

Investment in associates:

	December 31, 2019			December 31, 2018	
	Amount	%		Amount	%
Associates are not individually material					
Guang-hsin Co., Ltd.	\$ 247,848,909	24.99 %	\$	182,949,995	24.99 %
Sheng-yuan investment Corp.	281,941,528	29.33 %		220,652,031	29.33 %
Fumei Development Co., Ltd.	203,163,171	45.00 %		190,099,538	45.00 %
Li-Xiang Technology Co., Ltd. (Note)	—	40.00 %		965,002	40.00 %
Nomura Chung-Hsin Machinery Corporation(Note)	—	49.00 %		—	49.00 %
Nantong L-S metal forming Co., Ltd	131,800,117	25.00 %		144,487,030	25.00 %
Wuxi Hengchi Chem switchgear Co., Ltd.	33,290,796	45.00 %		15,114,704	45.00 %
San He Guo Rui Electric Limited Company	35,367,744	49.00 %		36,696,323	49.00 %
Shenzhen Wu You Chou Technology Services Ltd.	—	40.57 %		—	40.57 %
MIC Ltd.	35,959,343	40.00 %		43,702,253	40.00 %
	969,371,608			834,666,876	
Less: accumulative impairment losses	(57,252,756)			—	
	<u>\$ 912,118,852</u>			<u>\$ 834,666,876</u>	

Note : To reclassify in other non-current liabilities.

Certain investments accounted for under the equity method were audited by other independent accountants.

(A) Aggregate information of associates that are not individually material:

	For the Years ended December 31,	
	2019	2018
Proportionate interest from associates		
Year of Income	\$ 106,084,201	\$ 11,435,628
Other comprehensive income (loss) from associates	86,751,508	(52,215,332)
Total comprehensive income (loss)	<u>\$ 192,835,709</u>	<u>\$ (40,779,704)</u>

(B) For the years ended December 31, 2019 and 2018, the Group conducted evaluation and impairment test for investments accounted for under the equity method. The result recognized losses on impairment of investment were \$57,252,756 and \$0, respectively. The discount ratio used to impairment test both was 0.90%.

(10) Property, plant and equipment

2019

	December 31, 2019
Assets used by the Group	\$ 4,453,903,784
Assets subject to operating leases	7,881,740
	<u>\$ 4,461,785,524</u>

Assets used by the Group

	For the Years ended December 31, 2019						
	Land	Buildings	Machinery	Transportation	Others	Unfinished construction and Equipment to be tested	Total
Cost							
Beginning Balance of period	\$ 1,515,252,938	\$ 3,538,454,670	\$ 2,991,175,163	\$ 99,824,900	\$ 594,437,339	\$ 67,845,323	\$ 8,806,990,333
Additions	—	9,406,401	336,777,656	7,485,956	110,435,035	193,046,376	657,151,424
Disposals	—	(148,433,670)	(70,753,383)	(3,764,770)	(33,899,942)	—	(256,851,765)
Reclassifications	—	415,432	(68,391)	—	(1,553,120)	(8,829,534)	(10,035,613)
Transfers to operating	(4,130,251)	(18,166,144)	—	—	—	—	(22,296,395)

For the Years ended December 31, 2019

	Land	Buildings	Machinery	Transportation	Others	Unfinished construction and Equipment to be tested	Total
leases assets							
Effect of exchange rate changes	—	(35,557,010)	(50,549,351)	(958,074)	(6,184,183)	(18,786,178)	(112,034,796)
End Balance of period	\$ 1,511,122,687	\$ 3,346,119,679	\$ 3,206,581,694	\$ 102,588,012	\$ 663,235,129	\$ 233,275,987	\$ 9,062,923,188
<u>Accumulated depreciation and impairment loss</u>							
Beginning Balance of period	\$ —	\$ (1,982,450,168)	\$ (2,094,814,643)	\$ (72,141,620)	\$ (436,564,719)	\$ —	\$ (4,585,971,150)
Depreciation	—	(110,872,955)	(147,773,419)	(7,695,047)	(51,730,423)	—	(318,071,844)
Disposals	—	124,906,135	66,500,380	3,538,166	32,245,778	—	227,190,459
Transfers to operating leases assets	—	14,414,655	—	—	—	—	14,414,655
Effect of exchange rate changes	—	18,346,910	30,275,011	740,868	4,055,687	—	53,418,476
End Balance of period	\$ —	\$ (1,935,655,423)	\$ (2,145,812,671)	\$ (75,557,633)	\$ (451,993,677)	\$ —	\$ (4,609,019,404)
Net Balance	\$ 1,511,122,687	\$ 1,410,464,256	\$ 1,060,769,023	\$ 27,030,379	\$ 211,241,452	\$ 233,275,987	\$ 4,453,903,784

Assets subject to operating leases

For the Years ended December 31, 2019

	Land	Buildings	Total
<u>Cost</u>			
Beginning Balance of period	\$ —	\$ —	\$ —
From assets used by the Group	4,130,251	18,166,144	22,296,395
Ending Balance of period	\$ 4,130,251	\$ 18,166,144	\$ 22,296,395

Accumulated depreciation and impairment loss

Beginning Balance of period	\$ —	\$ —	\$ —
From assets used by the Group	—	(13,896,927)	(13,896,927)
Depreciation	—	(517,728)	(517,728)
Ending Balance of period	\$ —	\$ (14,414,655)	\$ (14,414,655)
Net Balance	\$ 4,130,251	\$ 3,751,489	\$ 7,881,740

The Group lease land and buildings by operating lease. The lease period is 10 years. The leaser has no bargain purchase options to acquire the lease assets at the end of the lease terms.

Operating leases from assets used by the Group of lease payments receivables were as follows:

December 31,

2019

Year 1 to Year 4

\$ 6,599,984

2018

For the Years ended December 31, 2018

	Land	Buildings	Machinery	Transportation	Others	Unfinished construction and Equipment to be tested	Total
<u>Cost</u>							
Beginning Balance of period	\$ 1,059,912,780	\$ 2,922,675,335	\$ 2,737,297,382	\$ 99,029,638	\$ 567,040,827	\$ 685,167,740	\$ 8,071,123,702
Additions	455,340,158	635,912,843	358,433,198	7,589,187	38,408,278	15,401,757	1,511,085,421
Disposals	—	(651,918)	(75,152,606)	(6,286,954)	(6,259,431)	(634,298,338)	(722,649,247)
Reclassifications	—	355,575	(1,784,811)	—	(1,221,267)	3,153,300	502,797
Effect of exchange rate changes	—	(19,837,165)	(27,618,000)	(506,971)	(3,531,068)	(1,579,136)	(53,072,340)
End Balance of period	\$ 1,515,252,938	\$ 3,538,454,670	\$ 2,991,175,163	\$ 99,824,900	\$ 594,437,339	\$ 67,845,323	\$ 8,806,990,333

Accumulated depreciation and

For the Years ended December 31, 2018

	Land	Buildings	Machinery	Transportation	Others	Unfinished construction and Equipment to be tested	Total
<u>impairment loss</u>							
Beginning Balance of period	\$ —	\$ (1,893,204,269)	\$ (2,024,944,475)	\$ (70,178,091)	\$ (397,609,406)	\$ —	\$ (4,385,936,241)
Depreciation	—	(98,765,451)	(156,330,957)	(9,216,537)	(45,590,917)	—	(309,903,862)
Disposals	—	189,579	70,065,024	6,860,026	4,101,240	—	81,215,869
Effect of exchange rate changes	—	9,329,973	16,395,765	392,982	2,534,364	—	28,653,084
End Balance of period	\$ —	\$ (1,982,450,168)	\$ (2,094,814,643)	\$ (72,141,620)	\$ (436,564,719)	\$ —	\$ (4,585,971,150)
Net Balance	\$ 1,515,252,938	\$ 1,556,004,502	\$ 896,360,520	\$ 27,683,280	\$ 157,872,620	\$ 67,845,323	\$ 4,221,019,183

(A) Depreciation is calculated on a straight-line basis over estimated useful lives as follows:

Buildings

Main buildings	35 to 50 years
Electrical and Mechanical Construction, etc.	15 to 30 years
Other	5 to 10 years
Machinery	2 to 10 years
Transportation	3 to 6 years
Others	3 to 15 years

(B) As of December 31, 2019 and 2018, property, plant and equipment for guarantee and mortgage, please refer to Note 8.

(C) For the years ended December 31, 2019 and 2018, the interest expense capitalized amounts the interest expense capitalized amounts were \$0 and \$3,040,793; and the capitalized interests' ratio range both were 0.84%~1.08%.

(D) For the years ended December 31, 2019 and 2018, the impairment loss amounts both were \$0.

(11) Lease arrangements

A. Right-of-use assets — 2019

	For the Years ended December 31, 2019			
	Land	Buildings	Transportation	Total
<u>Cost</u>				
Beginning Balance of period	\$ —	\$ —	\$ —	\$ —
Adjustment on initial application of IFRS 16	2,588,153,316	81,982,012	14,440,762	2,684,576,090
Balance, beginning of period (IFRS 16)	2,588,153,316	81,982,012	14,440,762	2,684,576,090
Additions	959,011,957	13,416,408	7,259,125	979,687,490
Disposals	(248,942,959)	(35,486,174)	(1,257,560)	(285,686,693)
Effect of exchange rate changes	(10,133,313)	(1,796,075)	—	(11,929,388)
End Balance of period	\$ 3,288,089,001	\$ 58,116,171	\$ 20,442,327	\$ 3,366,647,499
<u>Accumulated depreciation</u>				
Beginning Balance of period	\$ —	\$ —	\$ —	\$ —
Additions	(1,331,358,837)	(20,956,701)	(9,542,865)	(1,361,858,403)
Disposals	68,968,946	525,103	982,845	70,476,894
Effect of exchange rate changes	518,927	570,783	—	1,089,710
End Balance of period	\$ (1,261,870,964)	\$ (19,860,815)	\$ (8,560,020)	\$ (1,290,291,799)
Net Balance	\$ 2,026,218,037	\$ 38,255,356	\$ 11,882,307	\$ 2,076,355,700

B. Lease liabilities — 2019

	December 31, 2019
Carrying amount of lease liabilities	
Current	\$ 962,258,121
Noncurrent	\$ 804,221,274

Ranges of discount rates for lease liabilities are 0.96%.

C. Material lease-in activities and terms

The Group leases certain lands or buildings for the use of plants and offices with original lease terms of 1 to 5 years. The Group does not have bargain purchase options to acquire the buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent. As of December 31, 2019, the right-of-use assets did not have impairment sight, therefore the Group did not conducted impairment test.

D. Other lease information

(A) The Group has elected to apply the recognition exemption which qualifies as short-term leases or low-value asset leases did not recognize right-of-use assets and lease liabilities for these leases. The related expenses information was as follows:

	For the Years ended December 31, 2019
Expenses relating to short-term leases or low-value asset leases	\$ 115,290,141
Total cash outflow for leases	\$ 1,403,431,115

(B) The Corporation expensed the lease payments as follows:

	For the Years ended December 31, 2018
Minimum lease payments	\$ 1,251,986,311

(C) Non-cancellable operating lease commitments

	December 31, 2018
Not later than 1 year	\$ 757,664,828
Later than 1 year and not later than 5 years	804,852,895
	\$ 1,562,517,723

(12) Investment property

	For the Years ended December 31, 2019		
	Land	Buildings	Total
<u>Cost</u>			
Beginning Balance of period	\$ 391,807,287	\$ 393,714,988	\$ 785,522,275
Ending Balance of period	\$ 391,807,287	\$ 393,714,988	\$ 785,522,275
<u>Accumulated depreciation and impairment loss</u>			
Beginning Balance of period	\$ —	\$ (245,831,832)	(245,831,832)
Depreciation	—	(6,249,883)	(6,249,883)
Ending Balance of period	\$ —	\$ (252,081,715)	\$ (252,081,715)
Net Balance	\$ 391,807,287	\$ 141,633,273	\$ 533,440,560
	For the Years ended December 31, 2018		
	Land	Buildings	Total
<u>Cost</u>			
Beginning Balance of period	\$ 391,807,287	\$ 393,714,988	\$ 785,522,275
Ending Balance of period	\$ 391,807,287	\$ 393,714,988	\$ 785,522,275
<u>Accumulated depreciation and impairment loss</u>			
Beginning Balance of period	\$ —	\$ (238,982,681)	(238,982,681)
Depreciation	—	(6,849,151)	(6,849,151)
Ending Balance of period	\$ —	\$ (245,831,832)	\$ (245,831,832)

- | | For the Years ended December 31, 2018 | | |
|-------------|---------------------------------------|----------------|----------------|
| | Land | Buildings | Total |
| Net Balance | \$ 391,807,287 | \$ 147,883,156 | \$ 539,690,443 |
- (A) Depreciation is calculated on a straight-line basis over estimated useful lives as 8 to 50 years.
- (B) Rental revenue and direct operating costs / expenses are shown below:
- | | For the Years ended December 31, | |
|---|----------------------------------|----------------|
| | 2019 | 2018 |
| Rental revenue from the investment property | \$ 23,439,580 | \$ 24,347,897 |
| Direct operating costs / expenses | (11,339,418) | (12,224,142) |
| | \$ 12,100,162 | \$ 12,123,755 |
- (C) The lease terms for the investment property expire between 1 year and 5 years. The lessee had not bargain purchase options as expired lease agreements. As of December 31, 2019 and 2018, the guarantee deposits received for operating leases were \$3,289,810 and \$3,566,335, respectively.
- (D) The future minimum lease payments of non-cancellable operating lease commitments were as follows:
- | | December 31, 2019 | December 31, 2018 |
|---|-------------------|-------------------|
| Not later than one year | \$ 12,937,785 | \$ 20,265,525 |
| Later than one year but not later than five years | 11,651,655 | 7,169,300 |
| Over five years | 3,277,000 | — |
| | \$ 27,866,440 | \$ 27,434,825 |
- (E) The fair value of the investment property held by the Corporation as at December 31, 2017 was \$942,738,606 which was revalued by independent valuers. Valuations at December 31, 2019 were made using the evidences of trading price in real estate market. There were not significant changes in basic assumptions with December 31, 2017.
- (F) As of December 31, 2019 and 2018, Investment property was used as collaterals for bank loan. Please refer to Note 8.

(13) Intangible assets

	For the Years ended December 31, 2019				
	Patent	Goodwill	Expertise	Other	Total
<u>Cost</u>					
Beginning Balance of period	\$ 14,216,000	\$ 30,923,431	\$ 140,863,645	\$ 4,201,598	\$ 190,204,674
Additions	3,711,600	—	—	—	3,711,600
Effect of exchange rate changes	(336,000)	—	(5,374,485)	—	(5,710,485)
Ending Balance of period	\$ 17,591,600	\$ 30,923,431	\$ 135,489,160	\$ 4,201,598	\$ 188,205,789
<u>Accumulated amortisation and impairment</u>					
Beginning Balance of period	\$(6,969,411)	\$ —	\$(113,367,028)	\$(3,150,430)	\$(123,486,869)
Amortisation	(2,129,672)	—	(6,828,878)	(401,116)	(9,359,666)
Impairment loss	—	(20,836,831)	—	—	(20,836,831)
Effect of exchange rate changes	112,852	—	4,590,431	—	4,703,283
Ending Balance of period	\$(8,986,231)	\$(20,836,831)	\$(115,605,475)	\$(3,551,546)	\$(148,980,083)
Net balance	\$ 8,605,369	\$ 10,086,600	\$ 19,883,685	\$ 650,052	\$ 39,225,706

For the Years ended December 31, 2018					
	Patent	Goodwill	Expertise	Other	Total
<u>Cost</u>					
Beginning Balance of period	\$ 10,952,000	\$ 30,923,430	\$ 146,617,697	\$ 3,249,218	\$ 191,742,345
Additions	3,016,000	—	—	952,380	3,968,380
Effect of exchange rate changes	248,000	1	(5,754,052)	—	(5,506,051)
Ending Balance of period	<u>\$ 14,216,000</u>	<u>\$ 30,923,431</u>	<u>\$ 140,863,645</u>	<u>\$ 4,201,598</u>	<u>\$ 190,204,674</u>
<u>Accumulated amortisation and impairment</u>					
Beginning Balance of period	\$(6,214,097)	\$ —	\$(111,563,010)	\$(2,307,352)	\$(120,084,459)
Amortisation	(703,095)	—	(6,952,765)	(843,078)	(8,498,938)
Effect of exchange rate changes	(52,219)	—	5,148,747	—	5,096,528
Ending Balance of period	<u>\$(6,969,411)</u>	<u>\$ —</u>	<u>\$(113,367,028)</u>	<u>\$(3,150,430)</u>	<u>\$(123,486,869)</u>
Net balance	<u>\$ 7,246,589</u>	<u>\$ 30,923,431</u>	<u>\$ 27,496,617</u>	<u>\$ 1,051,168</u>	<u>\$ 66,717,805</u>

(14) Other noncurrent assets

	December 31, 2019	December 31, 2018
Prepayment for equipment	\$ 49,673,281	\$ 270,410,826
Long-term prepaid rent	—	190,511,925
Deferred Expense	217,292,523	246,537,377
Long-term lease payments receivables	83,897,393	67,647,756
Net defined benefit assets	26,569,092	26,691,229
Other	12,200,448	34,638,788
	<u>\$ 389,632,737</u>	<u>\$ 836,437,901</u>

(15) Short-term debts

	December 31, 2019	December 31, 2018
Loan without security :		
Bank overdraft	\$ 5,084,156	\$ 17,969,288
Credit borrowing	674,887,301	2,079,774,750
	<u>679,971,457</u>	<u>2,097,744,038</u>
Guaranteed loan :		
Bank borrowings	38,974,000	132,096,000
	<u>\$ 718,945,457</u>	<u>\$ 2,229,840,038</u>
Range of interest rate	<u>0.6258%~2.7355%</u>	<u>0.9%~4.02%</u>
Collateral	<u>Refer to Note 8</u>	<u>Refer to Note 8</u>

(16) Short-term bonds payable

	December 31, 2019	December 31, 2018
International Bills	\$ —	\$ 100,000,000
Dah Chung Bills	10,000,000	100,000,000
China Bills	—	300,000,000
Ta Ching Bills	—	200,000,000
Taiwan Bills	—	200,000,000
Grand Bills	5,000,000	400,000,000
Mega Bills	—	19,500,000
Less: unamortized discount	(19,578)	(994,610)
	<u>\$ 14,980,422</u>	<u>\$ 1,318,505,390</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Range of interest rate	<u>0.49%~0.93%</u>	<u>0.47%~0.86%</u>
Collateral	<u>None</u>	<u>None</u>

(17) Provisions

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Loss contracts	<u>\$ 170,524,606</u>	<u>\$ 54,427,781</u>

Movements of provisions were as follows:

	<u>For the Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Balance, beginning of period	\$ 54,427,781	\$ 64,973,657
Addition (Reduction)	116,096,825	(10,545,876)
Balance, end of period	<u>\$ 170,524,606</u>	<u>\$ 54,427,781</u>

When the Group is expected that the cost of fulfilling the contractual obligation exceeds the expected economic benefit of the contract, the present obligation to recognize the loss contract is provisions.

(18) Other payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other payables	\$ 39,780,979	\$ 65,581,592
Accrued expense	676,528,937	527,076,504
	<u>\$ 716,309,916</u>	<u>\$ 592,658,096</u>

(19) Long-term debts

(A) Long-term bonds payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Mega Bills	\$ 788,500,000	\$ 320,000,000
International Bills	300,000,000	—
Dah Chung Bills	200,000,000	—
China Bills	300,000,000	—
Taiwan Bills	230,000,000	—
Grand Bills	300,000,000	—
Cooperative Bill	200,000,000	—
Less: unamortized discount	(583,258)	(60,600)
	<u>\$ 2,317,916,742</u>	<u>\$ 319,939,400</u>
Range of interest rate	<u>0.60%~0.902%</u>	<u>0.79%</u>
Collateral	<u>Refer to Note 8</u>	<u>Refer to Note 8</u>

(B) Long-term debts

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Guaranteed loan :		
Bank borrowings	\$ 1,834,500,000	\$ 328,000,000
Less: Current portion of long-term liabilities	(700,000,000)	—
	<u>\$ 1,134,500,000</u>	<u>\$ 328,000,000</u>
Range of interest rate	<u>1.05%~1.18%</u>	<u>1.0864%~2.6683%</u>
Collateral	<u>Refer to Note 8</u>	<u>Refer to Note 8</u>

The long-term debts will be expected and able to obtain banks' approval, therefore these were still under "long-term debt".

(20) Other noncurrent liabilities

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Net defined benefit liability	\$ 1,665,296	\$ 1,665,296
Deposit in guarantee	26,757,927	19,858,998
Equity Investment Credit Balance	8,300,738	7,151,831
Custody funds	42,127,654	20,566,824

\$ 78,851,615

\$ 49,242,949

(21) Post-employment benefits plans

(A) Defined contribution plans

The employees who were subject to the Labor Standard Law prior to July 1, 2005 were allowed to choose to be subject to the pension mechanism under the Labor Pension Act with their seniority as of July 1, 2005 retained or continue to be subject to the pension mechanism under the Labor Standards Law. The Corporation and its domestic subsidiaries have a defined contribution pension plan in accordance with the Labor Pension Act (LPA), covering all regular employees with R.O.C. nationality. Under the LPA, the Corporation and its domestic subsidiaries makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages at the Bureau of Labor Insurance.

The total expense recognized in profit or loss in consolidated statements of comprehensive income of \$67,768,762 and \$66,463,845 for the years ended December 31, 2019 and 2018.

(B) Defined benefit plans

The Corporation has a defined benefit plan under the Labor Standards Law that is operated by the government. Under the defined benefit plan, provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Corporation contributes an amount equal to 2% ~ 15% of salaries paid each month to a pension fund. The fund is administered by the pension fund monitoring committee and deposited in the Bank of Taiwan. Before the end of each year, the Corporation assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by the government's designated authorities; as such, the Corporation does not have any right to intervene in the investments of the Funds.

The pension expenses in respect of these defined benefit plans were as follows:

	For the Years ended December 31,	
	2019	2018
Current service cost	\$ 6,225,000	\$ 9,146,000
Net Interest cost	(248,000)	555,000
Recognized as profit or loss	5,977,000	9,701,000
Remeasurements		
Return on plan assets, excluding amounts included in net interest	(22,073,000)	(18,345,000)
Actuarial (Gain) Loss from changes in financial assumptions	6,637,000	(4,327,000)
Actuarial (Gain) Loss from experience adjustments	24,404,000	(5,121,000)
Recognized in Other comprehensive income or loss	8,968,000	(27,793,000)
	<u>\$ 14,945,000</u>	<u>\$(18,092,000)</u>

The pension expenses for the period were as follows:

	For the Years ended December 31,	
	2019	2018
Operating cost	\$ 3,087,845	\$ 5,525,912
Marketing expenses	1,387,141	2,502,484
General and administrative expenses	753,695	279,572
Research and development expenses	748,319	1,393,032
	<u>\$ 5,977,000</u>	<u>\$ 9,701,000</u>

The amounts included in the consolidated statement of balance sheets for the Group's obligations in respect of its defined benefit plans were as follows:

	For the Years ended December 31,	
	2019	2018
Present value of defined benefit obligation	\$ 640,080,228	\$ 621,076,276
Fair value of plan assets	(666,649,320)	(647,767,505)
Net defined benefit (asset) liability	<u><u>\$ (26,569,092)</u></u>	<u><u>\$ (26,691,229)</u></u>

Movements in the present value of the defined benefit obligations were as follows:

	For the Years ended December 31,	
	2019	2018
Balance at beginning of period	\$ 621,076,276	\$ 653,913,915
Current service cost	6,225,000	9,146,000
Interest cost	4,767,000	5,661,000
Benefits paid from plan assets	(23,029,048)	(38,196,639)
Remeasurements		
Actuarial (Gain) Loss from financial assumptions	6,637,000	(4,327,000)
Actuarial (Gain) Loss from Experience adjustments	24,404,000	(5,121,000)
Balance at end of year	<u><u>\$ 640,080,228</u></u>	<u><u>\$ 621,076,276</u></u>

Movements in the fair value of the plan assets were as follows:

	For the Years ended December 31,	
	2019	2018
Balance at beginning of period	\$ 647,767,505	\$ 587,243,129
Interest income	5,015,000	5,106,000
Benefits paid from plan assets	(23,029,048)	(38,196,639)
Contribution by employer	14,822,863	75,270,015
Remeasurements		
Return on plan assets, excluding amounts included in net interest	22,073,000	18,345,000
Balance at end of period	<u><u>\$ 666,649,320</u></u>	<u><u>\$ 647,767,505</u></u>

(C) The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the actuarial valuation were as follows:

	Measurement Date	
	December 31, 2019	December 31, 2018
Discount rate	0.65%	0.80%
Expected rate of salary increase	0.30%	0.30%

The weighted average duration of the defined benefit obligation is 6.97 years.

The impact on the present value of the defined benefit obligation as a result of reasonable changes in key assumptions occurring as follows:

	The impact on the present value of the defined benefit obligation	
	December 31, 2019	December 31, 2018
Discount rate		
0.25% increase	<u><u>\$ (10,999,000)</u></u>	<u><u>\$ (11,374,000)</u></u>
0.25% decrease	<u><u>\$ 11,318,000</u></u>	<u><u>\$ 11,717,000</u></u>

The sensitivity analysis presented above may not be representative of the actual change in 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.

(D) Through the defined benefit plans under the Labor Standards Law, the Corporation is exposed to the following risks:

Investment risk: The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the Labor Standards Law, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the local banks and the government is responsible for any shortfall in the event that the rate of

return is less than the required rate of return.

Interest risk: A decrease in the government 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 debt investments of the plan assets.

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.

(E)The Corporation expects to make contributions of \$11,198 thousand to the defined benefit pension plans in 2020.

(22) Equity

(A) Common stock

	December 31, 2019	December 31, 2018
Authorized shares	750,000,000	750,000,000
Authorized capital	\$ 7,500,000,000	\$ 7,500,000,000
Outstanding shares	420,000,000	420,000,000
Outstanding common stocks	\$ 4,200,000,000	\$ 4,200,000,000

The Corporation issued common shares at \$10.00 par value and each share has the rights to dividends and to vote.

(B) Capital surplus

	December 31, 2019	December 31, 2018
Treasury stock transactions	\$ 415,589,440	\$ 406,550,764
Others	5,434,172	3,748,738
	\$ 421,023,612	\$ 410,299,502

The capital surplus arising from paid-in capital in excess of par value (including the excess of the issuance price over par value on issuance of common stocks, premium on convertible bonds and treasury stock transactions) and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Corporation has no accumulated deficit. The amount of capital surplus to be capitalized mentioned above should be fixed the ratio of capital in each year.

(C) Retained earning

In accordance with the Corporation's articles of incorporation, when allocating the net profits for each fiscal year, the Corporation shall set aside the following items accordingly: A. To pay taxes; B. To cover accumulated losses, if any; C. To appropriate 10% legal reserve unless the total legal reserve accumulated has already reached the amount of the Corporation's authorized capital; D. To recognize or reverse special reserve return earnings; E. The board of directors shall propose allocation ratios for any remainder profit after withholding the amounts under subparagraphs A to D above plus any unappropriated retained earnings of previous years based on the dividend policy set forth in the Article and propose such allocation ratio at the shareholders' meeting.

As part of a high-technology industry and as a growing enterprise, the Corporation considers its operating environment, industry developments, and long-term interests of stockholders as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. Cash dividends to be distributed should not be less than 10% of the total amount of dividends to be distributed on each year.

The legal reserve may be used to offset a deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Corporation incurs no loss.

Pursuant to existing regulations, the Corporation is required to set aside additional special capital reserve equivalent to the net debit balance of the other components of stockholders' equity. For the subsequent decrease in the deduction amount to stockholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012, the Corporation adjusts all

cumulative translation adjustments about \$226,678,293 and unrealized revaluations increment about \$631,999,992 to special reserve for the subsequent decrease in the deduction amount to stockholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of 2018 were agreed by stockholders' meeting on June 27, 2019. The appropriations of 2017 were agreed by stockholders' meeting on June 29, 2018.

The appropriations and dividends per share were as follows:

	Appropriation of		Dividends Per Share (NT\$)	
	2018	2017	2018	2017
Legal reserve	\$ 54,483,760	\$ 48,816,525		
Cash dividends	\$ 420,000,000	\$ 420,000,000	\$ 1.0	\$ 1.0

The appropriations of 2019 were agreed by the board of directors' meeting on March 27, 2020. The appropriations and dividends per share were as follows:

	Appropriation of		Dividends Per Share (NT\$)	
	2019		2019	
Legal reserve	\$ 60,438,297			
Cash dividends	\$ 504,000,000	\$	1.2	

The appropriations of 2019 are to be presented for approval in the shareholders' meeting in June 22, 2020.

Information on the appropriations agreed by the board of directors' meeting and stockholders' meeting are available on the Market Observation Post System website of the Taiwan Stock Exchange.

(D) Other equity items

	For the Years ended December 31, 2019		
	Exchange differences on translating of foreign operations	Unrealized gains (losses) on financial assets at FVTOCI	Total
Balance at beginning of period	\$ (132,290,235)	\$ 134,400,391	\$ 2,110,156
Exchange differences on translating of foreign operations	(76,711,080)	—	(76,711,080)
Proportionate interest from associates and joint ventures under equity method	—	96,277,305	96,277,305
Other	22,156	—	22,156
Balance at end of period	<u>\$(208,979,159)</u>	<u>\$ 230,677,696</u>	<u>\$ 21,698,537</u>

	For the Years ended December 31, 2018		
	Exchange differences on translating of foreign operations	Unrealized gains (losses) on financial assets at FVTOCI	Total
Balance at beginning of period	\$ (92,365,511)	\$ 182,683,174	\$ 90,317,663
Exchange differences on translating of foreign operations	(37,863,535)	—	(37,863,535)
Proportionate interest from associates and joint ventures under equity method	—	(48,282,783)	(48,282,783)
Other	(2,061,189)	—	(2,061,189)
Balance at end of period	<u>\$(132,290,235)</u>	<u>\$ 134,400,391</u>	<u>\$ 2,110,156</u>

(E) Non-controlling interests

For the Years ended December 31,	
2019	2018

	For the Years ended December 31,	
	2019	2018
Balance at beginning of period	\$ 254,081,758	\$ 263,988,456
Adjustment on initial application of IFRS 16	(656,711)	—
Balance at beginning of period (IFRS 16)	253,425,047	263,988,456
Attributable to Proportionate non-controlling interests :		
Profit (Loss) for the period	3,489,259	17,224,900
Exchange differences on translating of foreign operations	(8,044,084)	(4,883,585)
Increase on non-controlling interests	1,500,010	(22,248,013)
Other	(11,803,995)	—
Balance at end of period	\$ 238,566,237	\$ 254,081,758

(F) Treasury stocks:

	For the Years ended December 31, 2019			
	Shares at beginning of period	Additions	Disposals	Shares at end of period
Reason for reacquisition				
Subsidiaries' Held	9,038,676	—	—	9,038,676

	For the Years ended December 31, 2018			
	Shares at beginning of period	Additions	Disposals	Shares at end of period
Reason for reacquisition				
Subsidiaries' Held	9,038,676	—	—	9,038,676

The subsidiaries held the shares of the Corporation were as follows:

	Shares	Amount	Fair Value
December 31, 2019 :			
CHENG-HSIN Engineering & Services CO.,LTD.	2,772,162	\$ 31,340,059	\$ 67,363,537
Sunrise investment Corp.	6,266,514	85,540,453	152,276,290
		<u>\$ 116,880,512</u>	<u>\$ 219,639,827</u>
December 31, 2018 :			
CHENG-HSIN Engineering & Services CO.,LTD.	2,772,162	\$ 31,340,059	\$ 53,502,727
Sunrise investment Corp.	6,266,514	85,540,453	120,943,720
		<u>\$ 116,880,512</u>	<u>\$ 174,446,447</u>

(23) Operating revenue

	For the Years ended December 31,	
	2019	2018
Sales revenue	\$ 3,974,948,734	\$ 5,109,936,619
Rental revenue	37,630,215	32,588,868
Service revenue	2,025,967,964	1,926,952,416
Engineering revenue	4,653,938,742	3,868,454,587
Professional revenue	8,128,315	4,220,798
Maintenance revenue	1,442,092,443	1,173,172,516
Other operating revenue	234,809,809	120,670,737
	<u>\$ 12,377,516,222</u>	<u>\$ 12,235,996,541</u>

(A) Disaggregation of revenue from contracts with customers

For the Years ended December 31, 2019 :

	By operating segments				Total
	Electricity Power	Engineering	Service	Other	
The timing of revenue recognition					

For the Years ended December 31, 2019 :

	By operating segments				
	Electricity Power	Engineering	Service	Other	Total
The revenue recognized at a point in time	\$ 2,917,731,080	\$ 346,557,063	\$ 3,025,322	\$ 942,445,078	\$ 4,209,758,543
The revenue recognized over time	4,200,359,012	1,900,709,939	2,027,410,055	39,278,673	8,167,757,679
	<u>\$ 7,118,090,092</u>	<u>\$ 2,247,267,002</u>	<u>\$ 2,030,435,377</u>	<u>\$ 981,723,751</u>	<u>\$ 12,377,516,222</u>

For the Years ended December 31, 2018 :

	By operating segments				
	Electricity Power	Engineering	Service	Other	Total
<u>The timing of revenue recognition</u>					
The revenue recognized at a point in time	\$ 4,105,746,712	\$ 359,342,144	\$ 8,411,369	\$ 757,107,130	\$ 5,230,607,355
The revenue recognized over time	3,037,529,900	1,999,374,210	1,924,679,838	43,805,238	7,005,389,186
	<u>\$ 7,143,276,612</u>	<u>\$ 2,358,716,354</u>	<u>\$ 1,933,091,207</u>	<u>\$ 800,912,368</u>	<u>\$ 12,235,996,541</u>

(B) Contract balances

	December 31, 2019	December 31, 2018
Contract assets		
Construction	\$ 1,386,363,135	\$ 669,499,579
Offer of services and maintenances	161,189,721	106,358,994
Others	62,343,732	65,954,995
Less: Loss allowance	—	(8,638,792)
Contract assets — current	<u>\$ 1,609,896,588</u>	<u>\$ 833,174,776</u>
Contract liabilities		
Sale of goods	\$ 139,474,495	\$ 111,774,105
Sale of real estate	491,355,181	160,734,968
Construction	2,445,688,420	2,621,504,769
Others	56,581,643	10,272,897
Contract liabilities — current	<u>\$ 3,133,099,739</u>	<u>\$ 2,904,286,739</u>

The changes in the contract liability balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment. Other major changes were as follows:

	For the Years ended December 31,	
	2019	2018
<u>Contract assets</u>		
Level of completion measures change	\$ 594,652,984	\$ (122,019,196)
<u>Contract liabilities</u>		
Level of completion measures change	\$ (249,564,585)	\$ 1,018,513,082

The Corporation recognized in revenue from the beginning balance of contract liabilities was as follows:

	For the Years ended December 31,	
	2019	2018
<u>Beginning balance of contract liabilities</u>		
Sale of goods	\$ 12,574,444	\$ 54,545,855
Offer of services and maintenances	33,136,705	37,251,490
	<u>\$ 45,711,149</u>	<u>\$ 91,797,345</u>

(24) Other income

	For the Years ended December 31,	
	2019	2018
Interest income:		
Bank deposits	\$ 15,901,224	\$ 17,974,594
Other	3,424,867	1,838,599
	<u>19,326,091</u>	<u>19,813,193</u>
Dividend income	86,357,335	31,194,179
Other	37,479,931	61,472,234
	<u>\$ 143,163,357</u>	<u>\$ 112,479,606</u>

(25) Other gains and losses

	For the Years ended December 31,	
	2019	2018
Loss on disposal of property, plant and equipment	\$(26,047,962)	\$(960,239)
Gain on disposal of investment	859,842	25,257,286
Gain on Lease modification	81,511	—
Net currency exchange losses (gains)	(6,071,705)	13,471,306
Net gains on financial assets at fair value through profit or loss	89,959,926	(20,702,967)
Other expenditure	(42,866,084)	(33,160,240)
Impairment loss	(78,089,587)	—
	<u>\$(62,174,059)</u>	<u>\$(16,094,854)</u>

(26) Finance costs

	For the Years ended December 31,	
	2019	2018
Interest expenses	\$(46,960,540)	\$(52,901,095)
Interest expenses of lease liabilities	(20,016,130)	—
Capitalisation of interest	13,655,006	11,568,191
	<u>\$(53,321,664)</u>	<u>\$(41,332,904)</u>

(27) Expenses by nature

	For the Years ended December 31, 2019			For the Years ended December 31, 2018		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense						
Salary	\$ 1,062,895,926	\$ 845,584,150	\$ 1,908,480,076	\$ 1,015,199,260	\$ 752,217,516	\$ 1,767,416,776
Labor & health insurance	104,301,770	45,921,239	150,223,009	96,843,362	47,989,688	144,833,050
Pension	57,835,500	22,147,406	79,982,906	57,766,010	32,764,651	90,530,661
Others	70,494,136	55,371,904	125,866,040	70,019,702	58,347,116	128,366,818
Depreciation	1,613,664,978	72,515,153	1,686,180,131	273,668,346	43,084,664	316,753,010
Amortization	150,783,397	16,516,274	167,299,671	108,736,832	22,866,465	131,603,297
	<u>\$ 3,059,975,707</u>	<u>\$ 1,058,056,126</u>	<u>\$ 4,118,031,833</u>	<u>\$ 1,622,233,512</u>	<u>\$ 957,270,100</u>	<u>\$ 2,579,503,612</u>

(A) The Corporation shall distribute greater than 1% of current year's profit as Employees' bonus and less than 3% of current year's profit as remuneration to directors and supervisors after offsetting the cumulative losses, if any.

(B) The appropriations of 2019 and 2018 were agreed in the meeting of board of directors on March 27, 2020 and March 26, 2019, respectively. The employees' compensation and remuneration to directors and supervisors were as follows:

	For the Year Ended December 31,			
	2019		2018	
	Employees' compensation	Remuneration to directors	Employees' compensation	Remuneration to directors
Appropriations	<u>\$ 7,990,305</u>	<u>\$ 15,980,609</u>	<u>\$ 6,311,735</u>	<u>\$ 12,623,471</u>

There was no difference between the aforementioned amounts of the employees'

compensation approved in the board of directors' meetings, and the amounts recognized in the financial statements.

Information on the compensation to employees and directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(28) Income tax

(A) Income tax recognized in profit or loss:

Income tax recognized in profit or loss for the current period was as follows:

	For the Years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the period	\$ 144,568,522	\$ 106,934,144
Income tax adjustments on prior years	13,647,305	(8,181,335)
Deferred tax:		
Temporary differences	(7,974,826)	(13,251,894)
Total income tax expense recognized in profit or loss	<u>\$ 150,241,001</u>	<u>\$ 85,500,915</u>

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	For the Years ended December 31,	
	2019	2018
Profit before income tax	<u>\$ 789,029,298</u>	<u>\$ 647,563,415</u>
Income tax payable calculated by		
Statutory tax rate	239,191,937	146,421,951
Adjustment to effect of tax:		
Permanent income tax difference effect	(75,701,199)	760,224
Exemption income	(7,689,286)	(11,457,455)
Loss carry forward	(18,187,666)	(16,439,582)
Income tax credits	(5,450,761)	(12,531,954)
Additional tax on un-appropriated earnings	2,618,004	—
Income tax adjustments on prior years	13,647,305	(8,181,335)
Adjustments on other income tax	9,787,493	180,960
Net differences on deferred income tax	(7,974,826)	(13,251,894)
Income tax expense recognized in profit or loss	<u>\$ 150,241,001</u>	<u>\$ 85,500,915</u>

The corporate income tax rate in the R.O.C. was 20% in 2018. In addition, the rate of the corporate unappropriated earnings was 5%. Taxes generated in other jurisdictions are calculated based on the applicable tax rate in each jurisdiction.

(B) Deferred income tax

Deferred income tax assets (liabilities) on consolidated statements of balance sheets were as follows:

The Years ended December 31, 2019 :

	Balance at Beginning of Year	Recognized in Profit or Loss	Balance at End of Year
<u>Deferred income tax assets</u>			
Temporary differences			
Unrealized reduce inventory to market	\$ 74,229,171	\$ 3,156,845	\$ 77,386,016
Unrealized loss from disposal of property, plant and equipment	11,275,270	(299,497)	10,975,773
Others	5,098,349	2,924,319	8,022,668
	<u>\$ 90,602,790</u>	<u>\$ 5,781,667</u>	<u>\$ 96,384,457</u>
<u>Deferred income tax liabilities</u>			
Temporary differences			

The Years ended December 31, 2019 :

Deferred income tax assets	Balance at Beginning of Year	Recognized in Profit or Loss	Balance at End of Year
Property, plant and equipment	\$ 286,075,002	\$ —	\$ 286,075,002
Exchange differences on translating foreign operations	54,621,275	—	54,621,275
Others	2,250,172	(2,193,159)	57,013
	<u>\$ 342,946,449</u>	<u>\$ (2,193,159)</u>	<u>\$ 340,753,290</u>

The Years ended December 31, 2018 :

Deferred income tax assets	Balance at Beginning of Year	Recognized in Profit or Loss	Balance at End of Year
Temporary differences			
Unrealized reduce inventory to market	\$ 49,067,380	\$ 25,161,791	\$ 74,229,171
Unrealized loss from disposal of property, plant and equipment	13,069,062	(1,793,792)	11,275,270
Others	4,771,091	327,258	5,098,349
	<u>\$ 66,907,533</u>	<u>\$ 23,695,257</u>	<u>\$ 90,602,790</u>
Deferred income tax liabilities			
Temporary differences			
Property, plant and equipment	\$ 286,075,002	\$ —	\$ 286,075,002
Exchange differences on translating foreign operations	46,428,084	\$ 8,193,191	54,621,275
Others	—	2,250,172	2,250,172
	<u>\$ 332,503,086</u>	<u>\$ 10,443,363</u>	<u>\$ 342,946,449</u>

(C) Information of unrecognized deferred income tax assets / liabilities associated with investments

	December 31, 2019	December 31, 2018
Unrecognized as deferred income tax assets		
Temporary differences associated with investments in subsidiaries	\$ 63,198,461	\$ 80,045,974
Unrecognized as deferred income tax liabilities		
Temporary differences associated with investments in subsidiaries	\$ 108,851,710	\$ 121,538,623

(D) Unrecognized deferred income tax assets on consolidated statements of balance sheets were as follows:

	December 31, 2019	December 31, 2018
Loss carry forward	\$ 383,083,991	\$ 487,040,386

(E) Information on investments used as tax credits

As of December 31, 2019, the information on investments used as tax credits were as follows:

According to:	Credits Items	Total Tax credit	Unused Tax credit	Last offset year
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Statute for industrial innovation and regulations governing the reduction of expenditures	Research & development expenditures			
		\$ 5,373,152	\$ —	2019

(F) Income tax assessed and approved situations

The Corporation income tax return filings through 2017 had been assessed and approved by tax authority. The balances of the income tax credit had been assessed and approved by tax authority in each year were adjustment.

(29) Earnings per share (EPS)

	For the Years ended December 31,	
	2019	2018
Basic EPS (\$)	\$ 1.55	\$ 1.33
The profit attributable to ordinary shareholders of the parent and the weighted average number of ordinary shares in issue used in calculating basic EPS were as follows:		
	For the Years ended December 31,	
	2019	2018
Income attributable to owners of parent	\$ 635,299,038	\$ 544,837,600
Weighted average number of ordinary shares in issue used in calculating basic EPS	\$ 410,961,324	\$ 410,961,324

(30) Reconciliation of Liabilities from Financing Activities

Express in thousands of New Taiwan Dollars				
For the Years ended December 31, 2019 :	January 1, 2019	Cash Flows	Non-cash changes	December 31, 2019
			Others	
Short-term debts	\$ 2,229,840	\$(1,510,895)	\$ —	\$ 718,945
Short-term bonds payable	1,318,506	(1,304,500)	974	14,980
Long-term liabilities(including the Current portion of long-term liabilities)	647,939	3,505,000	(522)	4,152,417
Lease liabilities	2,365,928	(1,295,215)	695,766	1,766,479
Guarantee deposit received	19,859	6,899	—	26,758
	<u>\$ 6,582,072</u>	<u>\$(598,711)</u>	<u>\$ 696,218</u>	<u>\$ 6,679,579</u>
For the Years ended December 31, 2018 :	January 1, 2018	Cash Flows	Non-cash changes	December 31, 2018
			Others	
Short-term debts	\$ 2,132,036	\$ 97,804	\$ —	\$ 2,229,840
Short-term bonds payable	1,348,954	(30,500)	52	1,318,506
Long-term liabilities (including Current portion of long-term liabilities)	1,277,012	(629,280)	207	647,939
Guarantee deposit received	19,343	516	—	19,859
	<u>\$ 4,777,345</u>	<u>\$(561,460)</u>	<u>\$ 259</u>	<u>\$ 4,216,144</u>

7. RELATED PARTY TRANSACTIONS

(1) Related party name and their relationship with the Corporation

Name of related parties	Relationship with the Group
Guang-hsin Co., Ltd. (Guang-hsin)	Associates
Sheng-yuan Investment Corp. (Sheng-yuan)	Associates
Li-Xiang Technology Co., Ltd.(Li-Xiang)	Associates

Name of related parties	Relationship with the Group
Nomura Chung-Hsin Machinery Corporation (Nomura Chung-Hsin)	Associates
Nantong L-S Metal Forming Co., Ltd. (Nantong L-S)	Associates
Integrated Manufacturing & Services Co., Ltd. (Integrated M&S)	Associates
Wuxi Hengchi Chem switchgear Co., Ltd. (Wuxi Hengchi)	Associates
Chung Chia International Investment Co., Ltd. (Chung Chia)	Other related parties
Yoshimoto Trading Co., ltd (Yoshimoto)	Other related parties
Director, supervisor, general manager and vice Manager	Key management

(2) Trading transactions

(A) Sales revenue

	For the Years ended December 31,	
	2019	2018
Associates	\$ 52,494,130	\$ 13,860,174
Other related parties	52,700,332	47,168,844
	<u>\$ 105,194,462</u>	<u>\$ 61,029,018</u>

The transactions between the Corporation and related companies were based on mutually agreed terms.

(B) Purchase

	For the Years ended December 31,	
	2019	2018
Associates	\$ 62,071,639	\$ 78,425,020
Other related parties	16,016,176	13,306,443
	<u>\$ 78,087,815</u>	<u>\$ 91,731,463</u>

The Group purchased from above mentioned related parties according to general regulations of the Corporation.

(C) Property transactions

	For the Years ended December 31,	
	2019	2018
Associates	\$ 19,500,000	\$ —

(D) Other

	For the Years ended December 31,	
	2019	2018
<u>Cost / Expenses attributable to :</u>		
Associates	\$ 3,203,948	\$ 3,313,000
Other related parties	6,823	1,080,570
	<u>\$ 3,210,771</u>	<u>\$ 4,393,570</u>

Other revenues :

Associates	\$ 4,269,216	\$ 3,159,492
Other related parties	349,478	285,035
	<u>\$ 4,618,694</u>	<u>\$ 3,444,527</u>

(E) Notes receivable

	December 31, 2019	December 31, 2018
Associates		
Wuxi Hengchi	\$ 21,087,824	\$ 9,903,257

(F) Accounts receivable, net

	December 31, 2019	December 31, 2018
Associates	\$ 24,007,760	\$ 3,969,928
Other related parties	4,705,364	5,837,006
	<u>\$ 28,713,124</u>	<u>\$ 9,806,934</u>

(G) Accounts payable

	December 31, 2019	December 31, 2018
Associates	\$ 15,018,298	\$ 15,683,184
Other related parties	1,589,446	757,204
	<u>\$ 16,607,744</u>	<u>\$ 16,440,388</u>

(H) Others accounts receivable / payable

A. Others receivable (including financial provided)

	December 31, 2019	December 31, 2018
Associates		
Guang-hsin	\$ 43,714,655	\$ 44,629,731
Li-Xiang	12,552,398	12,550,342
Others	3,551,697	13,437,520
	<u>\$ 59,818,750</u>	<u>\$ 70,617,593</u>

B. Others payable-other

	December 31, 2019	December 31, 2018
Associates	<u>\$ 1,410,335</u>	<u>\$ 2,099,338</u>

(I) Prepayments

	December 31, 2019	December 31, 2018
Associates	<u>\$ 48,563,880</u>	<u>\$ 44,513,454</u>

(J) Prepayment for equipment

	December 31, 2019	December 31, 2018
Associates	<u>\$ —</u>	<u>\$ 11,700,000</u>

(K) Guarantee deposit received

	December 31, 2019	December 31, 2018
Associates	<u>\$ 320,000</u>	<u>\$ 320,000</u>

(L) Financial Provided - Other receivable

	December 31, 2019	December 31, 2018
Associates		
Guang-hsin	\$ 43,550,000	\$ 43,550,000
Li-Xiang	12,500,000	12,500,000
Others	2,550,000	3,500,000
	<u>\$ 58,600,000</u>	<u>\$ 59,550,000</u>
Range of Interest rate	<u>1.20%~2.50%</u>	<u>1.20%~2.50%</u>

Interest revenues

	For the Years ended December 31, 2019	2018
Associates		
Guang-hsin	\$ 653,250	\$ 636,521
Li-Xiang	233,733	265,114
Others	175,172	8,170
	<u>\$ 1,062,155</u>	<u>\$ 909,805</u>

(M) Financial Provided - Short-term debts and Other payable

	December 31, 2019	December 31, 2018
Associates	<u>\$ 23,073,500</u>	<u>\$ 23,829,500</u>
Range of Interest rate	<u>2.00%~2.15%</u>	<u>2.00%~2.15%</u>

Interest expenses

	For the Years ended December 31, 2019	2018
Associates	<u>\$ 460,515</u>	<u>\$ 550,995</u>

(3) Key management compensation

	For the Years ended December 31, 2019	2018
Salaries and other short-term employee benefits	<u>\$ 41,666,804</u>	<u>\$ 51,496,380</u>

Post-employment benefits	989,784	1,017,375
	<u>\$ 42,656,588</u>	<u>\$ 52,513,755</u>

8. PLEDGED ASSETS

Assets (book values) were pledged for bank loans, trust of advance in Real Estate or engineering guarantee as follows:

	December 31, 2019	December 31, 2018
Time deposits	\$ 256,119,814	\$ 257,961,241
Deposit with bank	43,440,958	107,124,020
Financial assets at FVTPL	141,075,720	95,952,892
Land held for construction site	242,955,749	242,955,749
Property, plant and equipment	122,308,741	124,182,478
Investment property	431,023,336	436,720,044
Treasury stock	65,913,750	136,299,013
Deposit out	154,085,964	177,830,844
	<u>\$ 1,456,924,032</u>	<u>\$ 1,579,026,281</u>

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Except as note disclosed, the Group has other significant contract commitments and contingencies were as follows:

- (A) The Group had commitments for engineering contracts guaranteed for a certain period of time after equipments or project completed, delivered and accepted by customers.
- (B) As of December 31, 2019 and 2018, amounts of significant engineering contracts under construction signed were \$16,896,294,658 and \$12,429,463,784; and payments made were \$10,401,839,283 and \$9,585,581,880 according to the progress of contracts.
- (C) As of December 31, 2019 and 2018, the unused letters of credit listed as follows:

Currency	December 31, 2019	December 31, 2018
USD	110,340.00	380,400.00
Japanese Yen	22,194,000.00	20,687,600.00
Euro	15,740.00	402,205.00

- (D) As of December 31, 2019 and 2018, the guarantees of significant engineering contracts pledged by banks were as follows:

	December 31, 2019	December 31, 2018
Bank of Taiwan	\$ 1,232,319,721	\$ 1,226,702,546
Hua Nan Commercial Bank	1,126,701,901	987,731,413
First Bank	90,223,965	90,721,023
Union Bank of Taiwan	32,290,663	52,705,865
Mega International Commercial Bank Co., Ltd	1,023,016,908	668,169,061
Yuanta Bank	34,737,000	2,650,000
Land Bank of Taiwan	148,650,000	148,650,000
Shanghai Commercial & Savings Bank, Ltd.	221,879,118	14,268,000
Bank of Panhsin	4,454,850	6,765,200
The Export-Import Bank of the ROC	6,541,340	6,541,340
	<u>\$ 3,920,815,466</u>	<u>\$ 3,204,904,448</u>

- (E) As of December 31, 2019 and 2018, the Group issued notes as guarantee for bank borrowing were \$18,402,774,384 and \$15,677,020,582, respectively.
- (F) As of December 31, 2019 and 2018, the Group endorsed as guarantees for other companies including related parties both were NTD \$242,956,000.
- (G) The Corporation had been bid for engineer project of Linyuan plant of CPC Corporation, and

signed the contract on April 18, 2000. The Corporation had been completed this project and be accepted by CPC. However, CPC arbitrarily deducted \$23,716,000 from the payment to the Corporation because CPC claimed the Corporation delayed the power generation project, and rejected additional construction payment \$15,629,750 because CPC disagreed this additional construction payment. The Corporation sued CPC for the deduction and requested payment \$47,529,874 with interest. Lawsuits under processing were listed as follows:

- A. According the first judgment of the court, CPC should pay the Corporation \$40,964,210. CPC did not accept the judgment and appealed the case. The second judgment overruled the amount exceeding \$27,979,700. Both CPC and the Corporation appealed the case.
- B. According the second judgment of the court, CPC should pay the Corporation \$1,645,107 and overruled the rest.
- C. Both CPC and the Corporation appealed the case. CPC should pay the Corporation \$1,645,107 was sure and the rest under processing of Taiwan Supreme court.
- D. The Taiwan Supreme court had judgment that CPC Corporation should pay the Corporation another \$8,143,769 with interest and rejected the arbitration request of the Corporation on September 29, 2016. Both CPC and the Corporation appealed the case. Judgment No. 466 of the Supreme Court on 2017, abandoned the original trial that is not conducive to the part of the Corporation, sent back to the High Court more trial, and overruled the CPC Corporation's appeal. So the judgment No. 113 on 2012 was sure. Other requests of the Corporation were tried by the Taiwan Supreme court.

(H) The Ministry of National Defense R.O.C. has advocated the suspension of the contract and proposed the Corporation in publication of the Government Procurement Gazette. The Corporation appealed to Procurement Appeals Committee of Executive Yuan for the termination of the contract. On December 13, 2017, the Procurement Appeals Committee of Executive Yuan rejected the request of the Corporation. The Corporation appealed to the Taipei High Administrative Court to suspend the enforcement of the administrative injunction about publication of the Government Procurement Gazette. The case was rejected by the Taipei High Administrative Court. Other requests of the Corporation were tried by the Taipei High Administrative court in 2018. The case was rejected by the Taipei High Administrative Court and was sure in 2019.

10. SIGNIFICANT CATASTROPHE

None.

11. SUBSEQUENT EVENTS

In order to repay loans from financial institutions, the board of directors was resolved on August 12, 2019 to issue the first domestic unsecured convertible bond with a total issuance of 1,500,000 thousands dollars. The issuance of first domestic unsecured convertible bond was approved by the FSC on December 20, 2019 and public on January 16, 2020.

12. OTHERS

(1) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The Group adopts prudent risk management strategy and performs audit on a regular basis. The capital structure of the Group is determined according to the business development strategies and operational requirements.

(2) Financial instruments

(A) Categories of financial instruments

	Expressed in thousands of New Taiwan Dollars	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		

	December 31, 2019	December 31, 2018
<u>Financial assets</u>		
Measured at FVTPL		
Mandatorily at FVTPL	\$ 758,875	\$ 658,648
Measured at amortised cost (Note 1)	3,241,941	3,509,078
	<u>\$ 4,000,816</u>	<u>\$ 4,167,726</u>
<u>Financial liabilities</u>		
Measured at amortised cost (Note 2)	<u>\$ 6,820,970</u>	<u>\$ 5,924,604</u>

Note 1: The amount includes cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties), deposit out, lease receivables, restricted assets and other financial loans and receivables measured at amortised cost.

Note 2: The amount includes short-term debts, short-term bonds payable, notes and accounts payable (including related parties), other payables (including related parties), long-term debts, guarantee deposit received and obligations under leases measured at amortised cost.

(B) Fair value of financial instruments

a. Measured without using fair value

The Group's measured at amortized cost of financial assets / loans and receivables and financial liabilities had carrying values that very close to their fair values.

b. Measured by using fair value

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

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
3. Level 3 inputs are unobservable inputs for the asset or liability.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value:

Expressed in thousands of New Taiwan Dollars

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
<u>Fair value on a recurring basis</u>				
Financial assets at FVTPL				
Listed stocks	\$ 89,901	\$ —	\$ —	\$ 89,901
Unlisted stocks	—	—	282,366	282,366
Beneficiary certificate	—	256,865	—	256,865
Financial products	129,743	—	—	129,743
	<u>\$ 219,644</u>	<u>\$ 256,865</u>	<u>\$ 282,366</u>	<u>\$ 758,875</u>

Expressed in thousands of New Taiwan Dollars

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
<u>Fair value on a recurring basis</u>				
Financial assets at FVTPL				
Listed stocks	\$ 45,013	\$ —	\$ —	\$ 45,013
Unlisted stocks	—	—	243,503	243,503
Beneficiary certificate	370,132	—	—	370,132
	<u>\$ 415,145</u>	<u>\$ —</u>	<u>\$ 243,503</u>	<u>\$ 658,648</u>

The Group held financial assets and liabilities measured at fair value on a recurring basis were no transfers between Level 1 and Level 2 for the years ended December 31, 2019 and

2018.

Reconciliation of Level 3 fair value measurements of financial instruments

The financial assets measured at Level 3 fair value were equity investments classified as financial assets at FVTPL.

Reconciliations for the years ended December 31, 2019 and 2018 was as follows:

	Expressed in thousands of New Taiwan Dollars	
	For the Years ended December 31,	
	2019	2018
Balance at beginning of period	\$ 243,503	\$ 298,688
Increase for the period	1,900	—
Recognized in profit (loss)	44,556	(7,254)
Disposal for the period	(7,676)	(47,931)
Effect of exchange rate changes	83	—
Balance at end of period	<u>\$ 282,366</u>	<u>\$ 243,503</u>

c. Valuation techniques and assumptions applied for the purposes of measuring fair value
The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active and liquid markets are determined with reference to quoted market prices;
- The financial assets and liabilities without active and liquid markets are determined with estimation of fair value by market method. That based on past financial activities, value of similar companies, technique development of company and its expectations of market development and so on.
- Derivatives Instruments were evaluated based on evaluation models accepted by market users such as Discount method and option pricing model. Forward exchange contracts are measured using forward exchange rates that are derived from quoted market prices.

(C) Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programmed focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

The important financial activities are reviewed by Board of Directors and Audit Committees in accordance with procedures required by relevant regulations or internal controls. The Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters and investment of excess liquidity.

A. Market risk

The Group's activities expose it to foreign exchange risk and interest risk, etc. The Group used some of derivative instruments for management there risk.

Foreign exchange risk

Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. To manage their foreign exchange risk, the Group use forward foreign exchange contracts for hedge. These derivative instruments used could help to reduce the effects on foreign exchange, but it can not remove all effects on foreign exchange.

The Corporation has no hedge for investments in foreign operations due to these are strategic investment.

Sensitive analyses of foreign exchange risk are calculated for foreign currency items on the end of reporting date.

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

follows:

(foreign currencies : function currency)	December 31,2019		December 31,2018	
	Foreign Currency (In Thousands)	Exchange Rate	Foreign Currency (In Thousands)	Exchang e Rate
<u>Financial assets</u>				
Monetary items				
USD: NTD	6,703.24	29.98	8,043.33	30.72
RMB: NTD	21,992.31	4.3036	28,994.94	4.4744
USD: RMB	3,867.94	6.9662	6,575.21	6.8658
JPY: NTD	313,321.83	0.2760	138,782.20	0.2782
Euro: NTD	1,531.86	33.59	3,625.40	35.2
Non-monetary items				
USD: NTD	80,310.96	29.98	78,395.22	30.72
<u>Financial liabilities</u>				
Monetary items				
USD: NTD	187.98	29.98	61.38	30.72
RMB: NTD	—	4.3036	314.67	4.4744
USD: RMB	1,424.05	6.9662	4,568.94	6.8658
JPY: NTD	57,671.59	0.2760	55,517.13	0.2782
Euro: NTD	59.56	33.59	342.22	35.20

When the new Taiwan dollars are upvaluation with foreign currency about 1%, the incomes are decreased \$4,138 thousands and \$5,044 thousands, respectively for the years ended December 31, 2019 and 2018. When the new Taiwan dollars are devaluation with foreign currency about 1%, its impact amount is the negative amount of the same amount.

Interest rate risk

Interest rate risk is the risk in changes of fair value on financial instruments due to market interest ratio changed. Interest rate risk arises from deposits with banks and long-term or short-term debts.

Sensitive analyses of interest rate risk are determined with exposure interest risk on the end of reporting date and all other variables were held constant. When the interest ratios are increase / decrease 1 yard, the incomes are decreased \$1,464 thousands and \$3,043 thousands, respectively for the years ended December 31, 2019 and 2018.

Other Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available for sale-2017 or at fair value through profit or loss. All of material equity investment should be approved by director of board.

Sensitive analyses of price risk in equity instruments are calculated in changes of fair value on the end of reporting date. When the value of equity instruments are increase / decrease 5%, the incomes are increased \$20,478 thousands and \$23,784 thousands, respectively for the years ended December 31, 2019 and 2018.

B. Credit risk

Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in financial loss to the Group. Credit risk arises from receivables from operating activities and deposits with banks, fixed revenues investments and other financial instruments from investing activities. The credit risk of operating and financial are managed individually.

Operating credit risk

The Group has set up the processes about credit risk management for maintenance the quality of accounts receivables.

Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The Group will use instruments for

increasing credit at appropriate time, such as prepayments for purchasing; collateral and guarantee etc. for reduce the credit risk.

As of December 31, 2019 and 2018, the accounts receivables of customers that are more than 10% of consolidated operating revenues are base on consolidated accounts receivables are 23% and 47%, respectively. Others accounts receivables are not material for centralized credit risk.

Financial credit risk

The finance department of the Group is responsible for measurement and monitor in credit risk of deposit with bank and other financial instruments. For banks and financial institutions, only independently rated parties with investing grade, corporation organization and governments are accepted. Therefore, there are not material credit risks.

Liquidity risk Management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring the use of loan credits and the compliance to loan contracts.

The tables below have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date the Group can be required to pay.

Express in thousands of New Taiwan Dollars
December 31, 2019

	Less Than 1 Year	Between 2 Year and 3 Years	Between 4 Years and 5 Years	Over 5 Years	Total
<u>Non derivatives financial liabilities:</u>					
Short-term debts	\$ 718,945	\$ —	\$ —	\$ —	\$ 718,945
Short-term bonds payable	14,980	—	—	—	14,980
Accounts and notes payable (including related parties)	1,190,150	—	—	—	1,190,150
Other accounts payable (including related parties)	717,720	—	—	—	717,720
Lease liabilities	962,258	615,783	121,292	67,146	1,766,479
Current portion of long-term liabilities	700,000	—	—	—	700,000
Long-term debts	—	3,452,417	—	—	3,452,417
	<u>\$ 4,304,053</u>	<u>\$ 4,068,200</u>	<u>\$ 121,292</u>	<u>\$ 67,146</u>	<u>\$ 8,560,691</u>

Express in thousands of New Taiwan Dollars
December 31, 2018

	Less Than 1 Year	Between 2 Year and 3 Years	Between 4 Years and 5 Years	Over 5 Years	Total
<u>Non derivatives financial liabilities:</u>					
Short-term debts	\$ 2,229,840	\$ —	\$ —	\$ —	\$ 2,229,840
Short-term bonds payable	1,318,506	—	—	—	1,318,506
Accounts and notes payable (including related parties)	1,113,702	—	—	—	1,113,702
Other accounts payable (including related parties)	594,757	—	—	—	594,757
Long-term debts	—	647,939	—	—	647,939
	<u>\$ 5,256,805</u>	<u>\$ 647,939</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,904,744</u>

(3) Other

On August 12, 2019, the Corporation got the bid of “open tender for lease of unwell-cultivated land for the construction of solar photovoltaic generating facilities in Tainan City” by the Taiwan Sugar Corporation. The Corporation invests in the construction of solar photovoltaic power plants and 20 years of operation and maintenance in the establishing project.

13. ADDITIONAL DISCLOSURES

- (1) Significant transactions information and (2) Information on investees:
- (A) Financing provided: attached table 1.
 - (B) Endorsement/guarantee provided: attached table 2.
 - (C) Marketable securities held: attached table 3.
 - (D) The cumulative buying or selling amount of one specific security exceeding of \$300 million or 20 percent of the paid-in capital: None.
 - (E) Acquisition of individual real estates at costs exceeding of \$300 million or 20% of the paid-in capital: None.
 - (F) Dispose of individual real estates at costs exceeding of \$300 million or 20% of the paid-in capital: None.
 - (G) Total purchase from or sale to related parties amounting to exceeding of \$100 million or 20% of the paid-in capital: attach table 4.
 - (H) Receivables from related parties amounting to exceeding of \$100 million or 20% of the paid-in capital: None.
 - (I) Derivative financial transactions: Please refer to Note 6(3).
 - (J) Intercompany relationships and significant transactions: attach table 5.
 - (K) Names, locations, and related information of investees over which the company exercises significant influence: attach table 6.
- (3) Information of investment in China
- (A) Names, main businesses, total paid-in capital, method of investment, investment out / in flows, percentage of ownership, investment profit (loss) of this period, Book value, accumulated amount of investment income remitted back to Taiwan and upper limit on investment in China. (Table 7)
 - (B) Significant inter-company transactions, price, credit term, unrealized profit or loss and other related information for understanding the effect of investment in China. (Table 5)

14. SEGMENT FINANCIAL INFORMATION

(1) Operation segment

The reportable segment as follows.

1. Electricity power : The segment was engaged in manufactures electricity equipment and various types of substation construction etc.
2. Engineering : The segment provides engineering contraction which integrates water and electricity, fire control system etc.
3. Service : The segment was be entrusted the management and operation of public and private parking lot.

(2) The segment financial information please refers to attach table 8.

(3) The financial information of geographical areas: The Group has not any significant foreign operation segments.

(4) The information of foreign sales areas:

For the years ended December 31, 2019 and 2018, the information of foreign sales areas was as follows:

	Express in thousands of New Taiwan Dollars	
	For the Years ended December 31,	
	2019	2018
Japan	\$ 393,055	\$ 332,838
United States	673,646	518,158
China	436,580	504,397
Other (including bonded areas)	511,374	601,231
	<u>\$ 2,014,655</u>	<u>\$ 1,956,624</u>

(5) The information of major customers:

For the years ended December 31, 2019 and 2018, the information of major customers whose revenues amounted to 10% or more of consolidation revenues was as follows:

Express in thousands of New Taiwan Dollars				
For the Years ended December 31,				
2019		2018		
	Amount	%	Amount	%
Customer A	\$ 4,125,652	33.33	\$ 5,049,088	41.26

Chung-Hsin Electric and Machinery Manufacturing Corp. and Subsidiaries

Financing provided details
For the Years Ended December 31, 2019
Express in New Taiwan dollars

Attached table 1

No	Financing company's name	Counter party	Financial statement account	Related Party	Maximum balance for the period	Ending balance (2)	Amounts of loan (3)	Interest Rate (%)	Type of financing (1)	Transaction amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Financing company's financing amount limit
													Item	Value		
1	Sunrise investment Corp.	Guang-Hsin engineering & services Co., Ltd.	Other Receivable	Yes	45,000,000	45,000,000	43,550,000	1.50%	2	—	Operation needed	—	Note	45,000,000	(7) 45,000,000	(4) 169,739,580
		Shengyi electric and machinery Co.	Other Receivable	No	15,000,000	10,000,000	10,000,000	1.80%	2	—	Operation needed	—	Note	30,000,000	(7) 45,000,000	(4) 169,739,580
		Etrovision technology Co., Ltd.	Other Receivable	Yes	45,000,000	45,000,000	45,000,000	1.20%~1.50%	2	—	Operation needed	—	—	—	(7) 45,000,000	(4) 169,739,580
		Sheng Yuan investment Corp.	Other Receivable	Yes	30,000,000	30,000,000	—	1.20%	2	—	Operation needed	—	Note	30,000,000	(7) 45,000,000	(4) 169,739,580
2	San-feng construction Co., Ltd.	FinData Technology Corp.	Other Receivable	Yes	45,000,000	45,000,000	45,000,000	1.50%	2	—	Operation needed	—	Note	45,000,000	(8) 69,306,160	(5) 173,265,399
		Nomura Chung-Hsin machinery Corporation	Other Receivable	Yes	5,000,000	5,000,000	2,550,000	1.00%	2	—	Operation needed	—	Note	5,000,000	(8) 69,306,160	(5) 173,265,399
3	CHENG-HSIN Engineering & Services CO.,LTD	Etrovision technology Co., Ltd.	Other Receivable	Yes	20,000,000	20,000,000	19,100,000	1.80%~2.00%	2	—	Operation needed	—	—	—	(7) 45,000,000	(4) 218,153,095
		Wei-Chi Precision Co., Ltd.	Other Receivable	No	3,500,000	3,500,000	3,500,000	3.00%	2	—	Operation needed	—	Check	4,030,000	(7) 45,000,000	(4) 218,153,095
		Li-Xiang Technology Co., Ltd.	Other Receivable	Yes	17,100,000	12,500,000	12,500,000	2.50%	2	—	Operation needed	—	Check	12,500,000	(7) 45,000,000	(4) 218,153,095
4	CHEM Corp.	Chemly power equipment Corp.	Other Receivable	Yes	92,460,000	44,970,000	44,970,000	1.50%	2	—	Operation needed	—	—	—	(6) 215,152,963	(4) 860,611,853
		Chung-Hsin Power Systems Corp.	Other Receivable	Yes	94,800,000	89,940,000	89,940,000	1.50%	2	—	Operation needed	—	—	—	(6) 215,152,963	(4) 860,611,853
		Archers Systems Co., Ltd.	Other Receivable	No	2,496,653	2,368,660	2,368,660	5.00%	2	—	Operation needed	2,368,660	Note	2,460,000	(6) 215,152,963	(4) 860,611,853
5	Chemly power equipment Corp.	Chem-tech (Shang-hai) Corp.	Other Receivable	Yes	7,366,200	6,885,820	6,885,820	1.50%	2	—	Operation needed	—	—	—	(9) 31,562,712	(4) 42,083,616
		Chung-Hsin Power Systems (Shenyang) Inc.	Other Receivable	Yes	13,760,651	12,910,913	12,910,913	1.60%	2	—	Operation needed	—	—	—	(9) 31,562,712	(4) 42,083,616
6	CHEM J-V Limited	Chung-Hsin Power Systems Corp.	Other Receivable	Yes	46,038,752	43,036,376	43,036,376	1.50%	2	—	Operation needed	—	—	—	(10) 58,272,685	(4) 155,393,827
7	CHEM Power Limited	Chung-Hsin Power Systems (Shenyang) Inc.	Other Receivable	Yes	94,800,000	89,940,000	76,149,200	1.50%	2	—	Operation needed	—	—	—	(6) 151,354,791	(4) 605,419,165

(1)Type of financing: 1 business purpose 2 necessary for short term financing.

(2)The amounts of finance were approved by resolution of directors.

(3)The actual amounts of loan happened.

(4)Not exceeding 40% of the net equity current period.

(5)Not exceeding 50% of the net equity current period.

(6)Finance of single company limited to the whole year business transaction amount of latest year. Short-term financing did not exceeding 10% of the net equity current period.

(7)Not exceeding NT\$ 45,000,000 for each counter party.

(8)Not exceeding 20% of the net equity current period for each counter party.

(9)Not exceeding 30% of the net equity current period for each counter party.

(10)Finance of single company limited to the whole year business transaction amount of latest year. Short-term financing did not exceeding 15% of the net equity current period.

Chung-Hsin Electric and Machinery Manufacturing Corp. and Subsidiaries

Endorsement / Guarantee provide
For the Years Ended December 31, 2019
Express in New Taiwan dollars

Attached table 2

No	Endorsement / guarantee Provider	Endorsement / guarantee for		Amount limit on each endorsement / guarantee (2)	Maximum balance of endorsement / guarantee during the period	Ending balance of endorsement / guarantee	Amount limit on each endorsement / guarantee	Endorsement / guarantee amount backed by property	Accumulated amount of endorsement / guarantee to net equity (%)	Maximum endorsement / guarantee amount allowed (1)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements /guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China
		Name	Relation										
0	Chung-Hsin Electric and Machinery Manufacturing Corp.	Chung-Hsin Power Systems (shengyang) Inc.	2	1,515,336,965	US 158,000,000 (5,000,000)	US 38,974,000 (1,300,000)	US 38,974,000 (1,300,000)	149,900,000	0.51%	3,788,342,413	Yes	No	Yes
0	Chung-Hsin Electric and Machinery Manufacturing Corp.	Global-Entech Co., Ltd.	2	1,515,336,965	25,000,000	25,000,000	14,375,000	25,000,000	0.33%	3,788,342,413	Yes	No	No
0	Chung-Hsin Electric and Machinery Manufacturing Corp.	CHENG-HSIN Engineering & Services CO.,LTD	2	1,515,336,965	600,000,000	500,000,000	126,998,000	500,000,000	6.60%	3,788,342,413	Yes	No	No
0	Chung-Hsin Electric and Machinery Manufacturing Corp.	San-feng construction Co., Ltd.	2	1,515,336,965	360,000,000	360,000,000	205,688,000	360,000,000	4.75%	3,788,342,413	Yes	No	No
0	Chung-Hsin Electric and Machinery Manufacturing Corp.	Wha Dun Building Management Service Co., Ltd.	2	1,515,336,965	10,000,000	10,000,000	9,432,000	10,000,000	0.13%	3,788,342,413	Yes	No	No
0	Chung-Hsin Electric and Machinery Manufacturing Corp.	Bao-Sheng Global Co.,Ltd.	2	1,515,336,965	280,000,000	250,000,000	119,420,000	250,000,000	3.30%	3,788,342,413	Yes	No	No
0	Chung-Hsin Electric and Machinery Manufacturing Corp.	Jushengsheng Construction Co., Ltd.	1	1,515,336,965	242,956,000	242,956,000	—	194,100,000	3.21%	3,788,342,413	No	No	No
					Total 1,675,956,000	Total 1,426,930,000	Total 514,887,000		18.83%				
1	CHENG-HSIN Engineering & Services CO.,LTD	San-feng construction Co., Ltd.	3	(3) 1,515,336,965	48,000,000	48,000,000	40,000,000	—	(5) 0.63%	(4) 3,788,342,413	No	No	No
1	CHENG-HSIN Engineering & Services CO.,LTD	Chung-Hsin Electric and Machinery Manufacturing Corp.	4	(3) 1,515,336,965	38,663,652	130,500	130,500	—	(5) —	(4) 3,788,342,413	No	Yes	No
1	CHENG-HSIN Engineering & Services CO.,LTD	Bao-Sheng Global Co.,Ltd.	3	(3) 1,515,336,965	21,127,800	14,256,000	14,256,000	—	(5) 0.19%	(4) 3,788,342,413	No	No	No
2	San-feng construction Co., Ltd.	Etrovision technology Co., Ltd.	3	(3) 1,515,336,965	8,000,000	—	—	—	(6) —	(4) 3,788,342,413	No	No	No
2	San-feng construction Co., Ltd.	Chung-Hsin Electric and Machinery Manufacturing Corp.	4	(3) 1,515,336,965	148,744,817	141,075,720	141,075,720	—	(6) 1.86%	(4) 3,788,342,413	No	Yes	No

(1)Not exceeding 50% of the Corporation's current year net equity.

(2)Not exceeding 20% of the Corporation's net equity for each company. Exclude the entity which the corporation owned 90% of voting shares directly or indirectly and the guarantee amount could not exceed 10% of the Corporation's net equity. When the Corporation directly or indirectly holds 100% of the voting shares, the Endorsement / Guarantee provide is unlimited between these companies.

(3)Not exceeding 20% of the final parent company's current year net equity for each entity.

(4)Not exceeding 50% of the final parent company's current year net equity.

(5)The percentage of accumulate endorsement and guarantee amount of CHENG-HSIN Engineering & Services CO., LTD.

(6)The percentage of accumulate endorsement and guarantee amount of San-feng construction Co., Ltd.

(7)The relative between Endorsement / Guarantee providing are as follows: a. business between companies; b. direct investment exceeding 50% of the subsidies; c. investment exceeding 50% of the subsidies by parent and its other subsidiaries; d. direct investment exceeding 50% of parent company by the company and its subsidiaries; e. taking insurances to each other under engineering contract; f. shareholder's guarantee by shares of the company due to common investment relationship; g. the performance guarantee of the pre-sale house sales contract in accordance with the Consumer Protection Law.

Chung-Hsin Electric and Machinery Manufacturing Corp. and Subsidiaries
Marketable securities held (excluding subsidiaries and associates)
December 31, 2019
Express in New Taiwan dollars

Attached table 3-1

Holding company / Type of marketable security	Name of marketable security	Relation with the Company	Financial statement account	Ending balance				Remark
				Shares	Book value	(%)	Market value (Note)	
The Corporation	<u>Stock</u> Pacific construction Co., Ltd.	—	Financial assets at FVTPL – current	770,124	8,625,389	0.20%	8,625,389	
	Ascent solar	—	Financial assets at FVTPL – current	8,400	25	—	25	
	<u>Beneficiary Certificate</u> Schroder International Selection Fund Emerging Markets A Accumulation	—	Financial assets at FVTPL – current	100,000.00	4,343,064		4,343,064	
	Subtotal				12,968,478		12,968,478	
	<u>Stock</u> Powerchip semiconductor Corp	—	Financial assets at FVTPL – non current	1,723,651	48,146,348	0.05%	48,146,348	
	Powerchip Semiconductor Manufacturing Corp	—	Financial assets at FVTPL – non current	188,077	669,786	0.01%	669,786	
	Quan-you technology Co., Ltd	—	Financial assets at FVTPL – non current	1,200,000	—	—	—	
	Xian-han Co., Ltd.	—	Financial assets at FVTPL – non current	8,373,688	102,190,209	19.94%	102,190,209	
	Cotech engineering Corp	—	Financial assets at FVTPL – non current	2,093,191	—	2.62%	—	
	Subtotal				151,006,343		151,006,343	
CHENG-HSIN Engineering & Services CO.,LTD	<u>Stock</u> Chung-hsin E&M manufacturing Corp.	Parent company	Financial assets at FVTOCI – non current	2,772,162	67,363,537	0.66%	67,363,537	2,712,500 shares as collateral
	Cotech engineering Corp.	—	Financial assets at FVTPL – non current	3,924,926	—	4.91%	—	
	<u>Beneficiary Certificate</u> Fu Hua Youli Currency Fund	—	Financial assets at FVTOCI – current	2,545,934.20	34,435,542		34,435,542	
	Subtotal				101,799,079		101,799,079	
San-feng construction Co., Ltd.	<u>Beneficiary Certificate</u> Fu Hua Youli Currency Fund	—	Financial assets at FVTPL – current	9,215,848.60	124,650,803	—	124,650,803	3,567,022 shares as collateral
	<u>Stock</u> Lite-on semiconductor Corp.	—	Financial assets at FVTPL – current	3,567,022	141,075,720	1.13%	141,075,720	
	Subtotal				265,726,523		265,726,523	
Accumis System Technologies Inc.	<u>Beneficiary Certificate</u> Fu Hua Youli Currency Fund	—	Financial assets at FVTPL – current	571,172.10	7,725,502	—	7,725,502	
Wha Dun Building Management Service Co., Ltd.	<u>Beneficiary Certificate</u> Fu Hua Youli Currency Fund	—	Financial assets at FVTPL – current	1,174,263	15,882,729	—	15,882,729	
Global-Entech Co., Ltd.	<u>Beneficiary Certificate</u> Fu Hua Youli Currency Fund	—	Financial assets at FVTPL – current	137,030.40	1,853,432	—	1,853,432	

CHEM Corp.	<u>Equity</u> Ably Enterprise Limited	—	Financial assets at FVTPL – non current	US9,969	219,205	19.94%	219,205	
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Chung-Hsin Electric and Machinery Manufacturing Corp. and Subsidiaries

Marketable securities held (excluding subsidiaries and associates)

December 31, 2019

Express in New Taiwan dollars

Attached table 3-2

Holding company / Type of marketable security	Name of marketable security	Relation with the Company	Financial statement account	Ending balance				Remark
				Shares	Book value	(%)	Market value (Note)	
CHEM J-V Limited	<u>Equity</u>							
	Toko electric (Suzhou) Co., Ltd.	—	Financial assets at FVTPL - non current	US1,048,000	28,657,173	18.99%	28,657,173	
	Hitachi (Suzhou) EHV Switchgear Corp.	—	Financial assets at FVTPL - non current	US500,000	—	2.50%	—	
	Subtotal				28,657,173		28,657,173	
ME ENERGY SYSTEMS LIMITED	<u>Stock</u>							
	ELEMENT ONE LLC	—	Financial assets at FVTPL - non current	428,572	—	19.65%	—	
Sunrise investment Corp.	<u>Beneficiary Certificate</u>							
	Capital China Income Balanced	—	Financial assets at FVTPL – current	300,000.00	2,816,010	—	2,816,010	
	Fu Hua Youli Currency Fund	—	Financial assets at FVTPL – current	3,935,650.10	53,232,422	—	53,232,422	
	Capital Conservative Allocation Fund of Funds	—	Financial assets at FVTPL – current	500,000.00	4,923,350	—	4,923,350	
	FSITC Global Wealthy Nations Bond Fund	—	Financial assets at FVTPL – current	700,000.00	7,001,890	—	7,001,890	
	<u>Stock</u>							
	Chung-hsin E&M manufacturing Corp.	Parent company	Financial assets at FVTOCI – non current	6,266,514	152,276,290	1.49%	152,276,290	
	Micro Whale Technology Development Co., Ltd.	—	Financial assets at FVTPL – non current	300,000	—	2.31%	—	
	Zheng-sheng engineering Co., Ltd.	—	Financial assets at FVTPL – non current	505,045	—	3.80%	—	
	Zhengyu technology engineering Co., Ltd.	—	Financial assets at FVTPL – non current	3,256,550	47,343,724	13.62%	47,343,724	
	Hwa-sheng venture capital Co., Ltd.	—	Financial assets at FVTPL – non current	328,968	4,013,841	4.17%	4,013,841	
	Kaohsiung rapid transit Co., Ltd.	—	Financial assets at FVTPL – non current	2,572,127	28,713,333	0.92%	28,713,333	
	NEXTLINK Inc.	—	Financial assets at FVTPL – non current	6,522,129	9,940,855	9.03%	9,940,855	
	An Qing Innovation Investment Co., Ltd.	—	Financial assets at FVTPL – non current	1,557,000	12,471,595	3.37%	12,471,595	
	Subtotal				322,733,310		322,733,310	
Jiangsu Chung-Hsin Precision Machinery Co.,Ltd.	Financial products such as golden key, secure profits, etc	—	Financial assets at FVTPL – current	—	73,551,336	—	73,551,336	
Chung-Hsin Power Systems Corp.	Financial products such as secure profits,360 days etc	—	Financial assets at FVTPL – current	—	30,305,131	—	30,305,131	
Chemly power equipment Corp.	Guaranteed legal person 35 days stable interest RMB financial products	—	Financial assets at FVTPL – current	—	25,886,556	—	25,886,556	

Chung-Hsin Electric and Machinery Manufacturing Corp. and Subsidiaries
Purchase from or sale to related parties amounting exceeding \$100 million or 20% of the Company paid-in capital
For the Years Ended December 31, 2019
Express in New Taiwan dollars

Attached table 4

Company Name	Related Party	Nature of Relationships	Transaction Details				Differences in transaction terms compared to third party transactions		Notes/Accounts Receivable (Payable)		Remark
			Purchase/ Sales	Amount	Percentage of total purchase or sales	Credit term	Unit Price	Credit term	Balance	Percentage of total Notes/Accounts Receivable (Payable)	
The Corporation	Bao-Sheng Global Co., Ltd.	Investment using equity method	Purchase	172,979,240	2.30%	—	—	—	Accounts payable 23,153,132	3.08%	

Chung-Hsin Electric and Machinery Manufacturing Corp. and Subsidiaries

Intercompany relationships and significant transactions

For the Years Ended December 31, 2019

Express in New Taiwan dollars

Attached table 5

No (1)	Company name	County party	Nature of relationship (2)	Intercompany Transaction			
				Financial statement item	Amount (over 10 million)	Term	Percentage of consolidate total gross sale or total assets(3)
0	The Corporation	Chung-Hsin Power Systems (Shenyang) Inc.	1	Purchase	10,109,892	4	0.08%
0	The Corporation	Tian Cin Energy Co., Ltd.	1	Contract Assets	23,060,073	4	0.11%
0	The Corporation	Tian Cin Energy Co., Ltd.	1	Engineering revenue	23,077,073	4	0.19%
0	The Corporation	Tian Chong Energy Co., Ltd.	1	Contract Assets	103,081,732	4	0.51%
0	The Corporation	Tian Chong Energy Co., Ltd.	1	Engineering revenue	103,098,732	4	0.83%
0	The Corporation	Tian Peng Energy Co., Ltd.	1	Contract Assets	74,516,595	4	0.37%
0	The Corporation	Tian Peng Energy Co., Ltd.	1	Engineering revenue	74,533,595	4	0.60%
0	The Corporation	CHENG-HSIN Engineering & Services CO.,LTD	1	Maintenance Revenue	51,320,187	4	0.41%
0	The Corporation	CHENG-HSIN Engineering & Services CO.,LTD	1	Sales	14,225,238	4	0.11%
0	The Corporation	Chung-Hsin Power Systems Corp.	1	Purchase	34,117,368	4	0.28%
0	The Corporation	Chung-Hsin Power Systems Corp.	1	Sales	25,002,561	4	0.20%
0	The Corporation	Jiangsu Chung-Hsin Precision Machinery Co., Ltd.	1	Purchase	92,862,207	4	0.75%
0	The Corporation	Jiangsu Chung-Hsin Precision Machinery Co., Ltd.	1	Accounts Payable	12,734,098	4	0.06%
0	The Corporation	Bao-Sheng Global Co., Ltd.	1	Cost and Expenses	196,125,928	4	1.58%
0	The Corporation	Bao-Sheng Global Co., Ltd.	1	Accounts Payable	23,151,132	4	0.11%
0	The Corporation	Chem Energy SA (Pty) Ltd.	1	Accounts Receivable	20,604,142	4	0.10%
0	The Corporation	Chem Energy SA (Pty) Ltd.	1	Sales	21,688,165	4	0.18%
0	The Corporation	CHEM J-V Limited	1	Contract Liabilities	39,119,367	4	0.19%
0	The Corporation	H2 PowerTech, LLC.	1	Cost and Expenses	177,001,180	4	1.43%
1	CHENG-HSIN Engineering & Services CO.,LTD	Etrovision technology Co., Ltd.	3	Other Receivable	19,189,901	5	0.09%
1	CHENG-HSIN Engineering & Services CO.,LTD	San-feng construction Co., Ltd.	3	Accounts Receivable	59,340,000	6	0.29%
2	San-feng construction Co., Ltd.	FinData Technology Corp.	3	Other Receivable	45,463,359	5	0.22%
3	Sunrise investment Corp.	Etrovision technology Co., Ltd.	3	Other Receivable	45,147,576	5	0.22%
4	Chem Corp. Samoa	Chemly power equipment Corp.	3	Other Receivable	45,857,079	5	0.23%

4	Chem Corp. Samoa	Chung-Hsin Power Systems Corp.	3	Other Receivable	91,289,100	5	0.45%
5	CHEM J-V Limited	Chung-Hsin Power Systems Corp.	3	Other Receivable	48,952,413	5	0.24%
6	Chemly power equipment Corp.	Chung-Hsin Power Systems (Shenyang) Inc.	3	Other Receivable	13,079,325	5	0.06%
7	Jiangsu Chung-Hsin Precision Machinery Co.,Ltd.	Chung-Hsin Power Systems Corp.	3	Sales	10,909,822	6	0.09%
7	Jiangsu Chung-Hsin Precision Machinery Co.,Ltd.	Nantong Shengyi precision machinery Co.	3	Purchase	28,800,444	6	0.23%
7	Jiangsu Chung-Hsin Precision Machinery Co.,Ltd.	Nantong Shengyi precision machinery Co.	3	Accounts Payable	16,472,294	6	0.08%
8	Chung-Hsin Power Systems (Shenyang) Inc.	Yongxing casting Co., Ltd.	3	Purchase	12,612,536	6	0.10%
9	CHEM Power Limited	Chung-Hsin Power Systems (Shenyang) Inc.	3	Other Receivable	76,894,396	5	0.38%

(1)Inter Company transaction information : 1. Parent company is represented by 0. 2. Subsidiaries are represented by sequel numbers.

(2)Transaction relationship : 1. Parent to subsidiaries 2.Subsidiaries to Parents 3.Subsidiaries to Subsidiaries

(3)Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

(4)Transaction terms were agreed by both parties.

(5)Financing with related parties are processed according to the regulations and rules accordingly.

(6)Sale/purchase terms and price with related was no material difference trade with third parties. Transaction terms were agreed by both parties.

Chung-Hsin Electric and Machinery Manufacturing Corp. and Subsidiaries

Names, locations, and related information of investees over which the company exercises significant influence (excluding information on investment in mainland china)
For the Years Ended December 31, 2019
Express in New Taiwan dollars

Attached table 6-1

Investor	Investee	Location	Business	Original investment		Ending balance			Profit (loss) of investee in this period	Investment profit/loss recognized in this period	Remark	
				Ending balance	Beginning balance	Share	%	Book value				
The Corporation	CHEM USA CORPORATION	USA	Selling and assembly of note book and computers	34,753,000	34,753,000	1,300,000	100.00%	58,418,063	1,855,955	1,855,955	Exchange differences on translating foreign operations \$(1,454,542)	Subsidiary
	Guang-Hsin engineering & services Co., Ltd.	Taiwan	1. Telecommunication equipment wholesale, retail and installment 2. Communication engineering 3. Computer equipment installment 4. Information software service	33,120,072	33,120,072	5,678,623	24.29%	247,848,909	104,708,219	25,434,075	Unrealized gain of financial instrument \$45,038,289 Cash Dividend \$(5,053,973) Treated as treasury stock \$(519,477)	—
	Sunrise investment Corp.	Taiwan	General investment	261,999,953	387,559,953	26,200,000	100.00%	272,076,686	86,319,856	86,319,856	Treated as treasury stock \$(152,272,265) Unrealized gain of financial instrument \$31,332,570 Refund from capital reduction \$(125,560,000) Cash Dividend \$(24,416,280)	Subsidiary
	CHENG-HSIN Engineering & Services CO.,LTD	Taiwan	1. Environmental protection incinerator set up and maintenance 2.Electric power and monitor equipment 3. Plan, design and maintenance for electricity, water and fire fighting system of building and factory	150,005,772	150,005,772	38,153,625	100.00%	412,654,733	120,059,952	120,059,952	Treated as treasury stock \$(67,363,539) Unrealized gain of financial instrument \$13,860,810 Unrealized gain recovery \$415,432	Subsidiary
	Global-Entech Co., Ltd.	Taiwan	1. Air pollution sample testing 2. Waste water and environmental water testing 3. Noise testing 4. Evaluation of environmental affection	15,869,352	63,860,972	1,699,705	99.98%	26,431,047	2,477,510	2,477,088	Cash Dividend \$(4,094,287) Refund from capital reduction \$(47,991,620)	Subsidiary
	Tone-zoom industry Co., Ltd.	Taiwan	1. Intensified fiber plastic material and product 2. Bathing equipment 3. Industrial plastic product	20,995,000	39,195,000	1,680,000	58.04%	53,477,983	3,879,242	2,251,633	Refund from capital reduction \$(18,200,000)	Subsidiary
	Sheng-yuan investment Corp.	Taiwan	General investment	53,396,853	53,396,853	8,601,821	29.33%	281,941,528	62,414,418	18,308,229	Unrealized gain of financial instrument \$51,239,016 Cash Dividend \$(8,257,748)	—
	Etrovision technology Co., Ltd.	Taiwan	1. Electric equipment installment 2. Automatic control equipment 3. Communication engineering 4. TV-KU channel and C channel installment	50,005,600	50,005,600	1,500,598	99.99%	—	16,055,037	16,053,223	Credit balance of Investment under equity method \$59,825,183	Subsidiary
	Chem Corp. Samoa	Samoa	Holding company	3,171,217,096	3,246,127,596	97,526,648	100.00%	2,141,582,891	(20,715,294)	(20,715,294)	Exchange differences on translating foreign operations \$(70,052,148) Unrealized gain recovery \$1,370,443 Refund from capital reduction \$(74,910,500)	Subsidiary

	Bao-Sheng Global Co.,Ltd.	Taiwan	Manufacture machinery equipment, lift installation, automation control equipment, traffic mark and parking management, etc.	93,000,000	93,000,000	10,000,000	100.00%	96,138,764	(6,682,230)	(6,682,230)	—	Subsidiary
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Chung-Hsin Electric and Machinery Manufacturing Corp. and Subsidiaries

Names, locations, and related information of investees over which the company exercises significant influence (excluding information on investment in mainland china)
For the Years Ended December 31, 2019
Express in New Taiwan dollars

Attached table 6-2

Investor	Investee	Location	Business	Original investment		Ending balance			Profit (loss) of investee in this period	Investment profit/loss recognized in this period	Remark	
				Ending balance	Beginning balance	Share	%	Book value				
	Li-Xiang Technology Co., Ltd	Taiwan	Import and export trade about Rail industry, electronic control system, slope away from the coating liquid	6,670,000	6,670,000	667,000	40.00%	—	(5,414,780)	(2,165,912)	Credit balance of Investment under equity method \$1,200,910	—
	Fumei Development Co., Ltd.	Taiwan	Rent and selling buildings, real estate and so on.	140,256,000	140,256,000	11,700,000	45.00%	145,910,415	50,090,295	22,540,633	Impairment loss for the period \$(57,252,756) Cash Dividend \$(9,477,000)	—
	Nomura Chung-Hsin Machinery Corporation	Taiwan	Manufacture machinery, other equipment and internation trade	20,874,000	20,874,000	2,087,400	49.00%	—	157,225	77,041	Credit balance of Investment under equity method \$7,099,828	—
	H2 PowerTech, INC.	USA	Holding company	— (Note 2)	20,258,206	—	—	—	(7,198,959)	(7,198,959)	Unrealized gain recovery \$8,911,098 Exchange differences on translating foreign operations \$107,439 Impairment loss for the period \$(20,836,831)	—
	FinData Technology Corp.	Taiwan	Software Design Services, Data Processing Services, Digital Information Supply Services	60,000,000	60,000,000	2,000,000	100.00%	—	(13,116,024)	(13,116,024)	Credit balance of Investment under equity method \$41,226,189	Subsidiary
	EGME ENERGY ECOSYSTEMS(INDIA) PRIVATE LIMITED	India	To promote, own, acquire, erect, construct, establish, maintain, improve, manage, devise, develop, manufacture, install, commission, alter, carry on, control, take on backup power services, fuel cells equipment projects, telecom towers or other facilities of generation back power services of green energy and their sales and distribution	— (Note 2)	—	—	—	—	(545,610)	(545,606)	Invest for the period \$3,292,004 Exchange differences on translating foreign operations \$(78,464)	—
	ME ENERGY SYSTEMS LIMITED	Hong Kong	Power EQU, engineering & parking management services	213,992,070	—	6,910,000	100.00%	177,274,196	(10,700,538)	(10,700,538)	Invest for the period \$213,992,070 Exchange differences on translating foreign operations \$(5,233,365) Unrealized loss \$(7,446,717)	Subsidiary
	Chung- Hsin Energy Tech. Inc.	Taiwan	Manufacturing machinery for generating, transmitting and distributing electric power and fuel cells; energy technology services.	5,000,000	—	500,000	100.00%	4,976,236	(23,764)	(23,764)	Invest for the period \$5,000,000	Subsidiary
	Tian Cin Energy Co., Ltd.	Taiwan	Manufacturing machinery for generating, transmitting and distributing electric power and energy technology services.	500,000	—	50,000	50.00%	—	(242,101)	(121,050)	Invest for the period \$500,000 Unrealized loss \$(1,062,082) Credit balance of Investment under equity method \$683,132	Subsidiary
	Tian Peng Energy Co., Ltd.	Taiwan	Manufacturing machinery for generating, transmitting and distributing electric power and energy technology services.	500,000	—	50,000	50.00%	—	(265,345)	(132,672)	Invest for the period \$500,000 Unrealized loss \$(3,645,444) Credit balance of Investment under equity method \$3,278,116	Subsidiary
	Tian Chong Energy Co., Ltd.	Taiwan	Manufacturing machinery for generating, transmitting and distributing electric power and energy technology services.	500,000	—	50,000	50.00%	—	(884,574)	(442,287)	Invest for the period \$500,000 Unrealized loss \$(5,420,326) Credit balance of Investment under equity method \$5,362,613	Subsidiary

Chung-Hsin Electric and Machinery Manufacturing Corp. and Subsidiaries

Names, locations, and related information of investees over which the company exercises significant influence (excluding information on investment in mainland china)
For the Years Ended December 31, 2019
Express in New Taiwan dollars

Attached table 6-3

Investor	Investee	Location	Business	Original investment		Ending balance			Profit (loss) of investee in this period	Investment profit/loss recognized in this period	Remark	
				Ending balance	Beginning balance	Share	%	Book value				
CHENG-HSIN Engineering & Services CO.,LTD	San-feng construction Co., Ltd.	Taiwan	Civil engineering, construction, water conservancy, contract management industry	211,939,284	211,939,284	30,000,000	100.00%	351,222,698	67,953,011	Note1	—	Subsidiary
	Wha Dun Building Management Service Co., Ltd.	Taiwan	Apartment managing services and consulting, etc.	10,000,000	10,000,000	1,336,000	100.00%	17,253,939	3,513,717	Note1	Surplus to capital increase \$3,360,000	Subsidiary
	Accumis System Technologies Inc.	Taiwan	Optical and precision equipment manufacturing and software information services	15,930,000	15,930,000	833,000	100.00%	8,027,851	(297,480)	Note1	Capital reduction to cover the deficit for the period \$36,670,000	Subsidiary
Sunrise investment Corp.	U.S.Technical Consultants Inc.	USA	Aerospace Equipment Manufacturing	21,737	21,737	5,310	22.27%	—	(23,617,059)	—	Accumulated Impairment loss \$(21,737)	—
CHEM Corp.	CHEM Power Corp.	Samoa	Holding company	349,434,038	349,434,038	107,282,404	100.00%	105,209,044	(11,339,481)	Note1	—	Subsidiary
	CHEM J-V Limited	Hong Kong	Holding company	382,935,874	382,935,874	126,450,000	100.00%	388,484,567	(79,881,527)	Note1	—	Subsidiary
	CHEM Power Limited	Hong Kong	Holding company	2,570,519,372	2,570,519,372	782,246,570	100.00%	1,513,547,913	49,026,922	Note1	—	Subsidiary
H2 Power Tech, Inc.	H2 Power Tech, LLC.	USA	Technical services, licensing and equipment sales	15,100,000	15,100,000	500,000.00	100.00%	10,303,986	(97,961)	Note1	—	Subsidiary
CHEM J-V Limited	MICT international Ltd.	Hong Kong	Holding company	48,308,000	48,308,000	3,600,000	40.00%	35,959,343	(14,518,270)	Note1	—	—
ME ENERGY SYSTEMS LIMITED	H2 PowerTech,INC.	USA	Holding company	3,564,097	—	50	100.00%	10,303,986	7,100,998	Note1	—	Subsidiary
	EGME ENERGY ECOSYSTEMS(INDIA) PRIVATE LIMITED	India	To promote, own, acquire, erect, construct, establish, maintain, improve, manage, devise, develop, manufacture, install, commission, alter, carry on, control, take on backup power services, fuel cells equipment projects, telecom towers or other facilities of generation back power services of green energy and their sales and distribution	6,401,111	—	205,572.16	99.99%	2,142,639	(3,404,021)	Note1	—	Subsidiary
	CHEM FUEL CELL(M) SDN.BHD.	Malaysia	To promote Fuel cells, Microgrid and their sales	6,253,180	—	824,002	100.00%	5,087,029	(966,926)	Note1	—	Subsidiary
	CHEM ME ENERGY SYSTEMS HOLDINGS (PTY) Ltd.	South Africa	Holding company for manufacturing, sales and service related to fuel cell generators and other generation and energy storage systems.	45,814,690	—	1,500,000	100.00%	42,733,247	(3,725,405)	Note1	—	Subsidiary
CHEM ME ENERGY SYSTEMS HOLDINGS (PTY) Ltd.	CHEM ENERGY SA (PTY) LTD.	South Africa	Manufacturing and Sales of fuel generators, battery charging services, power generating services, fuel service and parts and maintenance thereof.	21,429,000	—	700,000	100.00%	18,056,635	(3,709,068)	Note1	—	Subsidiary

Note 1 : The share of profits/losses of the investee company is not reflected herein as such amount is already included in the share of profits/losses of the investor company.

Note 2 : Adjust the investment structure and transfer it to ME Energy Systems Limited.

Chung-Hsin Electric and Machinery Manufacturing Corp. and Subsidiaries

Information of investment in mainland China

For the Years Ended December 31, 2019

Express in thousands of New Taiwan dollars

Attached table 7

Investee	Main businesses	Total paid-in capital	Method of investment (1)	Accumulated outflow of investment from Taiwan as of beginning balance	Investment flows		Accumulated outflow of investment from Taiwan as of ending balance	Net Income (Losses) of the Investee Company	Percentage of ownership	Investment profit (loss) of this period recognized (2)	Book value	Accumulated inward remittance of Earnings as of ending balance
					Outflow	In flow						
Chem-tech (Shang-hai) Corp.	Importing and exporting trading	174178 (US\$400,000)	(b)	130662 (US\$125,2053)	—	—	130662 (US\$125,2053)	(5042) US\$16301378	1000%	(5042) US\$16301378	12916 US\$408009	—
Zhen xing parkig management Co., Ltd.	Parking affair management	33145 (US\$23846794)	(c)	—	—	—	—	(910) US\$294052	1000%	(910) US\$294052	1739 US\$901842	—
Chemly Power equipment Corp.	Manufacturing machinery for generating, Transmitting and distributing electric power	318310 (US\$800,000)	(b)	318310 (US\$79828434)	—	—	318310 (US\$79828434)	(11,339) US\$3661753	1000%	(11,339) US\$3661753	10529 US\$35830756	—
Wuxi Hengchi Chem Switchgear Co., Ltd.	GIS assembly and manufacturing	185963 (US\$5598238)	(b)	81,329 (US\$240314834)	—	—	81,329 (US\$240314834)	43366 US\$140173213	4500%	19510 US\$3072946	33291 US\$11048350	—
Jiangsu Chung-Hsin Precision Machinery Co., Ltd.	Aluminum alloy tank, tube and accessories manufacturing and casting	996640 (US\$269,000)	(b)	996640 (US\$29,730,000)	—	—	996640 (US\$29,730,000)	(27872) US\$901,13646	9917%	(27872) US\$8862899	850014 US\$2835271367	—
Shannxi baoji Yong-shin Ltd.	Shannxi baoji Yong-shin Ltd.	10694 (US\$26,13009)	(b)	6979 (US\$213,000)	—	—	6979 (US\$213,000)	997 US\$1928596	6812%	412 US\$1333046	16263 US\$245646	—
Nantong L-S metal forming Co., Ltd.	Nantong L-S metal forming Co., Ltd.	113889 (US\$630,200)	(b)	14982 (US\$453800)	—	—	14982 (US\$453800)	112452 US\$36356813	2500%	28113 US\$90892403	131800 US\$43628806	—
Toko electric (Suzhou) Co., Ltd.	Toko electric (Suzhou) Co., Ltd.	183154 (US\$520,000)	(b)	33523 (US\$1,048,000)	—	—	33523 (US\$1,048,000)	—	1899%	—	28657 US\$9464598	Evaluated by FVTPL - noncurrent
Chung-Hsin Power Systems Corp.	Chung-Hsin Power Systems Corp.	998772 (US\$1800,000)	(b)	998772 (US\$1800,000)	—	—	998772 (US\$1800,000)	80672 US\$260821489	10000%	80672 US\$260821489	22078 US\$73698033	—
Chung-Hsin Power Systems (Shenyang) Inc.	Chung-Hsin Power Systems (Shenyang) Inc.	996455 (US\$1800,000)	(b)	487636 (US\$1467931553) (4)	—	—	487636 (US\$1467931553) (4)	(22,251) US\$71939204	10000%	(22,251) US\$71939204	52994 US\$1,76431483	—
Nantong Shengyi precision machinery Co.	Nantong Shengyi precision machinery Co.	331907 (US\$1000,000)	(b)	165755 (US\$500,000)	—	—	165755 (US\$500,000)	5308 US\$1745288	5000%	2652 US\$672642	187289 US\$24646091	—
Hitachi (Suzhou) EHV Switchgear Corp	69KV-1100KV kv high voltage switch board, assembly and manufacturing	633000 (US\$2000,000)	(b)	16455 (US\$300,000)	—	—	16455 (US\$300,000)	—	250%	—	—	Evaluated by FVTPL - noncurrent
San-he Kwok Shui Electric Co.	Manufacturing machinery for generating, Transmitting and distributing electric power	92685 (US\$29848595)	(b)	45221 (US\$1,435,3987)	—	—	45221 (US\$1,435,3987)	152 US\$490896	4800%	74 US\$240688	35388 US\$1,17971126	—
Jiangsu Fumei Landscape & Real Estate Development Co., Ltd.	Resort development and management	296700 (US\$1000,000)	(b)	296700 (US\$1000,000)	—	—	296700 (US\$1000,000)	(91966) US\$297304816	10000%	(91966) US\$297304816	81804 US\$28663039	—
Shenzhen Wu You Chou Technology Services Ltd.	Development, pushing, service and Consultant on software or hardware of computer business	34901 (US\$1090688)	(c)	—	—	—	—	(16) US\$1521	4057%	—	—	—
Integrated Manufacturing & Services Co., Ltd.	Development of special equipment for solar cell production, manufacture of optical engine, lighting source, projection screen, high definition projection cathode-ray tube and microdisplay module, and production, cleaning and regeneration of new electrical device	215740 (US\$700,000)	(c)	—	—	—	—	(14503) US\$4888598	4000%	(5801) US\$8755839	38989 US\$1,13206085	—

Accumulated investment in China as of December 31, 2019	Investment amounts authorized by investment commission, MOEA	Upper limit on investment authorized by investment commission, MOEA (3)
3,180,148 (US\$ 97,920,373.92)	3,646,920 (US\$ 112,811,296.58)	4,546,010

(1) Methods of investment:

- (a) Remit through third area to invest in China.
- (b) Through the company set up in third area and then reinvest in China.
- (c) Through investment to set up company then invest in China.
- (d) Other method.

(2) Investment profit and loss were recognized based on the audited financial statements of each reportable entity.

(3) Calculated based on 60% of net equity value of the Corporation as of December 31, 2019.

(4) The Corporation used US\$3,600,000 as professional technology fee to invest in Chung-Hsin Power Systems (shengyang) Inc. indirectly and owned 100.00% of the investee's shares.

Chung-Hsin Electric and Machinery Manufacturing Corp. and Subsidiaries
Operating Segment Information
For Years Ended December 31, 2019 and 2018
Express in thousands of New Taiwan dollars

Attached table 8

Year	Electricity Power		Engineering		Service		Other		Adjustment and elimination		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue												
External customer	\$ 7,118,090	\$ 7,143,277	\$ 2,247,267	\$ 2,358,717	\$ 2,030,436	\$ 1,933,091	\$ 981,723	\$ 800,912	\$ —	\$ —	\$ 12,377,516	\$ 12,235,997
Inter-segment	710,871	364,796	37,917	37,023	204,247	201,080	9,379	22,003	(962,414)	(624,902)	—	—
Total revenue	<u>\$ 7,828,961</u>	<u>\$ 7,508,073</u>	<u>\$ 2,285,184</u>	<u>\$ 2,395,740</u>	<u>\$ 2,234,683</u>	<u>\$ 2,134,171</u>	<u>\$ 991,102</u>	<u>\$ 822,915</u>	<u>\$(962,414)</u>	<u>\$(624,902)</u>	<u>\$ 12,377,516</u>	<u>\$ 12,235,997</u>
Segment profit	\$ 573,889	\$ 507,953	\$ 173,643	\$ 171,985	\$(45,836)	\$(32,672)	\$(101,816)	\$(102,047)	\$ 55,398	\$ 35,857	\$ 655,278	\$ 581,076
Interest revenue											19,326	19,813
Interest expense											(53,322)	(41,333)
Investment profit and loss											283,261	47,184
Non-operating profit and loss											(37,424)	40,823
Impairment											(78,090)	—
Profit before income tax											<u>\$ 789,029</u>	<u>\$ 647,563</u>
Depreciation and amortization	<u>\$ 266,981</u>	<u>\$ 248,902</u>	<u>\$ 11,621</u>	<u>\$ 7,081</u>	<u>\$ 1,506,526</u>	<u>\$ 149,291</u>	<u>\$ 68,351</u>	<u>\$ 43,082</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,853,479</u>	<u>\$ 448,356</u>
Assets												
Segment assets	\$ 8,572,401	\$ 7,133,872	\$ 1,045,999	\$ 964,292	\$ 2,218,373	\$ 483,710	\$ 4,206,889	\$ 3,329,756	\$ —	\$ —	\$ 16,043,662	\$ 11,911,630
Investment under equity method											912,119	834,667
Deferred income tax											96,384	90,603
Others											3,169,384	4,103,866
Total assets											<u>\$ 20,221,549</u>	<u>\$ 16,940,766</u>
Capital expenditure	<u>\$ 354,262</u>	<u>\$ 951,370</u>	<u>\$ 7,015</u>	<u>\$ 6,187</u>	<u>\$ 31,114</u>	<u>\$ 13,701</u>	<u>\$ 16,407</u>	<u>\$ 10,369</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 408,798</u>	<u>\$ 981,627</u>

Note

1. The Group uses the income before tax from operations as the measurement for segment profit and the basis of performance assessment.
2. The accounting policies of operating segment are the same with others.

6.5 Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To The Board of Directors and the Stockholders
Chung-Hsin Electric and Machinery Manufacturing Corp.

Opinion

We have audited the parent company only financial statements of Chung-Hsin Electric and Machinery Manufacturing Corp. (the Corporation), which comprise the parent company only balance sheets as of December 31, 2019 and 2018, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of the other independent accountants, as described in the other matters section of our report, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and 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 Parent Company Only 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The description of the key audit matters of the parent company only financial statements for the year ended December 31, 2019 are as follows:

Engineering Revenue Recognition

Key Audit Matters statements

Refer to the Note 4(18) to the accounting policy of revenues recognition.

The Corporation business included electric power engineering construction and design. Contract revenue should be recognized by reference to the stage of completion of the

performance obligation over time. Performance obligation should be measured by reference to the stage of completion of the contract activity. The stage of completion of a contract is measured by the proportion of contract costs incurred for work performed to date to the estimated total costs for the contract which are based on significant accounting estimation and judgment of management. Construction revenue amount was 46.81% of operation revenue. Therefore, the recognition of construction revenues is considered as a key audit matter by decision of CPA.

Key Audit procedures

By conducting the tests of controls, we obtained an understanding of the Corporation's recognition of construction revenues and of the design and implementation of related controls. We also perform corresponding audit procedures as follows:

1. Review the amount and estimate cost of matter contracts to confirm the accuracy of the information in the profit or loss on construction.
2. Test the accuracy of the construction listing on percentage of completion calculation and confirm the accuracy of the information in the accounting system.
3. Acquire and review the statements about the matter changing of construction, which is prepared by the corporation.

Other Matter

Certain investments which were accounted for under the equity method based on the financial statements of the investees were audited by other independent accountants. Therefore, Our Opinion to the above parent company only financial statements, insofar as it related to certain investments which were accounted for under the equity method are based solely on the reports of other independent accountants.

The investments accounted for under the equity method balance of NT 1,413,910 thousands and NT 1,292,012 thousands, which represented 7.75% and 8.05% of the total assets as of December 31, 2019 and 2018, the related shares of profit of associates and joint ventures accounted for using equity method in the amount of NT 275,686 thousands and NT 2,790 thousands, which represented 35.57% and 0.46% of the income from continuing operations before income tax for the years ended December 31, 2019 and 2018.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only 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 parent company only 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 parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with statements 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 parent company only financial statements for the year ended December 31, 2019 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.

March 27, 2020

Notice to Reader

The accompanying financial statements are intended only to present the financial position, results of operations 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 accepted and applied in the Republic of China.

For the convenience of readers, the 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 auditors' report and financial statements shall prevail.

CHUNG-HSIN ELECTRIC AND MACHINERY MANUFACTURING CORPS.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2019		December 31, 2018		LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS :					CURRENT LIABILITIES :				
Cash and cash equivalents (Note 6)	\$ 157,643	1	\$ 215,092	1	Short-term debts (Note 6)	\$ 653,584	4	\$ 2,070,469	13
Financial assets at fair value through profit and loss – current (Note 6)	12,968	-	8,860	-	Short-term bonds payable (Note 6)	-	-	1,299,008	8
Contract assets, current (Notes 6 and 7)	1,657,738	9	797,231	5	Contract liabilities, current (Notes 6 and 7)	2,993,236	16	2,811,336	18
Notes receivable, net (Note 6)	59,556	-	51,838	-	Notes payable	-	-	34	-
Notes receivable- related parties (Notes 6 and 7)	-	-	152	-	Notes payable - related parties (Note 7)	-	-	7,772	-
Accounts receivable, net(Note 6)	1,135,360	6	1,291,802	8	Accounts payable	715,503	5	775,102	5
Accounts receivables-related parties (Note 7)	43,804	-	19,321	-	Accounts payable - related parties (Note 7)	36,302	-	40,180	-
Other accounts receivables, net	705	-	3,201	-	Other payables (Note 6)	522,472	3	431,934	3
Other accounts receivables-related parties (Note 7)	663	-	10,131	-	Other payables-related parties (Note 7)	7,674	-	8,674	-
Inventory - manufactory(Note 6)	2,777,512	15	2,323,092	15	Current tax liabilities	89,816	-	46,043	-
Inventory - Construction(Notes 6 and 8)	2,570,665	14	1,831,451	11	Provisions, current (Note 6)	169,745	1	53,649	-
Prepayments (Notes 6 and 7)	467,790	3	900,092	6	Lease liabilities, current (Note 6)	581,061	3	-	-
Other current assets (Notes 6 and 8)	242,725	2	303,737	2	Current portion of long-term liabilities (Note 6)	700,000	4	-	-
Total current assets	9,127,129	50	7,756,000	48	Other current liabilities	14,232	-	12,313	-
NONCURRENT ASSETS :					Total current liabilities	6,483,625	36	7,556,514	47
Financial assets at fair value through profit and loss – noncurrent (Note 6)	151,006	1	127,770	1	NONCURRENT LIABILITIES :				
Investments under equity method (Note 6)	3,918,732	21	3,846,582	24	Long-term debts (Note 6)	3,354,492	18	647,939	4
Property, plant and equipment(Notes 6, 7 and 8)	3,162,799	17	3,037,313	19	Deferred income tax liabilities (Note 6)	340,696	2	342,418	2
Right-of-use assets (Note 6)	970,328	5	-	-	Lease liabilities, noncurrent (Note 6)	318,213	2	-	-
Investment property, net(Notes 6 and 8)	533,441	3	539,690	3	Other noncurrent liabilities (Notes 6 and 7)	178,622	1	147,257	1
Deferred income tax assets (Note 6)	94,753	1	88,903	1	Total noncurrent liabilities	4,192,023	23	1,137,614	7
Deposit out (Note 8)	99,498	1	147,605	1	Total liabilities	10,675,648	59	8,694,128	54
Long-term notes , accounts and overdue receivables (Note 6)	64,065	-	67,648	-	Equity attributable to owners of parent				
Other noncurrent assets (Notes 6, 7 and 8)	130,582	1	444,345	3	Common stock (Note 6)	4,200,000	23	4,200,000	26
Total noncurrent assets	9,125,204	50	8,299,856	52	Capital surplus (Note 6)	421,024	2	410,300	3
					RETAINED EARNINGS (Note 6)				
					Legal reserve	1,143,143	6	1,088,659	7
					Special reserve	858,940	5	858,678	5
					Unappropriated earnings	1,048,760	6	918,861	6
					Total retained earnings	3,050,843	17	2,866,198	18
					Other equity(Note 6)	21,698	-	2,110	-
					Treasury stock (Note 6)	(116,880)	(1)	(116,880)	(1)
					Total equity	7,576,685	41	7,361,728	46
TOTAL ASSETS	\$ 18,252,333	100	\$ 16,055,856	100	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 18,252,333	100	\$ 16,055,856	100

(The accompanying notes are an integral part of parent company only financial statements.)

CHUNG-HSIN ELECTRIC AND MACHINERY MANUFACTURING CORPS.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the years ended December 31,			
	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 6 and 7)	\$ 9,745,724	100	\$ 10,119,536	100
OPERATING COST (Notes 4, 6 and 7)	(7,923,201)	(81)	(8,417,006)	(83)
GROSS PROFIT	1,822,523	19	1,702,530	17
UNREALIZED GROSS PROFIT ON SALES TO SUBSIDIARIES AND ASSOCIATES	(10,988)	-	(4,158)	-
REALIZED GROSS PROFIT ON SALES TO SUBSIDIARIES AND ASSOCIATES	2,097	-	1,809	-
NET GROSS PROFIT	1,813,632	19	1,700,181	17
OPERATING EXPENSES (Notes 6 and 7)				
Marketing expenses	(357,134)	(4)	(365,428)	(4)
General and administrative expenses	(492,742)	(5)	(404,772)	(4)
Research and development expenses	(318,036)	(3)	(344,658)	(3)
Expected credit impairment losses (gains)	1,555	-	(9,616)	-
Total operating expenses	(1,166,357)	(12)	(1,124,474)	(11)
OPERATING INCOME	647,275	7	575,707	6
NON-OPERATING INCOME AND EXPENSES				
Other revenues (Notes 6 and 7)	31,163	-	35,004	-
Other incomes and losses(Note 6)	(87,977)	(1)	43,926	-
Financial cost (Notes 6 and 7)	(41,909)	-	(34,531)	-
Share of profit (loss) of subsidiaries associates and joint ventures accounted for using equity method (Notes 4 and 6)	226,508	2	(7,868)	-
Total non-operating income and expenses	127,785	1	36,531	-
PROFIT BEFORE INCOME TAX	775,060	8	612,238	6
INCOME TAX (Notes 4 and 6)	(139,761)	(1)	(67,401)	(1)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	635,299	7	544,837	5
OTHER COMPREHENSIVE INCOME (Note 6)				
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS				
Remeasurements of defined benefit pension plans	(8,968)	-	27,793	-
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS				
Share of other comprehensive gains (losses) of subsidiaries, associates and joint ventures accounted for using equity method	19,588	-	(88,207)	(1)
TOTAL OTHER COMPREHENSIVE LOSS, NET OF INCOME TAX	10,620	-	(60,414)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 645,919	7	\$ 484,423	4
BASIC EARNINGS PER SHARE (Note 6)	\$ 1.55		\$ 1.33	

(The accompanying notes are an integral part of parent company only financial statements.)

CHUNG-HSIN ELECTRIC AND MACHINERY MANUFACTURING CORPS.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	RETAINED EARNINGS						OTHER EQUITY					
	Common Stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total Retained earnings	Exchange differences on translating foreign operations	Unrealized gain (loss) on Financial assets at fair value through other comprehensive incomes	Unrealized gain (loss) on Available for sale financial assets	Total Other equity	Treasury stock	Total Equity
BALANCE, JANUARY 1, 2018	\$ 4,200,000	\$ 409,877	\$ 1,039,843	\$ 858,678	\$ 787,728	\$ 2,686,249	\$ (92,366)	\$ -	\$ 182,683	\$ 90,317	\$ (116,880)	\$ 7,269,563
Effect of retrospective application	-	-	-	-	27,319	27,319	-	182,683	(182,683)	-	-	27,319
BALANCE, JANUARY 1, 2018 AS RESTATED	4,200,000	409,877	1,039,843	858,678	815,047	2,713,568	(92,366)	182,683	-	90,317	(116,880)	7,296,882
APPROPRIATION AND DISTRIBUTION OF RETAINED EARNINGS												
Legal reserve	-	-	48,816	-	(48,816)	-	-	-	-	-	-	-
Common stock cash dividends	-	-	-	-	(420,000)	(420,000)	-	-	-	-	-	(420,000)
Changes in capital surplus from investments in associates accounted for using the equity method	-	(11,230)	-	-	-	-	-	-	-	-	-	(11,230)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	-	-	-	-	544,837	544,837	-	-	-	-	-	544,837
OTHER COMPREHENSIVE INCOME	-	-	-	-	27,793	27,793	(39,924)	(48,283)	-	(88,207)	-	(60,414)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	-	-	-	-	572,630	572,630	(39,924)	48,283)	-	(88,207)	-	484,423
Adjustments of capital surplus for company's dividends received by subsidiaries	-	9,039	-	-	-	-	-	-	-	-	-	9,039
Other	-	2,614	-	-	-	-	-	-	-	-	-	2,614
BALANCE, DECEMBER 31, 2018	4,200,000	410,300	1,088,659	858,678	918,861	2,866,198	(132,290)	134,400	-	2,110	(116,880)	7,361,728
Effect of retrospective application	-	-	-	-	(21,686)	(21,686)	-	-	-	-	-	(21,686)
BALANCE, JANUARY 1, 2019 AS RESTATED	4,200,000	410,300	1,088,659	858,678	897,175	2,844,512	(132,290)	134,400	-	2,110	(116,880)	7,340,042
APPROPRIATION AND DISTRIBUTION OF RETAINED EARNINGS												
Legal reserve	-	-	54,484	-	(54,484)	-	-	-	-	-	-	-
Common stock cash dividends	-	-	-	-	(420,000)	(420,000)	-	-	-	-	-	(420,000)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	-	-	-	-	635,299	635,299	-	-	-	-	-	635,299
OTHER COMPREHENSIVE INCOME	-	-	-	-	(8,968)	(8,968)	(76,689)	96,277	-	19,588	-	10,620
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	-	-	-	-	626,331	626,331	(76,689)	96,277	-	19,588	-	645,919
Adjustments of capital surplus for company's dividends received by subsidiaries	-	9,039	-	-	-	-	-	-	-	-	-	9,039
Other	-	1,685	-	262	(262)	-	-	-	-	-	-	1,685
BALANCE, DECEMBER 31, 2019	\$ 4,200,000	\$ 421,024	\$ 1,143,143	\$ 858,940	\$ 1,048,760	\$ 3,050,843	\$ (208,979)	\$ 230,677	\$ -	\$ 21,698	\$ (116,880)	\$ 7,576,685

(The accompanying notes are an integral part of parent company only financial statements.)

CHUNG-HSIN ELECTRIC AND MACHINERY MANUFACTURING CORPS.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Income Tax	\$ 775,060	\$ 612,238
Adjustments to reconcile profit to net cash provided by (used in) operating activities		
Depreciation	1,225,127	193,047
Amortization	111,424	105,397
Expected credit impairment losses (gains)	(1,555)	9,616
Net (Gain) Loss on financial assets or financial liabilities at fair value through profit or loss	(20,905)	(24,419)
Interest expenses	41,909	34,531
Interest income	(4,403)	(4,840)
Dividend income	(6,767)	(2,262)
Share of (profit) loss of associates and joint ventures accounted for using equity method	(226,508)	7,868
Loss (Gain) on disposal of property, plant and equipment	23,889	831
Loss (Gain) on disposal of investment	(8,984)	(22,806)
Impairment loss on non-financial assets	78,090	-
Other	(81)	-
Net changes in operating incomes and losses which do not affect cash flows	1,211,236	296,963
Net changes in operating assets and liabilities		
Increase in financial assets mandatorily classified as at fair value through profit or loss	2,544	-
(Increase) Decrease in contract assets	(851,868)	(23,867)
(Increase) Decrease in notes receivable	(7,718)	1,464
(Increase) Decrease in notes receivable - related parties	152	825
(Increase) Decrease in accounts receivables	153,243	(5,249)
(Increase) Decrease in accounts receivable - related parties	(24,483)	7,654
(Increase) Decrease in other accounts receivables	2,678	(2,702)
(Increase) Decrease in other accounts receivable - related parties	5,583	(5,517)
(Increase) Decrease in inventory	(1,193,634)	(691,726)
(Increase) Decrease in prepayments	432,302	35,532
(Increase) Decrease in other current assets	61,012	(25,186)
Net cash provide by (used in) operating assets	(1,420,189)	(708,772)
(Decrease) Increase in contract liabilities	181,900	1,104,875
(Decrease) Increase in notes payable	(34)	34
(Decrease) Increase in notes payable – related parties	(7,772)	7,772
(Decrease) Increase in accounts payable	(59,599)	(167,520)
(Decrease) Increase in accounts payable – related parties	(3,878)	(51,995)
(Increase) Decrease in other accounts receivables	90,631	55,134
(Increase) Decrease in other accounts receivable - related parties	(1,000)	40
(Decrease) Increase in provisions	116,096	(11,322)
(Decrease) Increase in other current liabilities	1,919	(6,810)
(Decrease) Increase in net defined benefit liability	(8,968)	(38,878)
Net cash provide by (used in) operating liabilities	309,295	891,330
Net changes provide by (used in) operating assets and liabilities	(1,110,894)	182,558
Total Adjustments	100,342	479,521
Cash provided by (used in) operating activities	875,402	1,091,759
Cash received for interest	4,221	5,006
Cash received for dividend	58,067	55,268
Cash paid for interest	(28,028)	(34,546)
Cash received (paid) for Income tax	(103,560)	(31,459)
Net cash provide by (used in) operating activities	806,102	1,086,028

(Continued)

For the years ended December 31,

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets or liabilities at fair value through profit or loss	-	33,377
Acquisition of Investments under equity method	(236,226)	(100,000)
Proceeds from disposal of Investments under equity method	5,337	-
Refund from capital reduction of investments at equity	266,662	107,223
Proceeds from non-current assets as held for sale	-	91,872
Acquisition of property, plant and equipment	(117,137)	(771,135)
Proceeds from disposal of property, plant and equipment	587	2,388
Acquisition of right-of-use assets	(164,981)	-
Increase in deposit out	-	(5,955)
Decrease in deposit out	48,107	-
Increase in long-term lease receivables	-	(40,361)
Decrease in long-term lease receivables	3,583	-
Increase in other noncurrent assets	(21,827)	-
Decrease in other noncurrent assets	-	106,632
Other investment activities	22,250	245
Net cash provide by (used in) investing activities	(193,645)	(575,714)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term debts	-	108,448
Decrease in short-term debts	(1,416,885)	-
Decrease in short-term bonds payable	(1,300,000)	(50,144)
Increase in long-term debts	3,407,000	-
Decrease in long-term debts	-	(549,136)
Increase in guarantee deposit received	2,764	-
Decrease in guarantee deposit received	-	(1,029)
Payment of lease liabilities	(966,056)	-
Increase in other noncurrent liabilities	21,065	8,094
Cash Dividends Paid	(420,000)	(420,000)
Other financing activities	2,206	2,615
Net cash provided by (used in) financing activities	(669,906)	(901,152)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(57,449)	(390,838)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	215,092	605,930
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 157,643	\$ 215,092

(Concluded)

(The accompanying notes are an integral part of the parent company only financial statements.)

CHUNG-HSIN ELECTRIC AND MACHINERY MANUFACTURING CORPS.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018
(Expressed in New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

The Corporation

Chung-Hsin Electric and Machinery Manufacturing Corp. (the Corporation), a Republic of China (R.O.C.) corporation, registered in Chung Ho city of New Taipei City, main business operated at No. 25, Wen-Te Rd., Lo Shan Tsun, Guishan Dist., Taoyuan city.

- (1) The Corporation starts in May, 1956 as name in Chung-Hsin factory before and reorganizes to Chung-Hsin Electric and Machinery Manufacturing Corps. in 1962.
- (2) The Corporation is engaged mainly in manufacturing equipments and machinery for power supplying, transmission and distribution; power automation system; generators, air conditioning; incinerator, ash recycling plant; pollution prevent project; turn key project for power supply and control, wind power generator, hydro power generator; producing and trading wireless and microwave communication product; parking management and constructing automatic parking facility, sale and rental residence and building; manufacturing and marking of large gantry 5-Axis machining center; manufacturing and selling of pneumatic-operated and medium voltage switchgear equipments ; production and manufacture of aerospace components, OLED, precision machining for components and semiconductor components.
- (3) The common shares of the Corporation have been listed on Taiwan Stock Exchange since March 8, 1994.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

The parent company only financial statements were approved by the board of directors and authorized for issue on March 27, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1)Effect of adoption of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) in issue and endorsed by the Financial Supervisory Commission (FSC) and Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers: Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the Corporation’s accounting policies:

IFRS 16, “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 “Leases” and IFRIC 4 “Determining whether an Arrangement contains a Lease”. Upon initial application of IFRS 16, the Corporation will 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 Corporation as lessee

Under application of IFRS 16, if the Corporation is a lessee, except for payments for low-value asset and short-term leases which will be recognized as expenses on a straight-line basis, the Corporation will recognize right-of-use assets and lease liabilities

for all leases on the parent company only balance sheets. The right-of-use assets that meet the definition of investment property will be recognized as investment property. On the parent company only statements of comprehensive income, the Corporation will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities and computed using the effective interest method. On the parent company only 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.

Before application of IFRS 16, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the parent company only statements of cash flows. The finance leases contracts are classified within lease assets and lease payments on the parent company only statements of balance sheet.

The Corporation elects to apply modified retrospective to not restate the comparison period information and recognizes the cumulative effect of the initial application of this Standard recognized at the date of initial application.

The Corporation recognized leases liabilities of parking lands and buildings as operating lease under IAS 17 before, these lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. The related right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

Right-of-use assets are subject to impairment testing under IAS 36. In the transition to IFRS 16, the Corporation will apply the following practical expedients:

- A. The Corporation will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- B. The Corporation will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- C. Except for lease payment, the Corporation will exclude incremental costs of obtaining the lease from the measurement of right-of-use assets on January 1, 2019.
- D. The Corporation will determine lease period (if including option of lease extension or termination in contract) based on the projected status on January 1, 2019.

The range of lessee's weighted average of incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 0.96%. The difference between the lease liabilities recognized and operating lease commitments disclosed on December 31, 2018 is explained as follows:

Expressed in thousands of New Taiwan Dollars	
The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 1,562,518
Add: Adjustments as a result of a different treatment of extension and termination options	758,117
Undiscounted amounts on January 1, 2019	<u>\$ 2,320,635</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 1,882,249</u>
Lease liabilities on January 1, 2019	<u>\$ 1,882,249</u>

The Corporation as lessor

In the transition to IFRS 16, the Corporation will not make any adjustments for leases in which it is a lessor, and will account for those leases under IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity of first application of IFRS 16 on January 1, 2019 is set out below:

Expressed in thousands of New Taiwan Dollars

	Before adjusted Carrying Amounts as of December 31, 2018	Adjustments from Initial Application	Adjusted Carrying Amounts as of January 1, 2019
<u>Current Assets</u>			
Prepayments	\$ 900,092	\$(108,975)	\$ 791,117
<u>Noncurrent Assets</u>			
Investments under equity method	3,846,582	(2,589)	3,843,993
Right-of-use assets	—	1,972,127	1,972,127
Impact on assets	<u>\$ 4,746,674</u>	<u>\$ 1,860,563</u>	<u>\$ 6,607,237</u>
<u>Current Liabilities</u>			
Leases liabilities	\$ —	\$ 922,189	\$ 922,189
<u>Noncurrent Liabilities</u>			
Leases liabilities	—	960,060	960,060
Impact on liabilities	<u>\$ —</u>	<u>\$ 1,882,249</u>	<u>\$ 1,882,249</u>
<u>Equity</u>			
Retained earnings	\$ 918,861	\$(21,686)	\$ 897,175
Impact on equity	<u>\$ 918,861</u>	<u>\$(21,686)</u>	<u>\$ 897,175</u>

(2) The impact of the Group has not applied the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs in issue and endorsed by FSC: The IFRSs endorsed by the FSC for application starting from 2020 were listed below:

New Standards, Amendments And Interpretations	Effective Date of IASB
Amendments of IFRS 3 Definition of a Business	January 1, 2020(Note 1)
Amendments of IAS 1 and IAS 8 Definition of Material	January 1, 2020(Note 2)
Amendments of IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform	January 1, 2020(Note 3)

Note 1: The Corporation shall apply these amendments to asset acquisitions that occur on or after the beginning of January 1, 2020.

Note 2: The Corporation shall apply these amendments prospectively beginning on or after January 1, 2020.

Note 3: The Corporation shall apply these amendments beginning on or after January 1, 2020.

As of the date the parent company only financial statements were authorized for issue, the Corporation is assessing the potential impact of other standards and amendments continuously. The related impact will be disclosed when the Corporation completes the evaluation.

(3) The IFRSs issued by IASB but not endorsed by FSC

The IFRSs issued by IASB but not endorsed by FSC were listed below:

New Standards, Amendments And Interpretations	Effective Date of IASB (Note)
Amendments of IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date to be determined by IASB
IFRS 17 Insurance Contracts	January 1, 2021
Amendments of IAS 1 Classification of Liabilities as Current or Non-current	January 1, 2022

Note : Unless otherwise stated, the above new standards, amendments and interpretations are effective for annual periods beginning on or after the date mentioned.

The Corporation is assessing the potential impact of the new standards and amendments above continuously. The related impact will be disclosed when the Corporation completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the notes listed. The summary of significant accounting policies listed below is consistent adopted in all reporting periods.

(1) Compliance statement

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

(2) Basis of preparation

Except for the financial instruments that are measured at fair value, these parent company only financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The parent company only financial statements are prepared using the functional currency New Taiwan dollar of the Corporation as the expression currency.

The Corporation retrospectively applied IFRS 16 on January 1, 2019, choosing not to restate the 2018 financial statements and notes, and recognizing the difference in the retained earnings on January 1, 2019.

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

Current assets are assets held for trading purposes and assets expected to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

The construction business cycle is longer than one year. Its related assets and liabilities are classified as current or noncurrent by normal business cycle.

(4) Foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity'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. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

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

The assets and liabilities of the Corporation's foreign operations 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, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale due to lose control, join control or material influence in foreign operation.

When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even the Corporation still retains partial interest in the former foreign subsidiary, associate or jointly controlled entity after losing control of the former foreign subsidiary, losing significant influence over the former foreign associate, or losing joint control of the former jointly controlled entity, such transactions should be accounted for as disposal of all interest in these foreign operations.

(5) Cash equivalents

Cash equivalents are readily convertible to known amount of cash; and subject to an insignificant risk of changes in value which are short-term highly liquid investments.

(6) Financial Instruments

Financial assets and financial liabilities of the Corporation is meet one of financial instruments' contract, are recognized in balance sheets.

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

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

A. Financial assets

Financial assets transactions on a regular way purchase or sale are recognized and derecognized using trade date accounting.

(A) Categories of financial assets

The Corporation has held categories of financial assets are including financial assets at fair value through profit or loss and financial assets at amortized cost.

a. Financial asset at fair value through profit or loss

Financial assets at fair value through profit or loss are including mandatorily at fair value through profit or loss or financial assets designated as at fair value through profit or loss. Mandatorily at fair value through profit (loss) includes equity instrument investment that the Corporation does not designate to measure at fair value through other comprehensive profit (loss), and debt instruments that are not measured as amortised cost or fair value through other comprehensive profit or loss investment.

Financial assets at fair value through profit or loss are recognized at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss. These profit or loss are not including any dividends or interests (including receivable of invest in first year). The method of adoption in fair value please refer to Note 12(2).

b. Financial assets at amortized cost

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

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

(b)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.

Financial assets at amortized cost equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

(B) Impairment of financial assets

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

contract assets.

The Corporation always recognizes lifetime Expected Credit Loss (i.e. ECL) for accounts receivables and lease receivable. For all other financial instruments, the Corporation recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The Corporation recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

(C) Derecognition of financial assets

The Corporation derecognises 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 are transferred to another party.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or to be received including any cumulative gain or loss that had been recognized in profit or loss.

B. Equity Instruments

Equity instruments issued by the Corporation are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instrument is the any contracts issued by the Corporation's residual interest after assets less liabilities. The Corporation issues equity instrument and recognized with acquirement price less direct issuable cost.

The Corporation reacquires the Corporation's equity instruments recognized and derecognized under equity. The Corporation purchase, disposal, issue or write-down their equity instruments do not recognize in profit or loss.

C. Financial liabilities

(A) Subsequently measured

Financial liabilities are subsequently measured at amortised cost using the effective interest method, except the conditions as follows:

Financial liabilities at fair value through profits and losses

Financial liabilities at fair value through profits and losses are including held for trading and designated as at fair value through profit and loss. Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

(B) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognized in profit or loss.

(7)Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognized in profit or loss. The derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(8)Hedge Accounting

Cash flow hedge

The Corporation designates partial of hedging instrument (Forward foreign exchange contract) for avoiding foreign currency exchange rate risk arising from expected transactions that are highly likely to happen. The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income.

When the forecast transaction actually occurs and is recognized, the amount initial recognized in other comprehensive gains and losses is transferred from equity to the original cost of the hedged item. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The Corporation only roll forward suspends the hedging accounting when a hedging instrument expires, or is sold, cancelled or executed or a hedge no longer meets the criteria for hedge accounting.

(9)Inventories

The inventory of manufactory comprises raw materials, materials, finished goods and work in progress. At the end of year, inventories are evaluated at the lower of cost and net realizable value, and the individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value should be based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses. The cost is determined using the monthly weighted-average method except from equipments and machinery for power supplying, transmission and distribution produced by orders. These inventories cost is determined using the specific method.

The inventory of construction comprises real estate as held for sale, construction in progress and prepayment for land purchases and so on. Contract costs are expensed as incurred. Transactions are recorded based on Completed Contract Method.

Prepayment for land purchases will be classified land held for construction site as acquisition of ownership, and then reclassified to construction in progress as active development. The requirements of the interests (borrowing costs) that should be capitalized during the period of active development or start of construction until finished.

(10)Investments in associates

Associates are all entities over which the Corporation has significant influence but not belong to subsidiaries or joint ventures. Significant influence means has rights of financial and operation decision but not control or join control to investee.

Investments in associates are accounted for using the equity method and are initially recognized at cost. The Corporation's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income.

In the case that an associate issues new shares and the Corporation does not subscribe or acquire new shares proportionately, which results in a change in the Corporation's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If

the above condition causes a decrease in the Corporation's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of. The above adjustment is debit capital surplus exceeds the amount of capital surplus, and then the excess shall be reduced to retain earnings. When the Corporation's share of losses in an associates equals or exceeds its interest in the associate, including carrying amount in investment of associates under equity method and net investment portfolio to an associates in other long-term equity by the Corporation, is stop to recognize loss. The Corporation recognizes further losses when legal obligation, constructive obligation and the payment for associates happened. If the total of the fair values of the consideration of acquisition and any non-controlling interest in the acquire as well as the acquisition-date fair value of any previous equity interest in the acquire is higher than the fair value of the Corporation's share of the identifiable net assets acquired, the difference is recorded as goodwill; if less than the fair value of the Corporation's share of the identifiable net assets acquired, the difference is recognized directly in profit or loss. The Corporation assess at carrying amount (including Goodwill) of investment where there is an indication to compare recoverable amount (the higher of an asset's fair value less costs to sell or value in use) with carrying amount for impairment test. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Upon loss of significant influence over an associate, the Corporation stops to use equity method and remeasure any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss. The Corporation loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate on the same basis as would be required if the relevant assets or liabilities were disposed of. Gains or losses on sales from intercompany transactions between the Corporation and its associate are recognized in parent company only financial statement when intercompany transaction is realized through transaction with third parties.

(11) Investments in Subsidiaries

Subsidiaries are the entities controlled by the Corporation and are accounted for using the equity method by the Corporation.

According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers", profit and other comprehensive income in the separate financial statements should be the same as profit and other comprehensive income attributable to shareholders of the parent in the consolidated financial statements, and the equity in the separate financial statements should be the same as the equity attributable to shareholders of the parent in the consolidated financial statements.

The Corporation's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Corporation's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Corporation should continue to recognize losses in proportion to its ownership.

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Corporation loses control of a subsidiary, any retained investment is measured at fair value at that date and the difference between the previous carrying

amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss. In addition, the Corporation shall account for all amounts previously recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Corporation had directly disposed of the related assets and liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with a subsidiary and side stream transactions between subsidiaries are recognized in the Parent Company Only financial statements to the extent of interests in the subsidiary that are not related to the Corporation.

(12) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment to measure, cost includes directly attributable to the acquisition or build assets incremental cost.

Properties in the course of construction for production are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the IAS 23, 'Borrowing Costs'. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. Any change is accounted for as a change in estimate from the date of the change.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(13) Leases

2019

The Corporation assesses whether the contract is (or includes) a lease on the commencement date of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

A. The Corporation as lessee

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

Right-of-use assets

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

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Except for the right-of-use assets that meet the definition of investment property, right-of-use assets are presented on a separate line in the consolidated balance sheets. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments less any lease incentives received. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses the lessee's incremental borrowing rate.

When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

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

B. The Corporation as lessor

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

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

Under finance leases, the lease payments included fixed payments and variable lease payments that depend on an index or a rate. The net investment in the leases is the sum of the present value of the lease receivable and the unguaranteed residual value, plus the initial direct cost, and is expressed as the finance lease receivable. The Corporation aims to allocate finance income over the lease term on a systematic and rational basis term, based on a pattern reflecting a constant periodic rate of return on the Corporation's net investment in the lease.

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

2018

Based on the terms of a lease contract, a lease is classified as a finance lease if the Corporation assumes substantially all the risks and rewards incidental to ownership of the leased asset. An operating lease is a lease other than a finance lease.

The Corporation applies IFRIC 4, "Determining whether an Arrangement contains a Lease", for the sale of electricity contracts, which are classified as finance leases.

C. The Corporation as lessor

Under finance leases, the amount due from the lessee is recognized as lease receivables based on the net lease investment by the Corporation. Finance income is allocated to each accounting period to reflect the fixed rates of return available for each period of the undue net lease investment by the Corporation.

Operating lease receivables are recognised as an income on a straight-line basis over the lease term.

D. The Corporation as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

(14)Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are also including the land without design of held purpose.

An investment property is stated initially at its cost, including transaction costs and measured subsequently using the cost model.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(15) Impairment of Tangible

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets (except Goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The Corporation can not estimate its recoverable amount by identifiable assets, and then estimated recoverable amount by cash-generated unit of each assets. The corporate asset shall be allocated to each cash-generated units when it could allocated by reasonable and consistent basis. Otherwise, it allocated to each min cash-generated units by reasonable and consistent basis.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed 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 immediately in profit or loss.

(16)Provisions

Provisions recognition is the consideration of the risks and uncertainties of the obligations. It is the best estimate of the required expenditure on the obligation to pay off on the balance sheet date.

Loss contract

Loss contract when it is expected that the cost of fulfilling the contractual obligation exceeds the expected economic benefit of the contract, the present obligation to recognize the loss contract is provisions.

(17)employee benefits

(A) Short-term employee benefits

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

(B)Retirement benefits

a. Defined contribution retirement benefit plans

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

b. Defined benefit plan

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

(18)Revenue Recognition

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

(A) Sale of goods

Revenue from the sale of goods is mainly comes from sales of electricity power products. The Corporation recognized revenue when a customer obtains control of promised goods, at which time the goods are delivered to the customer's specific location and performance obligation is satisfied. Advance receipts for goods before delivery are recognized as contract liabilities.

When the Corporation provides material for processing, the control of the ownership of the processed products is not transferred, so the revenue is not recognized when the materials were supplied.

Sales of real estate within the scope of normal business receive fixed transaction prices in phases and recognize contract liabilities. After considering the major financial components, income is recognized when each real estate is completed and delivered to the buyer.

(B) Offer of services and maintenances

The Corporation offers services and maintenances such as parking management and electricity power system maintenance and overhaul.

As the customer obtains and consumes the compliance benefits at the same time, revenue from offer of services and maintenances is recognized when services are provided.

(C) Construction revenue

During the construction process, the Corporation recognized construction revenue based on the stage of completion of the construction contract. The Corporation gradually recognized contract assets during the construction process and converted them into accounts receivable upon billing. The excess of the construction money received over revenue recognized the difference is presented as contract liability.

The engineering retention retained by the customer under the terms of the contract is intended to ensure that the Corporation completes all contractual obligations. The engineering retention is recognized as contract assets before the compliance of the Corporation is completed.

If the outcome of a performance obligation can not be estimated reliably, construction revenue is only recognized within the expected recoverable cost of satisfying the performance obligation.

(19)Borrowing Cost

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Specifies that the amount of borrowing costs eligible for capitalization on a qualifying asset is the actual borrowing costs incurred less any investment income earned on the temporary investment of such borrowings.

Borrowings are recognized in current expenses except above conditions.

(20)Income Tax

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

A. Current tax

The tax currently payable is based on taxable profit for the year. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision

B. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements 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, such as temporary differences, loss carry forward or expenditure of R&D, are generally recognized for all deductible temporary differences 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 ventures, except where the Corporation 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 utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, 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.

C. Current and deferred tax

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

5. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies, which are described in Note 4, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(1) Estimated impairment of financial assets

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

(2) Estimated impairment of tangible

When assessing the impairment of tangible and intangible assets, the Corporation will use their subjective judgment and take into account the status of the assets to determine the useful life and any profit and loss which will be generated by specific asset group. Any changes in accounting estimates arising from changes in economic situation and the Corporation's strategy may cause significant impairment in the future.

(3) Construction contracts

Construction contracts are according with service concession arrangement. The contract revenue and cost should be recognized by reference to the stage of completion of the contract activity. The stage of completion of a contract is measured by the proportion of contract costs incurred for work performed to date to the estimated total costs for the contract. Under IFRS 15, contract revenue should include the revenue arising from variations from the original contract work, claims and incentive payments that are agreed by the customer and can be measured reliably.

As the estimated total cost and contract items are assessed and judged by the management for the nature of the different projects, the expected amount of contract, the duration, the works and the work, etc., it may affect the calculation of the percentage of completion and the profit and loss of the project.

(4) Realization of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred income tax assets involves critical accounting judgments and estimates of the management,

including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

(5) **Fair value measurement and evaluation process**

For Level 3 fair value measurement on equity investments, the Corporation determines the estimated fair value by selecting appropriate valuation methods primarily based on investees' financial positions, operation results and recent financing activities, the market transaction prices of the similar investments, market conditions and the required discount factors. As such, the estimated fair value may be different from the actual disposal price in the future. The Corporation reassesses the fair value measurement quarterly based on the market conditions to ensure the appropriateness of the fair value measurement.

(6) **Lease term-2019**

At the commencement date, the Corporation assesses whether reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease. The Corporation considers all relevant facts and circumstances that create an economic incentive to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. As reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances is within the control of the Corporation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) **Cash and cash equivalents**

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand	\$ 1,570,646	\$ 852,181
Turnover cash	6,027,770	6,382,985
Bank Deposit	150,044,322	207,856,193
	<u>\$ 157,642,738</u>	<u>\$ 215,091,359</u>

(A) The financial institutions of the Corporation have good credit. The Corporation has business with numbers of financial institutions to diversify credit risk. The probability of breach of contract is expected to be low.

(B) As of December 31, 2019 and 2018, the Corporation's bank deposit were used as collaterals for purchasing raw materials, engineering contracts, trust of advance in real estate and loans and listed as restricted assets. Please refer to Note 8.

(2) **Financial assets at fair value through profit or loss**

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets - current</u>		
<u>Mandatorily at fair value through</u>		
<u>profit or loss</u>		
Listed Stock	<u>\$ 12,968,478</u>	<u>\$ 8,860,245</u>
<u>Financial assets - noncurrent</u>		
<u>Mandatorily at fair value through</u>		
<u>profit or loss</u>		
Listed Stock	<u>\$ 151,006,343</u>	<u>\$ 127,770,424</u>

As of December 31, 2019 and 2018, financial assets at fair value through profit or loss did not server as collaterals for bank loan.

(3) **Hedging Financial Instruments**

The Corporation entered into forward foreign exchange contracts to avoid some of the foreign currency exchange rate risks that are highly probable arising from forecast transactions. Accounting to the market conditions, the Corporation adjusts hedging

ratio not exceeding 100%. The above forward foreign exchange contracts are due within 12 months. The hedging ineffectiveness of the hedging relationship is mainly due to the impact of the counterparty's credit risk on the fair value of the forward foreign exchange contract. There are no other sources of hedging ineffectiveness during the hedging period.

The hedging information of exchange rate risk was as follows:

Hedging Instruments / Hedged Items	Increase (Decrease) in Value Used for Calculating Hedge Ineffectiveness
Hedging Instruments	
Forward foreign exchange contracts	\$ 114,382
Hedging Instruments	
Forecast transactions	\$ (114,382)

(4) Notes receivable, net

	December 31, 2019	December 31, 2018
Notes receivable	\$ 59,556,054	\$ 51,838,103
Less: allowance for impairment loss	—	—
	59,556,054	51,838,103
Notes receivable - related parties	—	152,220
	\$ 59,556,054	\$ 51,990,323

As of December 31, 2019 and 2018, the Corporation has no notes receivable overdue.

(5) Accounts receivable, net

	December 31, 2019	December 31, 2018
Current:		
Accounts receivable	\$ 1,138,372,311	\$ 1,293,497,338
Less: allowance for impairment loss	(5,477,111)	(3,896,407)
	1,132,895,200	1,289,600,931
Accounts receivable – related parties	43,803,705	19,320,997
Less: allowance for impairment loss	—	—
	43,803,705	19,320,997
Lease payments receivables	5,509,860	5,939,484
Less: unearned finance income	(3,045,457)	(3,738,312)
	2,464,403	2,201,172
Current subtotal	1,179,163,308	1,311,123,100
Non-current:		
Lease payments receivables	92,207,133	105,331,753
Less: unearned finance income	(28,142,070)	(37,683,997)
Non-current subtotal	64,065,063	67,647,756
	\$ 1,243,228,371	\$ 1,378,770,856

Finance leases of lease payments receivables were as follows:

Undiscounted lease payments	December 31, 2019
Year 1	\$ 5,509,860
Year 2	5,509,860
Year 3	5,509,860
Year 4	5,509,860
Year 5	5,509,860
Over 5 years	70,167,693
	97,716,993
Less: unearned finance income	(31,187,527)
Lease investment, net	\$ 66,529,466

Current	\$ 2,464,403
Non-current	64,065,063
	<u>\$ 66,529,466</u>

Finance leases of lease payments receivables were as follows:

	Total lease investments	Unearned finance income on finance leases	The payment present value of total minimum lease payments receivable
December 31, 2018:			
<u>Current</u>			
Not later than one year	\$ 5,939,484	\$ 3,738,312	\$ 2,201,172
<u>Non-current</u>			
Later than one year but not later than five years	23,757,936	13,648,667	10,109,269
Over five years	81,573,817	24,035,330	57,538,487
	<u>105,331,753</u>	<u>37,683,997</u>	<u>67,647,756</u>
	<u>\$ 111,271,237</u>	<u>\$ 41,422,309</u>	<u>\$ 69,848,928</u>

A. The Corporation signed the power supply contract of the solar power generation equipment is finance leased, and the average financing period is 20 years.

B. The Corporation applies the approach to providing for expected credit losses, which permits the use of lifetime expected loss provision for Finance leases of lease payments receivables. As of the balance sheet date, there is no finance lease receivable overdue. In the meanwhile, the Corporation considers the past default record of the counterparty and the future development of the relevant industry of the lease object. The Corporation believes that the above mention of finance lease receivables has not impairment.

C. As of December 31, 2019, the Corporation did not server as collaterals for finance leases of lease payments receivables.

The Corporation applies the simplified approach to providing for expected credit losses, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using the past experience of the debtor. Due to the historical experience of the Corporation's credit losses, there was no significant difference in the credit losses of various customer groups. Therefore, the expected credit loss rate is based on the overdue days of accounts receivable.

The following table details the loss allowance of trade receivables.

	Not overdue	Overdue 1~180 days	Overdue over 181 days	Total
<u>December 31, 2019</u>				
Expected credit loss rate	—	0%~50%	100%	
Total Book Value	\$ 1,231,250,395	\$ 10,305,471	\$ 7,149,616	\$ 1,248,705,482
Less: Loss allowance	—	(1,329,605)	(4,147,506)	(5,477,111)
Amortized cost	<u>\$ 1,231,250,395</u>	<u>\$ 8,975,866</u>	<u>\$ 3,002,110</u>	<u>\$ 1,243,228,371</u>
	Not overdue	Overdue 1~180 days	Overdue over 181 days	Total
<u>December 31, 2018</u>				
Expected credit loss rate	—	0%~50%	100%	

	Not overdue	Overdue 1~180 days	Overdue over 181 days	Total
Total Book Value	\$ 1,376,574,170	\$ 2,275,652	\$ 3,817,441	\$ 1,382,667,263
Less: Loss allowance	—	(84,726)	(3,811,681)	(3,896,407)
Amortized cost	<u>\$ 1,376,574,170</u>	<u>\$ 2,190,926</u>	<u>\$ 5,760</u>	<u>\$ 1,378,770,856</u>

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

	For the nine-month period ended on December 31, 2019		
	Accounts receivable	Other receivable	Contract asset
Balance, beginning of period	\$ 3,896,407	\$ 18,461,102	\$ 8,638,792
Increase on impairment loss for the period	3,199,376	3,884,500	—
Reversal on impairment loss for the period	—	—	(8,638,792)
Write off on impairment loss for the period	(1,618,672)	—	—
Balance, end of period	<u>\$ 5,477,111</u>	<u>\$ 22,345,602</u>	<u>\$ —</u>

	For the Years ended December 31, 2018		
	Accounts receivable	Other receivable	Contract asset
Balance, beginning of period	\$ 2,934,976	\$ 18,461,102	\$ —
Increase on impairment loss for the period	977,231	—	8,638,792
Write off on impairment loss for the period	(15,800)	—	—
Balance, end of period	<u>\$ 3,896,407</u>	<u>\$ 18,461,102</u>	<u>\$ 8,638,792</u>

Related credit risk management and assessment methods please refer to Note 12(2).

(6) Inventories-manufacture, net

	December 31, 2019	December 31, 2018
Raw materials	\$ 1,063,259,869	\$ 983,698,313
Semi-finished goods	217,758,193	227,316,497
Work in process	1,002,333,564	710,944,840
Finished goods	403,847,266	336,755,156
Finished goods - purchased	65,035,221	55,242,125
Materials in transit	25,277,890	9,135,345
	<u>\$ 2,777,512,003</u>	<u>\$ 2,323,092,276</u>
Inventory as collateral	<u>None</u>	<u>None</u>

The profits and losses derived from cost of good sold for the years ended December 31, 2019 and 2018 were as follows:

	For the Years ended December 31,	
	2019	2018
Cost of inventory sold	\$ 1,807,158,572	\$ 2,709,546,997
Loss for obsolete and slow-moving	14,574,675	82,514,215
Loss on disposal of inventory	3,818,056	11,646,974
Loss on physical inventory	2,147,139	816,866
	<u>\$ 1,827,698,442</u>	<u>\$ 2,804,525,052</u>

(7) Inventories – Construction

(A) Real Estate as Held for sale

	December 31, 2019	December 31, 2018
<u>Land as Held for sale</u>		
No94, 95, Chung Shan section	\$ 26,397	\$ 26,397
<u>Building as Held for sale</u>		

	December 31, 2019	December 31, 2018
No94, 95, Chung Shan section	388,222	388,222
	<u>\$ 414,619</u>	<u>\$ 414,619</u>

A. The real estate as held for sale means the land and building which constructions completed without sale.

Bass of December 31, 2019 and 2018, the Corporation did not server as collaterals for real estate as held for sale.

(B) Land held for construction site

	December 31, 2019	December 31, 2018
Land of Chengzhong section	<u>\$ 242,955,749</u>	<u>\$ 242,956,249</u>

a. For the years ended December 31, 2019 and 2018, the interest expense capitalized amount both were \$0.

b. In order to participate in the development, the Corporation pledged the Land of Chengzhong section to Jushengsheng Construction Co., Ltd. The Corporation also signed a trust contract with Pauguo Real Estate Management Corporation (Pauguo), registered the trust of land ownership to Pauguo, and entrusted him with the related affairs of trust property.

c. As of December 31, 2019 and 2018, for information regarding the Land held for construction site servers as collaterals for bank loan, please refer to Note 8.

(C) Inventories – Construction

	December 31, 2019	December 31, 2018
<u>Land in construction</u>		
Fuxing section city project	\$ 42,392,251	\$ 42,392,251
Sanchongpu section city project	84,475,831	84,475,831
	<u>126,868,082</u>	<u>126,868,082</u>
<u>Building in construction</u>		
Fuxing section city project	2,086,438,055	1,348,829,539
Sanchongpu section city project	32,464,363	31,596,455
	<u>2,118,902,418</u>	<u>1,380,425,994</u>
	<u>\$ 2,245,770,500</u>	<u>\$ 1,507,294,076</u>

a. The inventory - construction means the cost of land and building which still in construction.

b. The Corporation had singed contracts with owners of land and used joint construction with allocation of housing units in Fuxing section city project and Sanchong section city project.

c. For the years ended December 31, 2019 and 2018, the interest expense capitalized amount was \$12,916,781 and \$7,795,858; and the capitalized interests' ratio range was 0.84%~0.96% and 0.84%~1.08%, respectively.

d. As of December 31, 2019 and 2018, the Corporation did not server as collaterals for Inventories Construction.

(D) Prepayments for Land

	December 31, 2019	December 31, 2018
Land of Fuxing section	<u>\$ 81,524,282</u>	<u>\$ 80,786,057</u>

For the years ended December 31, 2019 and 2018, the interest expense capitalized amount was \$738,225 and \$731,540; and the capitalized interests' ratio range was 0.84%~0.96% and 0.84%~1.08%, respectively.

(8) Prepayments

	December 31, 2019	December 31, 2018
Prepaid rental	\$ 5,672,533	\$ 113,811,359

Other prepaid expense	17,096,634	38,527,750
Prepayments for purchasing materials	168,626,127	116,217,950
Prepayments for construction	276,394,655	631,534,776
	<u>\$ 467,789,949</u>	<u>\$ 900,091,835</u>

(9) Investments accounted for under the equity method

Investments accounted for using equity method were as follows:

	December 31, 2019	December 31, 2018
Subsidiaries	\$ 3,243,030,599	\$ 3,251,915,015
Associates	675,700,852	594,666,566
	<u>\$ 3,918,731,451</u>	<u>\$ 3,846,581,581</u>

Certain investments accounted for under the equity method were audited by other independent accountants.

A. Investment in subsidiaries:

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
CHEM USA CORP.	\$ 58,418,063	100.00%	\$ 58,034,606	100.00%
Chem Corp. Samoa	2,141,582,891	100.00%	2,307,586,213	100.00%
Sunrise investment Corp.	272,076,686	100.00%	335,733,326	100.00%
CHENG-HSIN Engineering & Services CO.,LTD	412,654,733	100.00%	292,186,154	100.00%
Bao Cheng International Co., Ltd.	96,138,764	100.00%	103,650,458	100.00%
Etrovision technology Co., Ltd. (Note 1)	—	99.99%	—	99.99%
Tone-zoom industry Co., Ltd.	53,477,983	58.04%	69,426,350	58.04%
Global-Entech Co., Ltd.	26,431,047	99.98%	76,044,842	99.98%
H2 Power Tech, Inc. (Note 2)	—	—	9,253,066	100.00%
FinData Technology Corp. (Note 1)	—	100.00%	—	100.00%
ME ENERGY SYSTEMS Limited (Note 3)	177,274,196	100.00%	—	—
Chung- Hsin Energy Tech. Inc. (Note 3)	4,976,236	100.00%	—	—
Tian Cin Energy Co., Ltd. (Notes 1 and 3)	—	50.00%	—	—
Tian Peng Energy Co., Ltd. (Notes 1 and 3)	—	50.00%	—	—
Tian Chong Energy Co., Ltd. (Notes 1 and 3)	—	50.00%	—	—
	<u>3,243,030,599</u>		<u>3,251,915,015</u>	
Less: accumulative impairment	—		—	
	<u>\$ 3,243,030,599</u>		<u>\$ 3,251,915,015</u>	

Note 1: To reclassify in Other non-current liabilities.

Note 2: The investment structure was adjusted that the equity held was adjusted to be held by ME Energy Systems Limited.

Note 3: Set up and acquire in this period.

(A) The Corporation increases invest in ME Energy Systems Limited through by resolution of the board of directors in 2019. The invest amount was USD 6,910,000 until December 31, 2019.

(B) The Corporation set up the Chung- Hsin Energy Tech. Inc. through by resolution of the board of directors in March, 2019. The invest amount was NTD 5,000,000 until December 31, 2019.

(C) The Corporation set up the Tian Cin Energy Co., Ltd., Tian Peng Energy Co., Ltd. and Tian Chong Energy Co., Ltd. through by resolution of the board of directors in August, 2019. The invest amount of each company was NTD 500,000 with 50% share.

B. Investment in associates:

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Associates are not individually				
Fumei Development Co., Ltd.	\$ 203,163,171	45.00%	\$ 190,099,538	45.00%
Sheng-yuan investment Corp.	281,941,528	29.33%	220,652,031	29.33%
Guang-Hsin engineering &	247,848,909	24.29%	182,949,995	24.29%
Li-Xiang Technology Co., Ltd.	—	40.00%	965,002	40.00%
(Note)				
Nomura Chung-Hsin Machinery	—	49.00%	—	49.00%
Corporation (Note)				
	732,953,608		594,666,566	
Less: accumulative impairment	(57,252,756)		—	
	<u>\$ 675,700,852</u>		<u>\$ 594,666,566</u>	

Note : To reclassify in other non-current liabilities.

A. Aggregate information of associates that are not individually material:

	For the year periods ended on December 31,	
	2019	2018
Proportionate interest from associates		
Year of Income	\$ 64,194,066	\$ 18,015,054
Other comprehensive loss from associates	96,277,305	(48,282,783)
	<u>\$ 160,471,371</u>	<u>\$ (30,267,729)</u>

B. For the years ended December 31, 2019 and 2018, the Corporation conducted evaluation and impairment test for investment in associates. The result recognized losses on impairment of investment were \$57,252,756 and \$0, respectively. The discount ratio used to impairment test both was 0.90%.

(10) Property, plant and equipment
2019

	December 31, 2019
Assets used by the Corporation	\$ 3,154,917,143
Assets subject to operating leases	7,881,740
	<u>\$ 3,162,798,883</u>

Assets used by the Corporation

	For the Years ended December 31, 2019					
	Land	Buildings	Machinery	Transportation	Others	Total
<u>Cost</u>						
Beginning Balance of period	\$ 1,496,873,600	\$ 2,579,351,987	\$ 1,666,473,474	\$ 70,210,839	\$ 424,950,808	\$ 6,237,860,708
Additions	—	6,985,016	271,636,622	6,465,178	56,214,986	341,301,802
Disposals	—	(148,433,670)	(18,506,894)	(2,484,663)	(15,292,480)	(184,717,707)
Transfers to operating leases assets	(4,130,251)	(18,166,144)	—	—	—	(22,296,395)
End Balance of period	<u>\$ 1,492,743,349</u>	<u>\$ 2,419,737,189</u>	<u>\$ 1,919,603,202</u>	<u>\$ 74,191,354</u>	<u>\$ 465,873,314</u>	<u>\$ 6,372,148,408</u>
<u>Accumulated depreciation and impairment loss</u>						
Beginning Balance of period	\$ —	\$ (1,524,883,875)	\$ (1,305,995,931)	\$ (52,065,521)	\$ (317,602,892)	\$(3,200,548,219)
Depreciation	—	(70,105,199)	(79,206,061)	(5,577,687)	(36,449,531)	(191,338,478)
Disposals	—	124,906,135	18,380,382	2,386,072	14,568,188	160,240,777
Transfers to operating leases assets	—	14,414,655	—	—	—	14,414,655
End Balance of period	<u>\$ —</u>	<u>\$ (1,455,668,284)</u>	<u>\$ (1,366,821,610)</u>	<u>\$ (55,257,136)</u>	<u>\$ (339,484,235)</u>	<u>\$(3,217,231,265)</u>
Net Balance	<u>\$ 1,492,743,349</u>	<u>\$ 964,068,905</u>	<u>\$ 552,781,592</u>	<u>\$ 18,934,218</u>	<u>\$ 126,389,079</u>	<u>\$ 3,154,917,143</u>

Assets subject to operating leases

For the Years ended December 31, 2019		
Land	Buildings	Total

	For the Years ended December 31, 2019		
	Land	Buildings	Total
<u>Cost</u>			
Beginning Balance of period	\$ —	\$ —	\$ —
From assets used by the Corporation	4,130,251	18,166,144	22,296,395
Ending Balance of period	<u>\$ 4,130,251</u>	<u>\$ 18,166,144</u>	<u>\$ 22,296,395</u>

Accumulated depreciation and impairment loss

Beginning Balance of period	\$ —	\$ —	\$ —
From assets used by the Corporation	—	(13,896,927)	(13,896,927)
Depreciation	—	(517,728)	(517,728)
Ending Balance of period	<u>\$ —</u>	<u>\$ (14,414,655)</u>	<u>\$ (14,414,655)</u>
Net Balance	<u>\$ 4,130,251</u>	<u>\$ 3,751,489</u>	<u>\$ 7,881,740</u>

The Corporation lease land and buildings by operating lease. The lease period is 10 years. The leaser has no bargain purchase options to acquire the lease assets at the end of the lease terms.

Operating leases from assets used by the Corporation of lease payments receivables were as follows:

	December 31, 2019
Year 1 to Year 4	<u>\$ 6,599,984</u>
<u>2018</u>	

	For the Years ended December 31, 2018						
	Land	Buildings	Machinery	Transportation	Others	Unfinished construction and Equipment to be tested	Total
<u>Cost</u>							
Beginning Balance of period	\$ 1,041,533,442	\$ 1,959,102,979	\$ 1,556,048,592	\$ 70,572,014	\$ 404,253,999	\$ 578,568,463	\$ 5,610,079,489
Additions	455,340,158	620,806,438	151,069,551	4,027,137	22,884,665	415,883,933	1,670,011,882
Disposals	—	(557,430)	(40,644,669)	(4,388,312)	(2,187,856)	(994,452,396)	(1,042,230,663)
End Balance of period	<u>\$ 1,496,873,600</u>	<u>\$ 2,579,351,987</u>	<u>\$ 1,666,473,474</u>	<u>\$ 70,210,839</u>	<u>\$ 424,950,808</u>	<u>\$ —</u>	<u>\$ 6,237,860,708</u>
<u>Accumulated depreciation and impairment loss</u>							
Beginning Balance of period	\$ —	\$ (1,466,631,348)	\$ (1,257,127,287)	\$ (50,333,377)	\$ (284,817,933)	\$ —	\$ (3,058,909,945)
Depreciation	—	(58,347,618)	(87,413,946)	(5,463,195)	(34,972,815)	—	(186,197,574)
Disposals	—	95,091	38,545,302	3,731,051	2,187,856	—	44,559,300
End Balance of period	<u>\$ —</u>	<u>\$ (1,524,883,875)</u>	<u>\$ (1,305,995,931)</u>	<u>\$ (52,065,521)</u>	<u>\$ (317,602,892)</u>	<u>\$ —</u>	<u>\$ (3,200,548,219)</u>
Net Balance	<u>\$ 1,496,873,600</u>	<u>\$ 1,054,468,112</u>	<u>\$ 360,477,543</u>	<u>\$ 18,145,318</u>	<u>\$ 107,347,916</u>	<u>\$ —</u>	<u>\$ 3,037,312,489</u>

(A) Depreciation is calculated on a straight-line basis over estimated useful lives as follows:

Buildings	
Main buildings	35 to 50 years
Electrical and Mechanical Construction, etc.	15 to 30 years
Other	5 to 10 years
Machinery	2 to 10 years
Transportation	3 to 6 years
Others	3 to 15 years

(B) As of December 31, 2019 and 2018, property, plant and equipment for guarantee and mortgage, please refer to Note 8.

(C) For the years ended December 31, 2019 and 2018, the interest expense capitalized amounts were \$0 and \$3,040,793; and the capitalized interests' ratio range both were 0.84%~1.08%.

(D) For the years ended December 31, 2019 and 2018, the impairment loss amounts both were \$0.

(11) Lease arrangements

A. Right-of-use assets — 2019

	For the Years ended December 31, 2019			
	Land	Buildings	Transportation	Total
<u>Cost</u>				
Beginning Balance of period	\$ —	\$ —	\$ —	\$ —
Adjustment on initial application of IFRS 16	1,929,933,791	29,277,942	12,915,618	1,972,127,351
Balance, beginning of period	1,929,933,791	29,277,942	12,915,618	1,972,127,351
Additions	193,227,517	8,521,929	4,500,169	206,249,615
Disposals	(241,121,996)	(717,183)	(1,094,780)	(242,933,959)
Balance, end of period	<u>\$ 1,882,039,312</u>	<u>\$ 37,082,688</u>	<u>\$ 16,321,007</u>	<u>\$ 1,935,443,007</u>
<u>Accumulated depreciation</u>				
Beginning Balance of period	\$ —	\$ —	\$ —	\$ —
Additions	(1,010,699,411)	(9,259,955)	(7,579,629)	(1,027,538,995)
Disposals	61,147,983	358,763	917,733	62,424,479
Ending Balance of period	<u>\$ (949,551,428)</u>	<u>\$ (8,901,192)</u>	<u>\$ (6,661,896)</u>	<u>\$ (965,114,516)</u>
Net Balance	<u>\$ 932,487,884</u>	<u>\$ 28,181,496</u>	<u>\$ 9,659,111</u>	<u>\$ 970,328,491</u>

B. Lease liabilities — 2019

	December 31, 2019
Carrying amount of lease liabilities	
Current	<u>\$ 581,061,335</u>
Noncurrent	<u>\$ 318,213,197</u>

Ranges of discount rates for lease liabilities are 0.96%.

C. Material lease-in activities and terms

The Corporation leases certain lands or buildings for the use of plants and offices with original lease terms of 1 to 5 years. The Corporation does not have bargain purchase options to acquire the buildings at the end of the lease terms. In addition, the Corporation is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent. As of December 31, 2019, the right-of-use assets did not have impairment sight, therefore the Corporation did not conducted impairment test.

D. Other lease information

1. The Corporation has elected to apply the recognition exemption which qualifies as short-term leases or low-value asset leases did not recognize right-of-use assets and lease liabilities for these leases. The related expenses information was as follows:

	For the Years ended December 31, 2019
Expenses relating to short-term leases or low-value asset leases	\$ 90,391,019
Total cash outflow for leases	<u>\$ 1,052,798,656</u>

2. The Corporation expensed the lease payments as follows:

	For the Years ended December 31, 2018
Minimum lease payments	<u>\$ 1,251,986,311</u>

3. Non-cancellable operating lease commitments

	December 31, 2018
Not later than 1 year	\$ 757,664,828
Later than 1 year and not later than 5 years	804,852,895
	<u>\$ 1,562,517,723</u>

(12) Investment property

	For the Years ended December 31, 2019		
	Land	Buildings	Total
<u>Cost</u>			

	For the Years ended December 31, 2019		
	Land	Buildings	Total
Beginning Balance of period	\$ 391,807,287	\$ 393,714,988	\$ 785,522,275
Ending Balance of period	<u>\$ 391,807,287</u>	<u>\$ 393,714,988</u>	<u>\$ 785,522,275</u>
<u>Accumulated depreciation and impairment loss</u>			
Beginning Balance of period	\$ —	\$ (245,831,832)	\$ (245,831,832)
Depreciation	—	(6,249,883)	(6,249,883)
Ending Balance of period	<u>\$ —</u>	<u>\$ (252,081,715)</u>	<u>\$ (252,081,715)</u>
Net Balance	<u>\$ 391,807,287</u>	<u>\$ 141,633,273</u>	<u>\$ 533,440,560</u>

	For the Years ended December 31, 2018		
	Land	Buildings	Total
Cost			
Beginning Balance of period	\$ 391,807,287	\$ 393,714,988	\$ 785,522,275
Ending Balance of period	<u>\$ 391,807,287</u>	<u>\$ 393,714,988</u>	<u>\$ 785,522,275</u>
<u>Accumulated depreciation and impairment loss</u>			
Beginning Balance of period	\$ —	\$ (238,982,681)	\$ (238,982,681)
Depreciation	—	(6,849,151)	(6,849,151)
Ending Balance of period	<u>\$ —</u>	<u>\$ (245,831,832)</u>	<u>\$ (245,831,832)</u>
Net Balance	<u>\$ 391,807,287</u>	<u>\$ 147,883,156</u>	<u>\$ 539,690,443</u>

(A) Depreciation is calculated on a straight-line basis over estimated useful lives as 8 to 50 years.

(B) Rental revenue and direct operating costs / expenses are shown below:

	For the Years ended December 31,	
	2019	2018
Rental revenue	\$ 23,439,580	\$ 24,347,897
Direct operating costs / expenses	(11,339,418)	(12,224,142)
	<u>\$ 12,100,162</u>	<u>\$ 12,123,755</u>

(C) The lease terms for the investment property expire between 1 year and 5 years. The lessee had not bargain purchase options as expired lease agreements. As of December 31, 2019 and 2018, the guarantee deposits received for operating leases were \$3,289,810 and \$3,566,335, respectively.

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

	December 31, 2019	December 31, 2018
Not later than one year	\$ 12,937,785	\$ 20,265,525
Later than one year but not later than five years	11,651,655	7,169,300
Over five years	3,277,000	—
	<u>\$ 27,866,440</u>	<u>\$ 27,434,825</u>

(E) The fair value of the investment property held by the Corporation as at December 31, 2017 was \$942,738,606 which was revalued by independent valuers. Valuations at December 31, 2019 and 2018 were made using the evidences of trading price in real estate market. There were not significant changes in basic assumptions with December 31, 2017.

(D) As of December 31, 2019 and 2018, Investment property was used as collaterals for bank loan. Please refer to Note 8.

(13) Other noncurrent assets

December 31, 2019 December 31, 2018
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Prepayment for equipment	\$ 27,876,976	\$ 252,042,087
Deferred Expense	76,135,830	162,347,559
Net defined benefit assets	26,569,092	26,691,229
Other	—	3,264,000
	<u>\$ 130,581,898</u>	<u>\$ 444,344,875</u>

(14) Short-term debts

	December 31, 2019	December 31, 2018
Loan without security :		
Bank overdraft	\$ 5,084,156	\$ 17,969,288
Credit borrowing	648,500,000	2,052,500,000
	<u>\$ 653,584,156</u>	<u>\$ 2,070,469,288</u>
Range of interest rate	0.6258%~1.2%	0.9%~1.2%
Collateral	<u>None</u>	<u>None</u>

(15) Short-term bonds payable

	December 31, 2019	December 31, 2018
International Bills	\$ —	\$ 100,000,000
Dah Chung Bills	—	100,000,000
China Bills	—	300,000,000
Ta Ching Bills	—	200,000,000
Taiwan Bills	—	200,000,000
Grand Bills	—	400,000,000
Less: unamortized discount	—	(991,508)
	<u>\$ —</u>	<u>\$ 1,299,008,492</u>
Range of interest rate	—	0.47%~0.86%
Collateral	<u>None</u>	<u>None</u>

(16) Provisions

	December 31, 2019	December 31, 2018
Loss contracts	<u>\$ 169,745,495</u>	<u>\$ 53,648,670</u>

Movements of provisions were as follows:

	For the Years ended December 31,	
	2019	2018
Balance, beginning of period	\$ 53,648,670	\$ 64,971,032
Addition (Reduction)	116,096,825	(11,322,362)
Balance, end of period	<u>\$ 169,745,495</u>	<u>\$ 53,648,670</u>

When the Corporation is expected that the cost of fulfilling the contractual obligation exceeds the expected economic benefit of the contract, the present obligation to recognize the loss contract is provisions.

(17) Other payables

	December 31, 2019	December 31, 2018
Other payables	\$ 16,432,218	\$ 45,026,869
Accrued expense	506,039,477	386,906,782
	<u>\$ 522,471,695</u>	<u>\$ 431,933,651</u>

(18) Long-term debts

(A) Long-term bonds payable

	December 31, 2019	December 31, 2018
Mega Bills	\$ 740,000,000	\$ 320,000,000
International Bills	300,000,000	—
Dah Chung Bills	200,000,000	—
China Bills	300,000,000	—
Taiwan Bills	200,000,000	—
Grand Bills	300,000,000	—
Cooperative Bill	200,000,000	—
Less: unamortized discount	(508,527)	(60,600)

	December 31, 2019	December 31, 2018
	\$ 2,239,491,473	\$ 319,939,400
Range of interest rate	0.6%~0.902%	0.79%
Guarantee note issue	\$ 7,950,000	\$ 2,850,000
	thousands	thousands
Collateral	Refer to Note 8	Refer to Note 8

(B) Long-term debts

	December 31, 2019	December 31, 2018
Guaranteed loan :		
Bank borrowings	\$ 1,815,000,000	\$ 328,000,000
Less: Current portion of long-term liabilities	(700,000,000)	—
	\$ 1,115,000,000	\$ 328,000,000
Range of interest rate	1.05%~1.5073%	1.0864%~2.6683%
Collateral	Refer to Note 8	Refer to Note 8

The long-term debts will be expected and able to obtain banks' approval, therefore these were still under "long-term debt".

(19) Other noncurrent liabilities

	December 31, 2019	December 31, 2018
Deposit in guarantee	\$ 18,729,899	\$ 15,966,135
Custody funds	41,215,716	20,150,895
Equity Investment Credit Balance	118,675,971	111,140,383
	\$ 178,621,586	\$ 147,257,413

(20) Post-employment benefits plans

(A) Defined contribution plans

The employees who were subject to the Labor Standard Law prior to July 1, 2005 were allowed to choose to be subject to the pension mechanism under the Labor Pension Act with their seniority as of July 1, 2005 retained or continue to be subject to the pension mechanism under the Labor Standards Law. The Corporation and its domestic subsidiaries have a defined contribution pension plan in accordance with the Labor Pension Act (LPA), covering all regular employees with R.O.C. nationality. Under the LPA, the Corporation and its domestic subsidiaries makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages at the Bureau of Labor Insurance. The total expense recognized in profit or loss in consolidated statements of comprehensive income of \$41,371,369 and \$48,670,236 for the years ended December 31, 2019 and 2018.

(B) Defined benefit plans

The Corporation has a defined benefit plan under the Labor Standards Law that is operated by the government. Under the defined benefit plan, provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Corporation contributes an amount equal to 2% ~ 15% of salaries paid each month to a pension fund. The fund is administered by the pension fund monitoring committee and deposited in the Bank of Taiwan. Before the end of each year, the Corporation assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by the government's designated authorities; as such, the Corporation does not have any right to intervene in the investments of the Funds.

The pension expenses in respect of these defined benefit plans were as follows:

For the Years ended December 31,

	2019	2018
Current service cost	\$ 6,225,000	\$ 9,146,000
Net Interest cost	(248,000)	555,000
Recognized as profit or loss	5,977,000	9,701,000
Remeasurements		
Return on plan assets, excluding amounts included in net interest	(22,073,000)	(18,345,000)
Actuarial (Gain) Loss from changes in financial assumptions	6,637,000	(4,327,000)
Actuarial (Gain) Loss from experience adjustments	24,404,000	(5,121,000)
Recognized in Other comprehensive income or loss	8,968,000	(27,793,000)
	<u>\$ 14,945,000</u>	<u>\$(18,092,000)</u>

The pension expenses for the period were as follows:

	For the Years ended December 31,	
	2019	2018
Operating cost	\$ 3,087,845	\$ 5,525,912
Marketing expenses	1,387,141	2,502,484
General and administrative expenses	753,695	279,572
Research and development expenses	748,319	1,393,032
	<u>\$ 5,977,000</u>	<u>\$ 9,701,000</u>

The amounts included in the balance sheets for the Corporation's obligations in respect of its defined benefit plans were as follows:

	For the Years ended December 31,	
	2019	2018
Present value of defined benefit obligation	\$ 640,080,228	\$ 621,076,276
Fair value of plan assets	(666,649,320)	(647,767,505)
Net defined benefit (asset) liability	<u>\$(26,569,092)</u>	<u>\$(26,691,229)</u>

Movements in the present value of the defined benefit obligations were as follows:

	For the Years ended December 31,	
	2019	2018
Balance at beginning of period	\$ 621,076,276	\$ 653,913,915
Current service cost	6,225,000	9,146,000
Interest cost	4,767,000	5,661,000
Benefits paid from plan assets	(23,029,048)	(38,196,639)
Remeasurements		
Actuarial (Gain) Loss from financial assumptions	6,637,000	(4,327,000)
Actuarial Loss from Experience adjustments	24,404,000	(5,121,000)
Balance at end of year	<u>\$ 640,080,228</u>	<u>\$ 621,076,276</u>

Movements in the fair value of the plan assets were as follows:

	For the Years ended December 31,	
	2019	2018
Balance at beginning of period	\$ 647,767,505	\$ 587,243,129
Interest income	5,015,000	5,106,000
Benefits paid from plan assets	(23,029,048)	(38,196,639)
Contribution by employer	14,822,863	75,270,015
Remeasurements		
Return on plan assets, excluding amounts included in net interest	22,073,000	18,345,000
Balance at end of year	<u>\$ 666,649,320</u>	<u>\$ 647,767,505</u>

(C) The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the measurement

date were as follows:

	Measurement Date	
	December 31, 2019	December 31, 2018
Discount rate	0.65%	0.80%
Expected rate of salary increase	0.30%	0.30%

The weighted average duration of the defined benefit obligation is 6.97 years.

The impact on the present value of the defined benefit obligation as a result of reasonable changes in key assumptions occurring as follows:

	The impact on the present value of the defined benefit obligation	
	December 31, 2019	December 31, 2018
Discount rate		
0.25% increase	\$(10,999,000)	\$(11,374,000)
0.25% decrease	\$ 11,318,000	\$ 11,717,000

The sensitivity analysis presented above may not be representative of the actual change in 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.

(D) Through the defined benefit plans under the Labor Standards Law, the Corporation is exposed to the following risks:

Investment risk: The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the Labor Standards Law, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the local banks and the government is responsible for any shortfall in the event that the rate of return is less than the required rate of return.

Interest risk: A decrease in the government 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 debt investments of the plan assets.

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.

(E) The Corporation expects to make contributions of \$11,198 thousand to the defined benefit pension plans in 2020.

(21) Equity

(A) Common stock

	December 31, 2019	December 31, 2018
Authorized shares	750,000,000	750,000,000
Authorized capital	\$ 7,500,000,000	\$ 7,500,000,000
Outstanding shares	420,000,000	420,000,000
Outstanding common stocks	\$ 4,200,000,000	\$ 4,200,000,000

The Corporation issued common shares at \$10.00 par value and each share has the rights to dividends and to vote.

(B) Capital surplus

	December 31, 2019	December 31, 2018
Treasury stock transactions	\$ 415,589,440	\$ 406,550,764
Others	5,434,172	3,748,738
	\$ 421,023,612	\$ 410,299,502

The capital surplus arising from paid-in capital in excess of par value (including the excess of the issuance price over par value on issuance of common stocks, premium on convertible bonds and treasury stock transactions) and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion

to their share ownership, provided that the Company has no accumulated deficit. The amount of capital surplus to be capitalized mentioned above should be fixed the ratio of capital in each year.

(C) Retained earning

In accordance with the Corporation's articles of incorporation, when allocating the net profits for each fiscal year, the Corporation shall set aside the following items accordingly: A. To pay taxes; B. To cover accumulated losses, if any; C. To appropriate 10% legal reserve unless the total legal reserve accumulated has already reached the amount of the Corporation's authorized capital; D. To recognize or reverse special reserve return earnings; E. The board of directors shall propose allocation ratios for any remainder profit after withholding the amounts under subparagraphs A to D above plus any unappropriated retained earnings of previous years based on the dividend policy set forth in the Article and propose such allocation ratio at the shareholders' meeting.

As part of a high-technology industry and as a growing enterprise, the Corporation considers its operating environment, industry developments, and long-term interests of stockholders as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. Cash dividends to be distributed should not be less than 10% of the total amount of dividends to be distributed on each year.

The legal reserve may be used to offset a deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Corporation incurs no loss.

Pursuant to existing regulations, the Corporation is required to set aside additional special capital reserve equivalent to the net debit balance of the other components of stockholders' equity. For the subsequent decrease in the deduction amount to stockholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012, the Corporation adjusts all cumulative translation adjustments about \$226,678,293 and unrealized revaluations increment about \$631,999,992 to special reserve for the subsequent decrease in the deduction amount to stockholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of 2018 were agreed by stockholders' meeting on June 27, 2019.

The appropriations of 2017 were agreed by stockholders' meeting on June 29, 2018.

The appropriations and dividends per share were as follows:

	Appropriation of		Dividends Per Share (NT\$)	
	2018	2017	2018	2017
Legal reserve	\$ 54,483,760	\$ 48,816,525		
Cash dividends	\$ 420,000,000	\$ 420,000,000	\$ 1.0	\$ 1.0

The appropriations of 2019 were agreed by the board of directors' meeting on March 27, 2020. The appropriations and dividends per share were as follows:

	Appropriation of		Dividends Per Share (NT\$)	
	2019		2019	
Legal reserve	\$ 60,438,297			
Cash dividends	\$ 504,000,000	\$		1.2

The appropriations of 2019 are to be presented for approval in the shareholders' meeting in June 22, 2020.

Information on the Board of Directors' recommendations and stockholders' approval can be obtained from the Market Observation Post System website of the Taiwan Stock Exchange.

(D) Other equity items

For the Years ended December 31, 2019

	Exchange differences on translating of foreign operations	Unrealized gains (losses) on financial assets at FVTOCI	Total
Balance at beginning of period	\$ (132,290,235)	\$ 134,400,391	\$ 2,110,156
Proportionate interest from associates and joint ventures under equity method	(76,688,924)	96,277,305	19,588,381
Balance at end of period	<u>\$ (208,979,159)</u>	<u>\$ 230,677,696</u>	<u>\$ 21,698,537</u>

For the Years ended December 31, 2018

	Exchange differences on translating of foreign operations	Unrealized gains (losses) on financial assets at FVTOCI	Total
Balance at beginning of period	\$ (92,365,511)	\$ 182,683,174	\$ 90,317,663
Proportionate interest from associates and joint ventures under equity method	(39,924,724)	(48,282,783)	(88,207,507)
Balance at end of period	<u>\$ (132,290,235)</u>	<u>\$ 134,400,391</u>	<u>\$ 2,110,156</u>

(E) Treasury stocks:

For the Years ended December 31, 2019

Reason for reacquisition	Shares at beginning of period	Additions	Disposals	Shares at end of period
Subsidiaries' Held	9,038,676	—	—	9,038,676

For the Years ended December 31, 2018

Reason for reacquisition	Shares at beginning of period	Additions	Disposals	Shares at end of period
Subsidiaries' Held	9,038,676	—	—	9,038,676

The subsidiaries held the shares of the Corporation were as follows:

	Shares	Amount	Fair Value
December 31, 2019 :			
CHENG-HSIN Engineering & Services CO.,LTD.	2,772,162	31,340,059	67,363,537
Sunrise investment Corp.	6,266,514	\$ 85,540,453	152,276,290
		<u>\$ 116,880,512</u>	<u>\$ 219,639,827</u>
December 31, 2018 :			
CHENG-HSIN Engineering & Services CO.,LTD.	2,772,162	31,340,059	53,502,727
Sunrise investment Corp.	6,266,514	\$ 85,540,453	120,943,720
		<u>\$ 116,880,512</u>	<u>\$ 174,446,447</u>

(22) Operating revenue

For the Years ended December 31,

	2019	2018
Sales revenue	\$ 2,596,040,945	\$ 3,754,798,236
Service revenue	1,606,697,467	1,816,526,156
Rental revenue	33,012,522	32,176,818
Engineering revenue	4,561,874,305	3,522,831,900
Professional revenue	6,759,830	7,443,491

	For the Years ended December 31,	
	2019	2018
Maintenance revenue	938,946,604	982,367,633
Other operating revenue	2,392,302	3,391,799
	<u>\$ 9,745,723,975</u>	<u>\$ 10,119,536,033</u>

A. Disaggregation of revenue from contracts with customers

For the Years ended December 31, 2019 :

	By operating segments				
	Electricity Power	Engineering	Service	Other	Total
<u>The timing of revenue recognition</u>					
The revenue recognized at a point in time	\$ 2,218,813,291	\$ 360,446,918	\$ —	\$ 19,173,038	\$ 2,598,433,247
The revenue recognized over time	4,450,848,791	1,050,575,931	1,606,697,467	39,168,539	7,147,290,728
	<u>\$ 6,669,662,082</u>	<u>\$ 1,411,022,849</u>	<u>\$ 1,606,697,467</u>	<u>\$ 58,341,577</u>	<u>\$ 9,745,723,975</u>

For the Years ended December 31, 2018 :

	By operating segments				
	Electricity Power	Engineering	Service	Other	Total
<u>The timing of revenue recognition</u>					
The revenue recognized at a point in time	\$ 3,271,575,981	\$ 373,586,513	\$ —	\$ 113,027,541	\$ 3,758,190,035
The revenue recognized over time	3,061,791,508	1,443,294,025	1,816,526,156	39,734,309	6,361,345,998
	<u>\$ 6,333,367,489</u>	<u>\$ 1,816,880,538</u>	<u>\$ 1,816,526,156</u>	<u>\$ 152,761,850</u>	<u>\$ 10,119,536,033</u>

B. Contract balances

	December 31, 2019	December 31, 2018
Contract assets		
Construction	\$ 1,319,541,165	\$ 656,694,660
Offer of services and maintenances	280,074,113	101,316,180
Others	58,122,391	47,858,700
Less: Loss allowance	—	(8,638,792)
Contract assets — current	<u>\$ 1,657,737,669</u>	<u>\$ 797,230,748</u>
Contract liabilities		
Sale of goods	\$ 141,592,939	\$ 91,214,457
Sale of real estate	491,355,181	160,734,968
Construction	2,360,287,793	2,550,592,842
Others	—	8,794,286
Contract liabilities — current	<u>\$ 2,993,235,913</u>	<u>\$ 2,811,336,553</u>

The changes in the contract liability balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment. Other major changes were as follows:

	For the Years ended December 31,	
	2019	2018
<u>Contract assets</u>		
Level of completion measures change	<u>\$ 594,652,984</u>	<u>\$ (122,019,196)</u>
<u>Contract liabilities</u>		
Level of completion measures change	<u>\$ (249,564,585)</u>	<u>\$ 1,018,513,082</u>

The Corporation recognized in revenue from the beginning balance of contract liabilities was as follows:

	For the Years ended December 31,	
	2019	2018
<u>Beginning balance of contract liabilities</u>		
Sale of goods	\$ 12,574,444	\$ 54,545,855
Offer of services and maintenances	33,136,705	37,251,490
	<u>\$ 45,711,149</u>	<u>\$ 91,797,345</u>

(23) Other income

	For the Years ended December 31,	
	2019	2018
Interest income:		
Bank deposits	\$ 2,245,023	\$ 4,192,561
Other	2,157,822	647,371
	<u>4,402,845</u>	<u>4,839,932</u>
Dividend income	6,767,368	2,262,192
Other	19,992,413	27,902,452
	<u>\$ 31,162,626</u>	<u>\$ 35,004,576</u>

(24) Other gains and losses

	For the Years ended December 31,	
	2019	2018
Loss on disposal of property, plant and equipment	\$(23,889,465)	\$(830,744)
Gain on disposal of investment	8,983,500	22,805,663
Gain on Lease modification	80,925	—
Net currency exchange losses	(480,092)	15,004,574
Net gains on financial assets at fair value through profit or loss	20,904,575	24,418,624
Other expenditure	(15,487,307)	(17,472,005)
Impairment loss	(78,089,587)	—
	<u>\$(87,977,451)</u>	<u>\$ 43,926,112</u>

(25) Finance costs

	For the Years ended December 31,	
	2019	2018
Interest expenses	\$(42,135,128)	\$(46,099,449)
Interest expenses of lease liabilities	(13,428,569)	—
Capitalisation of interest	13,655,006	11,568,191
	<u>\$(41,908,691)</u>	<u>\$(34,531,258)</u>

(26) Expenses by nature

	For the Years ended December 31, 2019			For the Years ended December 31, 2018		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense						
Salary	\$ 526,891,250	\$ 623,176,715	\$ 1,150,067,965	\$ 614,031,165	\$ 542,496,857	\$ 1,156,528,022
Labor & health insurance	59,834,224	36,334,143	96,168,367	68,123,671	39,257,633	107,381,304
Pension	33,288,916	19,491,242	52,780,158	39,930,821	29,476,765	69,407,586
Directors' remuneration	—	18,164,609	18,164,609	—	14,735,471	14,735,471
Others	35,995,512	44,693,843	80,689,355	45,199,836	43,878,413	89,078,249
Depreciation	1,189,496,731	35,630,625	1,225,127,356	166,527,338	26,519,387	193,046,725
Amortization	111,424,259	—	111,424,259	101,533,237	3,863,936	105,397,173
	<u>\$ 1,956,930,892</u>	<u>\$ 777,491,177</u>	<u>\$ 2,734,422,069</u>	<u>\$ 1,035,346,068</u>	<u>\$ 700,228,462</u>	<u>\$ 1,735,574,530</u>

Note 1: As of December 31, 2019 and 2018, the Corporation had 1,648 and 1,955 employees, respectively. The numbers of directors who are not employees both were 5.

Note 2: The average employee benefit expense was 840 thousands and 729 thousands

for the year ended December 31, 2019 and 2018, respectively.

Note 3: The average employee salary was 700 thousands and 593 thousands for the year ended December 31, 2019 and 2018, respectively. Two-year average wage expense increases by 18%.

- (A) The Corporation shall distribute greater than 1% of current year's profit as Employees' bonus and less than 3% of current year's profit as remuneration to directors and supervisors after offsetting the cumulative losses, if any.
- (B) The appropriations of 2019 and 2018 were agreed in the meeting of board of directors on March 27, 2020 and March 26, 2019, respectively. The employees' compensation and remuneration to directors and supervisors were as follows:

	For the Year Ended December 31,			
	2019		2018	
	Employees' compensation	Remuneration to directors	Employees' compensation	Remuneration to directors
Appropriations	\$ 7,990,305	\$ 15,980,609	\$ 6,311,735	\$ 12,623,471

There was no difference between the aforementioned amounts of the employees' compensation approved in the board of directors' meetings, and the amounts recognized in the financial statements.

Information on the compensation to employees and directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(27) Income tax

- (A) Income tax recognized in profit or loss:

Income tax recognized in profit or loss for the current period was as follows:

	For the Years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the period	\$ 133,614,946	\$ 88,267,173
Income tax adjustments on prior years	13,717,257	(7,128,428)
Deferred tax:		
Temporary differences	(7,571,686)	(13,738,007)
Total income tax expense recognized in profit or loss	\$ 139,760,517	\$ 67,400,738

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	For the Years ended December 31,	
	2019	2018
Profit before income tax	\$ 775,059,555	\$ 612,238,338
Income tax payable calculated by		
Statutory tax rate	155,011,911	122,447,667
Adjustment to effect of tax:		
Permanent income tax difference effect	(26,676,626)	(16,674,657)
Exemption income	(1,353,474)	(5,013,571)
Income tax credits	(5,373,152)	(12,492,266)
Additional tax on un-appropriated earnings	2,478,606	—
Income tax adjustments on prior years	13,717,257	(7,128,428)
Adjustments on other income tax	9,527,681	—
Net differences on deferred income tax	(7,571,686)	(13,738,007)
Income tax expense recognized in profit or loss	\$ 139,760,517	\$ 67,400,738

The corporate income tax rate in the R.O.C. was 20% in 2018. In addition, the rate of the corporate unappropriated earnings was 5%.

- (B) Deferred income tax

Deferred income tax assets (liabilities) on statements of balance sheets were as follows:

The Years ended December
31, 2019 :

	Balance at Beginning of Year	Recognized in Profit or Loss	Balance at End of Year
<u>Deferred income tax assets</u>			
Temporary differences			
Unrealized reduce inventory to market	\$ 74,127,325	\$ 2,914,936	\$ 77,042,261
Unrealized loss from disposal of property, plant and equipment	11,275,270	(299,497)	10,975,773
Others	3,500,582	3,234,652	6,735,234
	<u>\$ 88,903,177</u>	<u>\$ 5,850,091</u>	<u>\$ 94,753,268</u>
 <u>Deferred income tax liabilities</u>			
Temporary differences			
Property, plant and equipment	\$ 286,075,002	\$ —	\$ 286,075,002
Exchange differences on translating foreign operations	54,621,275	—	54,621,275
Others	1,721,595	(1,721,595)	—
	<u>\$ 342,417,872</u>	<u>\$ (1,721,595)</u>	<u>\$ 340,696,277</u>

The Years ended December
31, 2018 :

	Balance at Beginning of Year	Recognized in Profit or Loss	Balance at End of Year
<u>Deferred income tax assets</u>			
Deferred income tax assets			
Temporary differences	\$ 48,980,811	\$ 25,146,514	\$ 74,127,325
Unrealized reduce inventory to market	13,069,062	(1,793,792)	11,275,270
Unrealized loss from disposal of property, plant and equipment	3,200,511	300,071	3,500,582
	<u>\$ 65,250,384</u>	<u>\$ 23,652,793</u>	<u>\$ 88,903,177</u>
 <u>Deferred income tax liabilities</u>			
Temporary differences			
Property, plant and equipment	\$ 286,075,002	\$ —	\$ 286,075,002
Exchange differences on translating foreign operations	46,428,084	\$ 8,193,191	54,621,275
Others	—	1,721,595	1,721,595
	<u>\$ 332,503,086</u>	<u>\$ 9,914,786</u>	<u>\$ 342,417,872</u>

(C) Information of unrecognized deferred income tax assets / liabilities associated
with investments

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unrecognized as deferred income tax assets		
Temporary differences associated with investments in subsidiaries	\$ 1,307,401,471	\$ 1,200,302,621
Unrecognized as deferred income tax assets		

	December 31, 2019	December 31, 2018
Temporary differences associated with investments in subsidiaries	\$ 19,227,890	\$ 30,087,645

(D) Information on investments used as tax credits

As of December 31, 2019, the information on investments used as tax credits were as follows:

According to:	Credits Items	Total Tax credit	Unused Tax credit	Last offset year
Statute for industrial innovation and regulations governing the reduction of expenditures	Research & development expenditures	\$ 5,373,152	\$ —	2019

(E) Income tax assessed and approved situations

The Corporation income tax return filings through 2017 had been assessed and approved by tax authority. The balances of the income tax credit had been assessed and approved by tax authority in each year were adjustment.

(28) Earnings per share (EPS)

	For the Years ended December 31,	
	2019	2018
Basic EPS (\$)	\$ 1.55	\$ 1.33

The profit attributable to ordinary shareholders of the parent and the weighted average number of ordinary shares in issue used in calculating basic EPS were as follows:

	For the Years ended December 31,	
	2019	2018
Income attributable to owners of parent	\$ 635,299,038	\$ 544,837,600
Weighted average number of ordinary shares in issue used in calculating basic EPS	410,961,324	410,961,324

(29) Reconciliation of Liabilities from Financing Activities

Express in thousands of New Taiwan Dollars

The Years ended December 31, 2019 :	January 1, 2019	Cash Flows	Non-cash changes Others	December 31, 2019
Short-term debts	\$ 2,070,469	\$(1,416,885)	\$ —	\$ 653,584
Short-term bonds payable	1,299,008	(1,300,000)	992	—
Long-term liabilities(including the Current portion of long-term liabilities)	647,939	3,407,000	(447)	4,054,492
Guarantee deposit received	15,966	2,764	—	18,730
	<u>\$ 4,033,382</u>	<u>\$ 692,879</u>	<u>\$ 545</u>	<u>\$ 4,726,806</u>

Express in thousands of New Taiwan Dollars

The Years ended December 31, 2018 :	January 1, 2018	Cash Flows	Non-cash changes Others	December 31, 2018
Short-term debts	\$ 1,962,021	\$ 108,448	\$ —	\$ 2,070,469
Short-term bonds payable	1,348,955	(50,000)	53	1,299,008
Long-term liabilities(including the Current portion of long-term liabilities)	1,197,075	(549,136)	—	647,939
Guarantee deposit received	16,995	(1,029)	—	15,966
	<u>\$ 4,525,046</u>	<u>\$(491,717)</u>	<u>\$ 53</u>	<u>\$ 4,033,382</u>

7. RELATED PARTY TRANSACTIONS

(1) Related party name and their relationship with the Corporation

<u>Name of related parties</u>	<u>Relationship with the Corporation</u>
CHEM USA CORPORATION (CHEM USA)	Subsidiary
Etrovision technology Co., Ltd. (Etrovision)	Subsidiary
CHENG-HSIN Engineering & Services CO.,LTD (Chesco)	Subsidiary
San-feng construction Co., Ltd. (San-feng)	Indirect Subsidiary
Accumis System Technologies Inc. (Accumis)	Indirect Subsidiary
Wha Dun Building Management Service Co., Ltd. (Wha Dun)	Indirect Subsidiary
Sunrise investment Corp. (Sunrise)	Subsidiary
Global-Entech Co., Ltd. (Global)	Subsidiary
Tone-zoom industry Co., Ltd. (Tone-zoom)	Subsidiary
Bao-Sheng Global Co., Ltd. (Bao Cheng)	Subsidiary
FinData Technology Corp. (FinData)	Subsidiary
Tian Cin Energy Co. (Tian Cin)	Subsidiary
Tian Peng Energy Co. (Tian Peng)	Subsidiary
Tian Chong Energy Co. (Tian Chong)	Subsidiary
H2 Power Tech, LLC. (H2PT)	Indirect Subsidiary
CHEM J-V Limited	Indirect Subsidiary
Jiangsu Chung-Hsin Precision Machinery Co., Ltd. (Chem Precision)	Indirect Subsidiary
Chung-Hsin Power Systems Corp.(Chem Power)	Indirect Subsidiary
Chem-tech (Shang-hai) Corp. (Chem tech)	Indirect Subsidiary
Chemly power equipment Corp. (ChemLY)	Indirect Subsidiary
Chung-Hsin Power Systems (Shenyang) Inc. (Chem Shenyang)	Indirect Subsidiary
Nantong Shengyi precision machinery Co. (Nantong Shengyi)	Indirect Subsidiary
EGME ENERGY ECOSYSTEMS (INDIA) PRIVATE LIMITED (EGME)	Indirect Subsidiary
CHEM ENERGY SA (Pty) Ltd. (ENERGY SA)	Indirect Subsidiary
Sheng-yuan investment Corp. (Sheng-yuan)	Associate
Guang-Hsin engineering & services Co., Ltd.(Guang-Hsin)	Associate
Li-Xiang Technology Co., Ltd.(Li-Xiang)	Associate
Nomura Chung-Hsin Machinery Corporation(Nomura Chung-Hsin)	Associate
Wuxi Hengchi Chem switchgear Co., Ltd. (Wuxi Hengchi)	Associate
CHC International Investment Corp. (Chung Chia)	Other related party
Director, supervisor, general manager and vice Manager	Key management

(2) Trading transactions

(A) Sales revenue

	<u>For the Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Subsidiaries	\$ 343,125,345	\$ 147,816,334
Associates	5,677,149	7,092,357
	<u>\$ 348,802,494</u>	<u>\$ 154,908,691</u>

The transactions between the Corporation, associates and related companies were based on mutually agreed terms.

(B) Purchase

	<u>For the Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Subsidiaries	\$ 362,303,682	\$ 275,056,596
Associates	29,208,932	50,821,232
Other related parties	228,576	190,480

	<u>\$ 391,741,190</u>	<u>\$ 326,068,308</u>
The Corporation purchased from above mentioned subsidiaries, associates and related parties according to general regulations of the Corporation.		
(C) Property transactions		
Acquisition of property, plant and equipment		
	For the Years ended December 31,	
	2019	2018
Subsidiaries	\$ 4,162,494	\$ 3,108,452
Associates	19,500,000	—
	<u>\$ 23,662,494</u>	<u>\$ 3,108,452</u>
(D) Other		
	For the Years ended December 31,	
	2019	2018
<u>Cost / Expenses attributable to :</u>		
Subsidiaries		
H2 Power Tech, LLC.	\$ 122,835,339	\$ 110,089,812
Others	35,210,914	40,504,183
Associates	3,203,948	3,313,000
	<u>\$ 161,250,201</u>	<u>\$ 153,906,995</u>
<u>Other income:</u>		
Subsidiaries	\$ 432,424	\$ 335,587
(E) Contract Assets		
	109.12.31	108.12.31
Subsidiaries	<u>\$ 203,046,223</u>	<u>\$ 7,666,186</u>
(F) Notes receivable		
	109.12.31	108.12.31
Subsidiaries	<u>\$ —</u>	<u>\$ 152,220</u>
(G) Accounts receivable		
	109.12.31	108.12.31
Subsidiaries	\$ 42,330,263	\$ 17,150,851
Associates	1,473,442	2,170,146
	<u>\$ 43,803,705</u>	<u>\$ 19,320,997</u>
(H) Notes payable		
	109.12.31	108.12.31
Subsidiaries		
Sunrise	\$ —	\$ 1,668,354
Global	—	6,103,490
	<u>\$ —</u>	<u>\$ 7,771,844</u>
(I) Accounts payable		
	109.12.31	108.12.31
Subsidiaries	<u>\$ 36,302,048</u>	<u>\$ 40,179,805</u>
(J) Others accounts receivable / payable		
A. Others receivable		
	109.12.31	108.12.31
Subsidiaries		
Chesco	\$ 131,263	\$ 53,639
San-feng	126,027	18,235
Bao Cheng	153,846	—
Chem Shenyang	207,063	129,656
Other	18,720	—
Associates		
Wuxi Hengchi	—	3,884,500
Nomura Chung-Hsin	26,373	6,044,850
	<u>\$ 663,292</u>	<u>\$ 10,130,880</u>
B. Others payable-other		
	109.12.31	108.12.31
Subsidiaries	<u>\$ 6,382,600</u>	<u>\$ 8,043,572</u>

Associates	1,291,500	630,000
	<u>\$ 7,674,100</u>	<u>\$ 8,673,572</u>
(K) Prepayments		
	109.12.31	108.12.31
Subsidiaries	\$ 11,760,580	\$ 18,713,298
Associates	48,563,880	44,513,454
	<u>\$ 60,324,460</u>	<u>\$ 63,226,752</u>
(L) Prepayment for equipment		
	109.12.31	108.12.31
Associates	\$ —	\$ 11,700,000
(M) Contract Liabilities		
	109.12.31	108.12.31
Subsidiaries	\$ 39,191,184	\$ —
(N) Guarantee deposit received		
	109.12.31	108.12.31
Subsidiaries	\$ 12,000	\$ 12,000
Associates	320,000	320,000
	<u>\$ 332,000</u>	<u>\$ 332,000</u>
(O) Engineering contracts		

December 31, 2019

	Contract amounts	Amounts paid	Amounts unpaid
Subsidiaries	<u>\$ 179,803,799</u>	<u>\$ 179,803,799</u>	<u>\$ —</u>

December 31, 2018

	Contract amounts	Amounts paid	Amounts unpaid
Subsidiaries	<u>\$ 179,803,799</u>	<u>\$ 179,803,799</u>	<u>\$ —</u>

(P) Guarantee

	December 31, 2019	December 31, 2018
Subsidiaries	US 1,300,000	US 5,000,000
	NT 1,145,000,000	NT 1,275,000,000

(3) Key management compensation

	For the Years ended December 31,	
	2019	2018
Salaries and other short-term		
employee benefits	\$ 40,549,301	\$ 50,386,431
Post-employment benefits	989,784	1,017,375
	<u>\$ 41,539,085</u>	<u>\$ 51,403,806</u>

8. PLEDGED ASSETS

Assets (book values) were pledged for bank loans, trust of advance in Real Estate or engineering guarantee as follows:

	December 31, 2019	December 31, 2018
Time deposits	\$ 239,222,561	\$ 241,265,836
Deposit with bank	3,313,631	64,878,967
Land held for construction site	242,955,749	242,955,749
Property, plant and equipment	113,733,558	115,316,739
Investment property	431,023,336	436,720,044
Deposit out	99,497,936	147,605,487
	<u>\$ 1,129,746,771</u>	<u>\$ 1,248,742,822</u>

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Except for the notes disclosure, the Corporation has other significant contract

commitments and contingencies were as follows:

- (1) The Corporation had commitments for engineering contracts guaranteed for a certain period of time after equipments or project completed, delivered and accepted by customers.
- (2) As of December 31, 2019 and 2018, amounts of significant engineering contracts under construction signed were \$15,971,498,451 and \$11,182,783,957; and payments made were \$9,630,296,418 and \$8,490,056,168 according to the progress of contracts.
- (3) As of December 31, 2019 and 2018, the unused letters of credit listed as follows:

	December 31, 2019	December 31, 2018
USD	110,340.00	380,400.00
Japanese Yen	22,194,000.00	20,687,600.00
Euro	15,740.00	402,205.00

- (4) As of December 31, 2019 and 2018, the guarantees of significant engineering contracts pledged by banks were as follows:

	December 31, 2019	December 31, 2018
Bank of Taiwan	\$ 1,219,767,160	\$ 1,226,102,546
Hua Nan Commercial Bank	860,489,383	869,462,919
First Bank	45,642,565	67,568,823
Union Bank of Taiwan	32,290,663	52,705,865
Mega International Commercial Bank Co., Ltd	936,905,758	582,487,483
Land Bank of Taiwan	148,650,000	148,650,000
The Export-Import Bank of the ROC	6,541,340	6,541,340
Shanghai Commercial & Savings Bank, Ltd.	169,661,111	—
Bank of Panhsin	4,454,850	6,765,200
	<u>\$ 3,424,402,830</u>	<u>\$ 2,960,284,176</u>

- (5) As of December 31, 2019 and 2018, the Corporation issued notes as guarantee for bank borrowing were \$17,162,775,948 and \$14,674,181,678, respectively.
- (6) As of December 31, 2019 and 2018, the Corporation endorsed as guarantees for other companies including related parties were NTD \$1,387,956,000, USD \$1,300,000, NTD \$1,517,956,000 and USD \$5,000,000, respectively.
- (7) The Corporation had been bid for engineer project of Linyuan plant of CPC Corporation, and signed the contract on April 18, 2000. The Corporation had been completed this project and be accepted by CPC. However, CPC arbitrarily deducted \$23,716,000 from the payment to the Corporation because CPC claimed the Corporation delayed the power generation project, and rejected additional construction payment \$15,629,750 because CPC disagreed this additional construction payment. The Corporation sued CPC for the deduction and requested payment \$47,529,874 with interest. Lawsuits under processing were listed as follows:
 - A. According the first judgment of the court, CPC should pay the Corporation \$40,964,210. CPC did not accept the judgment and appealed the case. The second judgment overruled the amount exceeding \$27,979,700. Both CPC and the Corporation appealed the case.
 - B. According the second judgment of the court, CPC should pay the Corporation \$1,645,107 and overruled the rest.
 - C. Both CPC and the Corporation appealed the case. CPC should pay the Corporation \$1,645,107 was sure and the rest under processing of Taiwan Supreme court.
 - D. The Taiwan Supreme court had judgment that CPC Corporation should pay the Corporation another \$8,143,769 with interest and rejected the arbitration request of the Corporation on September 29, 2016. Both CPC and the Corporation appealed the case. Judgment No. 466 of the Supreme Court on 2017, abandoned the original trial that is not conducive to the part of the Corporation, sent back to the High Court more trial, and overruled the CPC Corporation's appeal. So the judgment No. 113 on 2012 was sure. Other requests of the Corporation were tried by the Taiwan

Supreme court.

- (8) The Ministry of National Defense R.O.C. has advocated the suspension of the contract and proposed the Corporation in publication of the Government Procurement Gazette. The Corporation appealed to Procurement Appeals Committee of Executive Yuan for the termination of the contract. On December 13, 2017, the Procurement Appeals Committee of Executive Yuan rejected the request of the Corporation. The Corporation appealed to the Taipei High Administrative Court to suspend the enforcement of the administrative injunction about publication of the Government Procurement Gazette. The case was rejected by the Taipei High Administrative Court. Other requests of the Corporation were tried by the Taipei High Administrative court in 2018. The case was rejected by the Taipei High Administrative Court and was sure in 2019.

10. SIGNIFICANT CATASTROPHE

None.

11. SUBSEQUENT EVENTS

In order to repay loans from financial institutions, the board of directors was resolved on August 12, 2019 to issue the first domestic unsecured convertible bond with a total issuance of 1,500,000 thousands dollars. The issuance of first domestic unsecured convertible bond was approved by the FSC on December 20, 2019 and public on January 16, 2020.

12. OTHERS

(1) Capital risk management

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as going concerns while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The Corporation adopts prudent risk management strategy and performs audit on a regular basis. The capital structure of the Corporation is determined according to the business development strategies and operational requirements.

(2) Financial instruments

(A) Categories of financial instruments

	Expressed in thousands of New Taiwan Dollars	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Measured at FVTPL		
Mandatorily at FVTPL	\$ 163,974	\$ 136,630
Measured at amortised cost (Note 1)	1,803,829	2,112,935
	<u>\$ 1,967,803</u>	<u>\$ 2,249,565</u>

Financial liabilities

Measured at amortised cost (Note 2)	<u>\$ 6,008,757</u>	<u>\$ 5,297,078</u>
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Note 1: The amount includes cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties), deposit out, lease receivables, restricted assets and other financial loans and receivables measured at amortised cost.

Note 2: The amount includes short-term debts, short-term bonds payable, notes and accounts payable (including related parties), other payables (including related parties), long-term debts and guarantee deposit received measured at amortised cost.

(B) Fair value of financial instruments

a. Measured without using fair value

The Corporation's measured at amortized cost of financial assets / loans and receivables and financial liabilities had carrying values that very close to their fair values.

b. Measured by using fair value

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

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
3. Level 3 inputs are unobservable inputs for the asset or liability.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value:

Expressed in thousands of New Taiwan Dollars				
December 31, 2019				
	Level 1	Level 2	Level 3	Total
<u>Fair value on a recurring basis</u>				
Financial assets at FVTPL				
Listed stocks	\$ 8,625	\$ —	\$ —	\$ 8,625
Unlisted stocks	—	—	151,006	151,006
Beneficiary certificate	4,343			4,343
	<u>\$ 12,968</u>	<u>\$ —</u>	<u>\$ 151,006</u>	<u>\$ 163,974</u>

Expressed in thousands of New Taiwan Dollars				
December 31, 2018				
	Level 1	Level 2	Level 3	Total
<u>Fair value on a recurring basis</u>				
Financial assets at FVTPL				
Listed stocks	\$ 8,860	\$ —	\$ —	\$ 8,860
Unlisted stocks	—	—	127,770	127,770
	<u>\$ 8,860</u>	<u>\$ —</u>	<u>\$ 127,770</u>	<u>\$ 136,630</u>

The Corporation held financial assets and liabilities measured at fair value on a recurring basis were no transfers between Level 1 and Level 2 for the years ended December 31, 2019 and 2018.

Reconciliation of Level 3 fair value measurements of financial instruments

The financial assets measured at Level 3 fair value were equity investments classified as financial assets at FVTPL.

Reconciliations for the year of 2019 and 2018 were as follows:

Expressed in thousands of New Taiwan Dollars			
For the Years ended December 31,			
	2019	2018	
Balance at beginning of period	\$ 127,770	\$ 120,336	
Increase for the period	1,900	23,592	
Recognized in profit (loss)	21,336	8,123	
Effect of exchange rate changes	—	(24,281)	
Balance at end of period	<u>\$ 151,006</u>	<u>\$ 127,770</u>	

c. Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active and liquid markets are determined with reference to quoted market prices;
- The financial assets and liabilities without active and liquid markets are determined with statement of fair value by market method. That based on past

financial activities, value of similar companies, technique development of company and its expectations of market development and so on.

- Derivatives Instruments were evaluated based on evaluation models accepted by market users such as Discount method and option pricing model. Forward exchange contracts are measured using forward exchange rates that are derived from quoted market prices.

(C) Financial risk management objectives and policies

The Corporation's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Corporation's overall risk management programmed focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Corporation's financial position and financial performance. The important financial activities are reviewed by Board of Directors in accordance with procedures required by relevant regulations or internal controls. The Corporation treasury identifies, evaluates and hedges financial risks in close co-operation with the Corporation's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters and investment of excess liquidity.

A. Market risk

The Corporation's activities expose it to foreign exchange risk and interest risk, etc. The Corporation used some of derivative instruments for management there risk.

Foreign exchange risk

Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. To manage their foreign exchange risk, the Corporation use forward foreign exchange contracts for hedge.

The Corporation has no hedge for investments in foreign operations due to these are strategic investment.

Sensitive analyses of foreign exchange risk are calculated for foreign currency items on the end of reporting date.

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

(foreign currencies : function currency)	December 31, 2019		December 31, 2018	
	Foreign Currency (In Thousands)	Exchange Rate	Foreign Currency (In Thousands)	Exchange Rate
<u>Financial assets</u>				
Monetary items				
USD: NTD	7,362.20	29.98	7,616.48	30.72
Euro: NTD	786.22	33.59	2,934.97	35.20
Non-monetary items				
USD: NTD	80,310.96	29.98	78,395.22	30.72
<u>Financial liabilities</u>				
Monetary items				
USD: NTD	178.01	29.98	54.79	30.72
Euro: NTD	59.56	33.59	330.05	35.20

When new Taiwan dollars are upvaluation with foreign currency about 1%, the incomes are decreased \$2,398 thousands and \$3,240 thousands, respectively for the years ended December 31, 2019 and 2018. When the new Taiwan dollars are devaluation with foreign currency about 1%, its impact amount is the negative amount of the same amount.

Interest rate risk

Interest rate risk is the risk in changes of fair value on financial instruments due

to market interest ratio changed. Interest rate risk arises from deposits with banks and long-term or short-term debts.

Sensitive analyses of interest rate risk are determined with exposure interest risk on the end of reporting date and all other variables were held constant. When the interest ratios are increase 1 yard, the incomes are decreased \$5,276 thousands and \$4,747 thousands, respectively for the years ended December 31, 2019 and 2018.

Other Price risk

The Corporation is exposed to equity securities price risk because of financial asset at fair value through profit or loss. All of material equity investment should be approved by director of board.

Sensitive analyses of price risk in equity instruments are calculated in changes of fair value on the end of reporting date. When the value of equity instruments are increase / decrease 5%, the incomes are increased / decreased \$648 thousands and \$447 thousands, respectively for the years ended December 31, 2019 and 2018.

B. Credit risk

Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in financial loss to the Corporation. Credit risk arises from receivables from operating activities and deposits with banks, fixed revenues investments and other financial instruments from investing activities. The credit risk of operating and financial are managed individually.

Operating credit risk

The Corporation has set up the processes about credit risk management for maintenance the quality of accounts receivables.

Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The Corporation will use instruments for increasing credit at appropriate time, such as prepayments for purchasing; collateral and guarantee etc. for reduce the credit risk.

As of December, 2019 and 2018, the accounts receivables of customers that are more than 10% of operating revenues are base on accounts receivables are 30% and 60%, respectively. Others accounts receivables are not material for centralized credit risk.

Financial credit risk

The finance department of the Corporation is responsible for measurement and monitor in credit risk of deposit with bank and other financial instruments. For banks and financial institutions, only independently rated parties with investing grade, corporation organization and governments are accepted. Therefore, there are not material credit risks.

Liquidity risk Management

The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring the use of loan credits and the compliance to loan contracts.

The tables below have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date the Corporation can be required to pay.

Express in thousands of New Taiwan Dollars

	December 31, 2019				
	Less Than 1 Year	Between 2 Year and 3 Years	Between 4 Years and 5 Years	Over 5 Years	Total
<u>Non derivatives financial liabilities:</u>					
Short-term debts	\$ 653,584	\$ —	\$ —	\$ —	\$ 653,584
Accounts and notes payable (including related parties)	751,805	—	—	—	751,805

	December 31, 2019				Total
	Less Than 1 Year	Between 2 Year and 3 Years	Between 4 Years and 5 Years	Over 5 Years	
Other accounts payable (including related parties)	530,146	—	—	—	530,146
Lease liabilities	581,061	274,747	39,300	4,166	899,274
Current portion of long-term liabilities	700,000	—	—	—	700,000
Long-term debts	—	3,354,492	—	—	3,354,492
	<u>\$ 3,216,596</u>	<u>\$ 3,629,239</u>	<u>\$ 39,300</u>	<u>\$ 4,166</u>	<u>\$ 6,889,301</u>

Express in thousands of New Taiwan Dollars

	December 31, 2018				
	Less Than 1 Year	Between 2 Year and 3 Years	Between 4 Years and 5 Years	Over 5 Years	Total
<u>Non derivatives financial liabilities:</u>					
Short-term debts	\$ 2,070,469	\$ —	\$ —	\$ —	\$ 2,070,469
Short-term bonds payable	1,299,008	—	—	—	1,299,008
Accounts and notes payable (including related parties)	823,088	—	—	—	823,088
Other accounts payable (including related parties)	440,608	—	—	—	440,608
Long-term debts	—	647,939	—	—	647,939
	\$ 4,633,173	\$ 647,939	\$ —	\$ —	\$ 5,281,112

(3) Other

On August 12, 2019, the Corporation got the bid of “open tender for lease of unwell-cultivated land for the construction of solar photovoltaic generating facilities in Tainan City” by the Taiwan Sugar Corporation. The Corporation invests in the construction of solar photovoltaic power plants and 20 years of operation and maintenance in the establishing project.

13. ADDITIONAL DISCLOSURES

(1) Significant transactions information and (2) Information on investees:

(A) Financing provided: attached table 1.

(B) Endorsement/guarantee provided: attached table 2.

(C) Marketable securities held: attached table 3.

(D) The cumulative buying or selling amount of one specific security exceeding of \$300 million or 20 percent of the paid-in capital: None.

(E) Acquisition of individual real estates at costs exceeding of \$300 million or 20% of the paid-in capital: None.

(F) Dispose of individual real estates at costs exceeding of \$300 million or 20% of the paid-in capital: None.

(G) Total purchase from or sale to related parties amounting to exceeding of \$100 million or 20% of the paid-in capital: attach table 4.

(H) Receivables from related parties amounting to exceeding of \$100 million or 20% of the paid-in capital: None.

(I) Derivative financial transactions: refer to Note 6(3).

(J) Names, locations, and related information of investees over which the company exercises significant influence: attach table 5.

(3) Information of investment in China

(A) Names, main businesses, total paid-in capital, method of investment, investment out / in flows, percentage of ownership, investment profit (loss) of this period, Book value, accumulated amount of investment income remitted back to Taiwan and upper limit on investment in China. (Table 6)

(B) Significant inter-company transactions, price, credit term, unrealized profit or loss

and other related information for understanding the effect of investment in China.
(Refer to Note 7)

14. SEGMENT FINANCIAL INFORMATION

The Corporation had disclosure the segment financial information in the consolidated financial statements for the year of 2019.

Chung-Hsin Electric and Machinery Manufacturing Corp.

Financing provided details
For the Years Ended December 31, 2019
Express in New Taiwan dollars

Attached table 1

No	Financing company's name	Counter party	Financial statement account	Related Party	Maximum balance for the period	Ending balance (2)	Amounts of loan (3)	Interest Rate (%)	Type of financing (1)	Transaction amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Financing company's financing amount limit
													Item	Value		
1	Sunrise investment Corp.	Guang-Hsin engineering & services Co., Ltd.	Other Receivable	Yes	45,000,000	45,000,000	43,550,000	1.50%	2	—	Operation needed	—	Note	45,000,000	(7) 45,000,000	(4) 169,739,580
		Shengyi electric and machinery Co.	Other Receivable	No	15,000,000	10,000,000	10,000,000	1.80%	2	—	Operation needed	—	Note	30,000,000	(7) 45,000,000	(4) 169,739,580
		Etrovision technology Co., Ltd.	Other Receivable	Yes	45,000,000	45,000,000	45,000,000	1.20%~1.50%	2	—	Operation needed	—	—	—	(7) 45,000,000	(4) 169,739,580
		Sheng Yuan investment Corp.	Other Receivable	Yes	30,000,000	30,000,000	—	1.20%	2	—	Operation needed	—	Note	30,000,000	(7) 45,000,000	(4) 169,739,580
2	San-feng construction Co., Ltd.	FinData Technology Corp.	Other Receivable	Yes	45,000,000	45,000,000	45,000,000	1.50%	2	—	Operation needed	—	Note	45,000,000	(8) 69,306,160	(5) 173,265,399
		Nomura Chung-Hsin machinery Corporation	Other Receivable	Yes	5,000,000	5,000,000	2,550,000	1.00%	2	—	Operation needed	—	Note	5,000,000	(8) 69,306,160	(5) 173,265,399
3	CHENG-HSIN Engineering & Services CO.,LTD	Etrovision technology Co., Ltd.	Other Receivable	Yes	20,000,000	20,000,000	19,100,000	1.80%~2.00%	2	—	Operation needed	—	—	—	(7) 45,000,000	(4) 218,153,095
		Wei-Chi Precision Co., Ltd.	Other Receivable	No	3,500,000	3,500,000	3,500,000	3.00%	2	—	Operation needed	—	Check	4,030,000	(7) 45,000,000	(4) 218,153,095
		Li-Xiang Technology Co., Ltd.	Other Receivable	Yes	17,100,000	12,500,000	12,500,000	2.50%	2	—	Operation needed	—	Check	12,500,000	(7) 45,000,000	(4) 218,153,095
4	CHEM Corp.	Chemly power equipment Corp.	Other Receivable	Yes	92,460,000	44,970,000	44,970,000	1.50%	2	—	Operation needed	—	—	—	(6) 215,152,963	(4) 860,611,853
		Chung-Hsin Power Systems Corp.	Other Receivable	Yes	94,800,000	89,940,000	89,940,000	1.50%	2	—	Operation needed	—	—	—	(6) 215,152,963	(4) 860,611,853
		Archers Systems Co., Ltd.	Other Receivable	No	2,496,653	2,368,660	2,368,660	5.00%	2	—	Operation needed	2,368,660	Note	2,460,000	(6) 215,152,963	(4) 860,611,853
5	Chemly power equipment Corp.	Chem-tech (Shang-hai) Corp.	Other Receivable	Yes	7,366,200	6,885,820	6,885,820	1.50%	2	—	Operation needed	—	—	—	(9) 31,562,712	(4) 42,083,616
		Chung-Hsin Power Systems (Shenyang) Inc.	Other Receivable	Yes	13,760,651	12,910,913	12,910,913	1.60%	2	—	Operation needed	—	—	—	(9) 31,562,712	(4) 42,083,616
6	CHEM J-V Limited	Chung-Hsin Power Systems Corp.	Other Receivable	Yes	46,038,752	43,036,376	43,036,376	1.50%	2	—	Operation needed	—	—	—	(10) 58,272,685	(4) 155,393,827
7	CHEM Power Limited	Chung-Hsin Power Systems (Shenyang) Inc.	Other Receivable	Yes	94,800,000	89,940,000	76,149,200	1.50%	2	—	Operation needed	—	—	—	(6) 151,354,791	(4) 605,419,165

(1)Type of financing: 1 business purpose 2 necessary for short term financing.

(2)The amounts of finance were approved by resolution of directors.

(3)The actual amounts of loan happened.

(4)Not exceeding 40% of the net equity current period.

(5)Not exceeding 50% of the net equity current period.

(6)Finance of single company limited to the whole year business transaction amount of latest year. Short-term financing did not exceeding 10% of the net equity current period.

(7)Not exceeding NTS 45,000,000 for each counter party.

(8)Not exceeding 20% of the net equity current period for each counter party.

(9)Not exceeding 30% of the net equity current period for each counter party.

(10)Finance of single company limited to the whole year business transaction amount of latest year. Short-term financing did not exceeding 15% of the net equity current period.

Chung-Hsin Electric and Machinery Manufacturing Corp.

Endorsement / Guarantee provide

For the Years Ended December 31, 2019

Express in New Taiwan dollars

Attached table 2

No	Endorsement / guarantee Provider	Endorsement / guarantee for		Amount limit on each endorsement / guarantee (2)	Maximum balance of endorsement / guarantee during the period	Ending balance of endorsement / guarantee	Amount limit on each endorsement / guarantee	Endorsement / guarantee amount backed by property	Accumulated amount of endorsement / guarantee to net equity (%)	Maximum endorsement / guarantee amount allowed (1)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements /guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China
		Name	Relation										
0	Chung-Hsin Electric and Machinery Manufacturing Corp.	Chung-Hsin Power Systems (shengyang) Inc.	2	1,515,336,965	158,000,000 US (5,000,000)	38,974,000 US (1,300,000)	38,974,000 US (1,300,000)	149,900,000	0.51%	3,788,342,413	Yes	No	Yes
0	Chung-Hsin Electric and Machinery Manufacturing Corp.	Global-Entech Co., Ltd.	2	1,515,336,965	25,000,000	25,000,000	14,375,000	25,000,000	0.33%	3,788,342,413	Yes	No	No
0	Chung-Hsin Electric and Machinery Manufacturing Corp.	CHENG-HSIN Engineering & Services CO.,LTD	2	1,515,336,965	600,000,000	500,000,000	126,998,000	500,000,000	6.60%	3,788,342,413	Yes	No	No
0	Chung-Hsin Electric and Machinery Manufacturing Corp.	San-feng construction Co., Ltd.	2	1,515,336,965	360,000,000	360,000,000	205,688,000	360,000,000	4.75%	3,788,342,413	Yes	No	No
0	Chung-Hsin Electric and Machinery Manufacturing Corp.	Wha Dun Building Management Service Co., Ltd.	2	1,515,336,965	10,000,000	10,000,000	9,432,000	10,000,000	0.13%	3,788,342,413	Yes	No	No
0	Chung-Hsin Electric and Machinery Manufacturing Corp.	Bao-Sheng Global Co.,Ltd.	2	1,515,336,965	280,000,000	250,000,000	119,420,000	250,000,000	3.30%	3,788,342,413	Yes	No	No
0	Chung-Hsin Electric and Machinery Manufacturing Corp.	Jushengsheng Construction Co., Ltd.	1	1,515,336,965	242,956,000	242,956,000	—	194,100,000	3.21%	3,788,342,413	No	No	No
					Total 1,675,956,000	Total 1,426,930,000	Total 514,887,000		18.83%				
1	CHENG-HSIN Engineering & Services CO.,LTD	San-feng construction Co., Ltd.	3	(3) 1,515,336,965	48,000,000	48,000,000	40,000,000	—	(5) 0.63%	(4) 3,788,342,413	No	No	No
1	CHENG-HSIN Engineering & Services CO.,LTD	Chung-Hsin Electric and Machinery Manufacturing Corp.	4	(3) 1,515,336,965	38,663,652	130,500	130,500	—	(5) —	(4) 3,788,342,413	No	Yes	No
1	CHENG-HSIN Engineering & Services CO.,LTD	Bao-Sheng Global Co.,Ltd.	3	(3) 1,515,336,965	21,127,800	14,256,000	14,256,000	—	(5) 0.19%	(4) 3,788,342,413	No	No	No
2	San-feng construction Co., Ltd.	Etrovision technology Co., Ltd.	3	(3) 1,515,336,965	8,000,000	—	—	—	(6) —	(4) 3,788,342,413	No	No	No
2	San-feng construction Co., Ltd.	Chung-Hsin Electric and Machinery Manufacturing Corp.	4	(3) 1,515,336,965	148,744,817	141,075,720	141,075,720	—	(6) 1.86%	(4) 3,788,342,413	No	Yes	No

(1)Not exceeding 50% of the Corporation's current year net equity.

(2)Not exceeding 20% of the Corporation's net equity for each company. Exclude the entity which the corporation owned 90% of voting shares directly or indirectly and the guarantee amount could not exceed 10% of the Corporation's net equity. When the Corporation directly or indirectly holds 100% of the voting shares, the Endorsement / Guarantee provide is unlimited between these companies.

(3)Not exceeding 20% of the final parent company's current year net equity for each entity.

(4)Not exceeding 50% of the final parent company's current year net equity.

(5)The percentage of accumulate endorsement and guarantee amount of CHENG-HSIN Engineering & Services CO., LTD.

(6)The percentage of accumulate endorsement and guarantee amount of San-feng construction Co., Ltd.

(7)The relative between Endorsement / Guarantee providing are as follows: a. business between companies; b. direct investment exceeding 50% of the subsidies; c. investment exceeding 50% of the subsidies by parent and its other subsidiaries; d. direct investment exceeding 50% of parent company by the company and its subsidiaries; e. taking insurances to each other under engineering contract; f. shareholder's guarantee by shares of the company due to common investment relationship; g. the performance guarantee of the pre-sale house sales contract in accordance with the Consumer Protection Law.

Chung-Hsin Electric and Machinery Manufacturing Corp.

Marketable securities held (excluding subsidiaries and associates)

December 31, 2019

Express in New Taiwan dollars

Attached table 3-1

Holding company / Type of marketable security	Name of marketable security	Relation with the Company	Financial statement account	Ending balance				Remark
				Shares	Book value	(%)	Market value (Note)	
The Corporation	<u>Stock</u>							
	Pacific construction Co., Ltd.	—	Financial assets at FVTPL – current	770,124	8,625,389	0.20%	8,625,389	
	Ascent solar	—	Financial assets at FVTPL – current	8,400	25	—	25	
	<u>Beneficiary Certificate</u>							
	Schroder International Selection Fund Emerging Markets A Accumulation	—	Financial assets at FVTPL – current	100,000.00	4,343,064		4,343,064	
	Subtotal				12,968,478		12,968,478	
	<u>Stock</u>							
	Powerchip semiconductor Corp	—	Financial assets at FVTPL – non current	1,723,651	48,146,348	0.05%	48,146,348	
	Powerchip Semiconductor Manufacturing Corp	—	Financial assets at FVTPL – non current	188,077	669,786	0.01%	669,786	Preferred stock
	Quan-you technology Co., Ltd	—	Financial assets at FVTPL – non current	1,200,000	—	—	—	
	Xian-han Co., Ltd.	—	Financial assets at FVTPL – non current	8,373,688	102,190,209	19.94%	102,190,209	
	Cotech engineering Corp	—	Financial assets at FVTPL – non current	2,093,191	—	2.62%	—	
	Subtotal				151,006,343		151,006,343	
CHENG-HSIN Engineering & Services CO.,LTD	<u>Stock</u>							
	Chung-hsin E&M manufacturing Corp.	Parent company	Financial assets at FVTOCI – non current	2,772,162	67,363,537	0.66%	67,363,537	2,712,500 shares as collateral
	Cotech engineering Corp.	—	Financial assets at FVTPL – non current	3,924,926	—	4.91%	—	
	<u>Beneficiary Certificate</u>							
	Fu Hua Youli Currency Fund	—	Financial assets at FVTOCI – current	2,545,934.20	34,435,542		34,435,542	
	Subtotal				101,799,079		101,799,079	
San-feng construction Co., Ltd.	<u>Beneficiary Certificate</u>							
	Fu Hua Youli Currency Fund	—	Financial assets at FVTPL – current	9,215,848.60	124,650,803	—	124,650,803	3,567,022 shares as collateral
	<u>Stock</u>							
	Lite-on semiconductor Corp.	—	Financial assets at FVTPL – current	3,567,022	141,075,720	1.13%	141,075,720	
	Subtotal				265,726,523		265,726,523	
Accumis System Technologies Inc.	<u>Beneficiary Certificate</u>							
	Fu Hua Youli Currency Fund	—	Financial assets at FVTPL – current	571,172.10	7,725,502	—	7,725,502	
Wha Dun Building Management Service Co., Ltd.	<u>Beneficiary Certificate</u>							
	Fu Hua Youli Currency Fund	—	Financial assets at FVTPL – current	1,174,263	15,882,729	—	15,882,729	
Global-Entech Co., Ltd.	<u>Beneficiary Certificate</u>							
	Fu Hua Youli Currency Fund	—	Financial assets at FVTPL – current	137,030.40	1,853,432	—	1,853,432	
CHEM Corp.	<u>Equity</u>							
	Ably Enterprise Limited	—	Financial assets at FVTPL – non current	US9,969	219,205	19.94%	219,205	

Chung-Hsin Electric and Machinery Manufacturing Corp.
Marketable securities held (excluding subsidiaries and associates)
December 31, 2019
Express in New Taiwan dollars

Attached table 3-2

Holding company / Type of marketable security	Name of marketable security	Relation with the Company	Financial statement account	Ending balance				Remark
				Shares	Book value	(%)	Market value (Note)	

CHEM J-V Limited	Equity	—	Financial assets at FVTPL - non current	US1,048,000	28,657,173	18.99%	28,657,173	
	Toko electric (Suzhou) Co., Ltd.	—	Financial assets at FVTPL - non current	US500,000	—	2.50%	—	
	Hitachi (Suzhou) EHV Switchgear Corp.				28,657,173		28,657,173	
	Subtotal							
ME ENERGY SYSTEMS LIMITED	Stock ELEMENT ONE LLC	—	Financial assets at FVTPL - non current	428,572	—	19.65%	—	
Sunrise investment Corp.	Beneficiary Certificate							
	Capital China Income Balanced	—	Financial assets at FVTPL – current	300,000.00	2,816,010	—	2,816,010	
	Fu Hua Youli Currency Fund	—	Financial assets at FVTPL – current	3,935,650.10	53,232,422	—	53,232,422	
	Capital Conservative Allocation Fund of Funds	—		500,000.00	4,923,350		4,923,350	
	FSITC Global Wealthy Nations Bond Fund		Financial assets at FVTPL – current			—		
	Stock		Financial assets at FVTPL – current	700,000.00	7,001,890	—	7,001,890	
	Chung-hsin E&M manufacturing Corp.	Parent company	Financial assets at FVTOCI – non current	6,266,514	152,276,290	1.49%	152,276,290	
	Micro Whale Technology Development Co., Ltd.	—	Financial assets at FVTPL – non current	300,000	—	2.31%	—	
	Zheng-sheng engineering Co., Ltd.	—	Financial assets at FVTPL – non current	505,045	—	3.80%	—	
	Zhengyu technology engineering Co., Ltd.	—	Financial assets at FVTPL – non current	3,256,550	47,343,724	13.62%	47,343,724	
	Hwa-sheng venture capital Co., Ltd.	—	Financial assets at FVTPL – non current	328,968	4,013,841	4.17%	4,013,841	
	Kaohsiung rapid transit Co., Ltd.	—	Financial assets at FVTPL – non current	2,572,127	28,713,333	0.92%	28,713,333	
	NEXTLINK Inc.	—	Financial assets at FVTPL – non current	6,522,129	9,940,855	9.03%	9,940,855	
	An Qing Innovation Investment Co., Ltd.	—	Financial assets at FVTPL – non current	1,557,000	12,471,595	3.37%	12,471,595	
	Subtotal				322,733,310		322,733,310	
Jiangsu Chung-Hsin Precision Machinery Co.,Ltd.	Financial products such as golden key, secure profits, etc	—	Financial assets at FVTPL – current	—	73,551,336	—	73,551,336	
Chung-Hsin Power Systems Corp.	Financial products such as secure profits,360 days etc	—	Financial assets at FVTPL – current	—	30,305,131	—	30,305,131	
Chemly power equipment Corp.	Guaranteed legal person 35 days stable interest RMB financial products	—	Financial assets at FVTPL – current	—	25,886,556	—	25,886,556	

Chung-Hsin Electric and Machinery Manufacturing Corp.
Purchase from or sale to related parties amounting exceeding \$100 million or 20% of the Company paid-in capital
For the Years Ended December 31, 2019
Express in New Taiwan dollars

Attached table 4

Company Name	Related Party	Nature of Relationships	Transaction Details				Differences in transaction terms compared to third party transactions		Notes/Accounts Receivable (Payable)		Remark
			Purchase/ Sales	Amount	Percentage of total purchase or sales	Credit term	Unit Price	Credit term	Balance	Percentage of total Notes/Accounts Receivable (Payable)	
The Corporation	Bao-Sheng Global Co., Ltd.	Investment using equity method	Purchase	172,979,240	2.30%	—	—	—	Accounts payable 23,153,132	3.08%	

Chung-Hsin Electric and Machinery Manufacturing Corp.
Names, locations, and related information of investees over which the company exercises significant influence (excluding information on investment in mainland china)
For the Years Ended December 31, 2019
Express in New Taiwan dollars

Attached table 5-1

Investor	Investee	Location	Business	Original investment		Ending balance			Profit (loss) of investee in this period	Investment profit/loss recognized in this period	Remark	
				Ending balance	Beginning balance	Share	%	Book value				
The Corporation	CHEM USA CORPORATION	USA	Selling and assembly of note book and computers	34,753,000	34,753,000	1,300,000	100.00%	58,418,063	1,855,955	1,855,955	Exchange differences on translating foreign operations \$(1,454,542)	Subsidiary
	Guang-Hsin engineering & services Co., Ltd.	Taiwan	1. Telecommunication equipment wholesale, retail and installment 2. Communication engineering 3. Computer equipment installment 4. Information software service	33,120,072	33,120,072	5,678,623	24.29%	247,848,909	104,708,219	25,434,075	Unrealized gain of financial instrument \$45,038,289 Cash Dividend \$(5,053,973) Treated as treasury stock \$(519,477)	—
	Sunrise investment Corp.	Taiwan	General investment	261,999,953	387,559,953	26,200,000	100.00%	272,076,686	86,319,856	86,319,856	Treated as treasury stock \$(152,272,265) Unrealized gain of financial instrument \$31,332,570 Refund from capital reduction \$(125,560,000) Cash Dividend \$(24,416,280)	Subsidiary
	CHENG-HSIN Engineering & Services CO.,LTD	Taiwan	1. Environmental protection incinerator set up and maintenance 2. Electric power and monitor equipment 3. Plan, design and maintenance for electricity, water and fire fighting system of building and factory	150,005,772	150,005,772	38,153,625	100.00%	412,654,733	120,059,952	120,059,952	Treated as treasury stock \$(67,363,539) Unrealized gain of financial instrument \$13,860,810 Unrealized gain recovery \$415,432	Subsidiary
	Global-Entech Co., Ltd.	Taiwan	1. Air pollution sample testing 2. Waste water and environmental water testing 3. Noise testing 4. Evaluation of environmental affection	15,869,352	63,860,972	1,699,705	99.98%	26,431,047	2,477,510	2,477,088	Cash Dividend \$(4,094,287) Refund from capital reduction \$(47,991,620)	Subsidiary
	Tone-zoom industry Co., Ltd.	Taiwan	1. Intensified fiber plastic material and product 2. Bathing equipment 3. Industrial plastic product	20,995,000	39,195,000	1,680,000	58.04%	53,477,983	3,879,242	2,251,633	Refund from capital reduction \$(18,200,000)	Subsidiary
	Sheng-yuan investment Corp.	Taiwan	General investment	53,396,853	53,396,853	8,601,821	29.33%	281,941,528	62,414,418	18,308,229	Unrealized gain of financial instrument \$51,239,016 Cash Dividend \$(8,257,748)	—
	Etrovision technology Co., Ltd.	Taiwan	1. Electric equipment installment 2. Automatic control equipment 3. Communication engineering 4. TV-KU channel and C channel installment	50,005,600	50,005,600	1,500,598	99.99%	—	16,055,037	16,053,223	Credit balance of Investment under equity method \$59,825,183	Subsidiary
	Chem Corp. Samoa	Samoa	Holding company	3,171,217,096	3,246,127,596	97,526,648	100.00%	2,141,582,891	(20,715,294)	(20,715,294)	Exchange differences on translating foreign operations \$(70,052,148) Unrealized gain recovery \$1,370,443 Refund from capital reduction \$(74,910,500)	Subsidiary
	Bao-Sheng Global Co.,Ltd.	Taiwan	Manufacture machinery equipment, lift installation, automation control equipment, traffic mark and parking management, etc.	93,000,000	93,000,000	10,000,000	100.00%	96,138,764	(6,682,230)	(6,682,230)	—	Subsidiary

Chung-Hsin Electric and Machinery Manufacturing Corp.

Names, locations, and related information of investees over which the company exercises significant influence (excluding information on investment in mainland china)

For the Years Ended December 31, 2019

Express in New Taiwan dollars

Attached table 5-2

Investor	Investee	Location	Business	Original investment		Ending balance			Profit (loss) of investee in this period	Investment profit/loss recognized in this period	Remark	
				Ending balance	Beginning balance	Share	%	Book value				
	Li-Xiang Technology Co., Ltd	Taiwan	Import and export trade about Rail industry, electronic control system, slope away from the coating liquid	6,670,000	6,670,000	667,000	40.00%	—	(5,414,780)	(2,165,912)	Credit balance of Investment under equity method \$1,200,910	—
	Fumei Development Co., Ltd.	Taiwan	Rent and selling buildings, real estate and so on.	140,256,000	140,256,000	11,700,000	45.00%	145,910,415	50,090,295	22,540,633	Impairment loss for the period \$(57,252,756) Cash Dividend \$(9,477,000)	—
	Nomura Chung-Hsin Machinery Corporation.	Taiwan	Manufacture machinery, other equipment and internation trade	20,874,000	20,874,000	2,087,400	49.00%	—	157,225	77,041	Credit balance of Investment under equity method \$7,099,828	—
	H2 PowerTech,INC.	USA	Holding company	— (Note 2)	20,258,206	—	—	—	(7,198,959)	(7,198,959)	Unrealized gain recovery \$8,911,098 Exchange differences on translating foreign operations \$107,439 Impairment loss for the period \$(20,836,831)	—
	FinData Technology Corp.	Taiwan	Software Design Services, Data Processing Services, Digital Information Supply Services	60,000,000	60,000,000	2,000,000	100.00%	—	(13,116,024)	(13,116,024)	Credit balance of Investment under equity method \$41,226,189	Subsidiary
	EGME ENERGY ECOSYSTEMS(INDIA) PRIVATE LIMITED	India	To promote, own, acquire, erect, construct, establish, maintain, improve, manage, devise, develop, manufacture, install, commission, alter, carry on, control, take on backup power services, fuel cells equipment projects, telecom towers or other facilities of generation back power services of green energy and their sales and distribution	— (Note 2)	—	—	—	—	(545,610)	(545,606)	Invest for the period \$3,292,004 Exchange differences on translating foreign operations \$(78,464)	—
	ME ENERGY SYSTEMS LIMITED	Hong Kong	Power EQU, engineering & parking management services	213,992,070	—	6,910,000	100.00%	177,274,196	(10,700,538)	(10,700,538)	Invest for the period \$213,992,070 Exchange differences on translating foreign operations \$(5,233,365) Unrealized loss \$(7,446,717)	Subsidiary
	Chung- Hsin Energy Tech. Inc.	Taiwan	Manufacturing machinery for generating, transmitting and distributing electric power and fuel cells; energy technology services.	5,000,000	—	500,000	100.00%	4,976,236	(23,764)	(23,764)	Invest for the period \$5,000,000	Subsidiary
	Tian Cin Energy Co., Ltd.	Taiwan	Manufacturing machinery for generating, transmitting and distributing electric power and energy technology services.	500,000	—	50,000	50.00%	—	(242,101)	(121,050)	Invest for the period \$500,000 Unrealized loss \$(1,062,082) Credit balance of Investment under equity method \$683,132	Subsidiary
	Tian Peng Energy Co., Ltd.	Taiwan	Manufacturing machinery for generating, transmitting and distributing electric power and energy technology services.	500,000	—	50,000	50.00%	—	(265,345)	(132,672)	Invest for the period \$500,000 Unrealized loss \$(3,645,444) Credit balance of Investment under equity method \$3,278,116	Subsidiary
	Tian Chong Energy Co., Ltd.	Taiwan	Manufacturing machinery for generating, transmitting and distributing electric power and energy technology services.	500,000	—	50,000	50.00%	—	(884,574)	(442,287)	Invest for the period \$500,000 Unrealized loss \$(5,420,326) Credit balance of Investment under equity method \$5,362,613	Subsidiary

Chung-Hsin Electric and Machinery Manufacturing Corp.

Names, locations, and related information of investees over which the company exercises significant influence (excluding information on investment in mainland china)

For the Years Ended December 31, 2019

Express in New Taiwan dollars

Attached table 5-3

Investor	Investee	Location	Business	Original investment		Ending balance			Profit (loss) of investee in this period	Investment profit/loss recognized in this period	Remark	
				Ending balance	Beginning balance	Share	%	Book value				
CHENG-HSIN Engineering & Services CO.,LTD	San-feng construction Co., Ltd.	Taiwan	Civil engineering, construction, water conservancy, contract management industry	211,939,284	211,939,284	30,000,000	100.00%	351,222,698	67,953,011	Note1	—	Subsidiary
	Wha Dun Building Management Service Co., Ltd.	Taiwan	Apartment managing services and consulting, etc.	10,000,000	10,000,000	1,336,000	100.00%	17,253,939	3,513,717	Note1	Surplus to capital increase \$3,360,000	Subsidiary
	Accumis System Technologies Inc.	Taiwan	Optical and precision equipment manufacturing and software information services	15,930,000	15,930,000	833,000	100.00%	8,027,851	(297,480)	Note1	Capital reduction to cover the deficit for the period \$36,670,000	Subsidiary
Sunrise investment Corp.	U.S.Technical Consultants Inc.	USA	Aerospace Equipment Manufacturing	21,737	21,737	5,310	22.27%	—	(23,617,059)	—	Accumulated Impairment loss \$(21,737)	—
CHEM Corp.	CHEM Power Corp.	Samoa	Holding company	349,434,038	349,434,038	107,224,004	100.00%	105,209,044	(11,339,481)	Note1	—	Subsidiary
	CHEM J-V Limited	Hong Kong	Holding company	382,935,874	382,935,874	126,450,000	100.00%	388,484,567	(79,881,527)	Note1	—	Subsidiary
	CHEM Power Limited	Hong Kong	Holding company	2,570,519,372	2,570,519,372	782,246,570	100.00%	1,513,547,913	49,026,922	Note1	—	Subsidiary
H2 Power Tech, Inc.	H2 Power Tech, LLC.	USA	Technical services, licensing and equipment sales	15,100,000	15,100,000	500,000.00	100.00%	10,303,986	(97,961)	Note1	—	Subsidiary
CHEM J-V Limited	MICT international Ltd.	Hong Kong	Holding company	48,308,000	48,308,000	3,600,000	40.00%	35,959,343	(14,518,270)	Note1	—	—
ME ENERGY SYSTEMS LIMITED	H2 PowerTech,INC.	USA	Holding company	3,564,097	—	50	100.00%	10,303,986	7,100,998	Note1	—	Subsidiary
	EGME ENERGY ECOSYSTEMS(INDIA) PRIVATE LIMITED	India	To promote, own, acquire, erect, construct, establish, maintain, improve, manage, devise, develop, manufacture, install, commission, alter, carry on, control, take on backup power services, fuel cells equipment projects, telecom towers or other facilities of generation back power services of green energy and their sales and distribution	6,401,111	—	205,572.16	99.99%	2,142,639	(3,404,021)	Note1	—	Subsidiary
	CHEM FUEL CELL(M) SDN.BHD.	Malaysia	To promote Fuel cells, Microgrid and their sales	6,253,180	—	824,002	100.00%	5,087,029	(966,926)	Note1	—	Subsidiary
	CHEM ME ENERGY SYSTEMS HOLDINGS (PTY) Ltd.	South Africa	Holding company for manufacturing, sales and service related to fuel cell generators and other generation and energy storage systems.	45,814,690	—	1,500,000	100.00%	42,733,247	(3,725,405)	Note1	—	Subsidiary
CHEM ME ENERGY SYSTEMS HOLDINGS (PTY) Ltd.	CHEM ENERGY SA (PTY) LTD.	South Africa	Manufacturing and Sales of fuel generators, battery charging services, power generating services, fuel service and parts and maintenance thereof.	21,429,000	—	700,000	100.00%	18,056,635	(3,709,068)	Note1	—	Subsidiary

Note 1 : The share of profits/losses of the investee company is not reflected herein as such amount is already included in the share of profits/losses of the investor company.

Note 2 : Adjust the investment structure and transfer it to ME Energy Systems Limited.

Chung-Hsin Electric and Machinery Manufacturing Corp.
Information of investment in mainland China
For the Years Ended December 31, 2019
Express in thousands of New Taiwan dollars

Attached table 6

Investee	Main businesses	Total paid-in capital	Method of investment (1)	Accumulated outflow of investment from Taiwan as of beginning balance	Investment flows		Accumulated outflow of investment from Taiwan as of ending balance	Net Income (Losses) of the Investee Company	Percentage of ownership	Investment profit (loss) of this period recognized (2)	Book value	Accumulated inward remittance of Earnings as of ending balance
					Outflow	In flow						
Chem-tech (Shang-hai) Corp.	Importing and exporting trading	174178 (US\$400,000)	(b)	130662 (US\$4125,2053)	—	—	130662 (US\$4125,2053)	(5042) US\$16301378	10000%	(5042) US\$16301378	12916 US\$4008069	—
Zhen xing parkig management Co., Ltd.	Parking affair management	39145 (US\$123,48794)	(c)	—	—	—	—	(910) US\$29,4052	10000%	(910) US\$29,4052	1739 US\$801842	—
Chemly Power equipment Corp.	Manufacturing machinery for generating, Transmitting and distributing electric power	318310 (US\$980,000)	(b)	318310 (US\$79928434)	—	—	318310 (US\$79928434)	(11339) US\$3661753	10000%	(11339) US\$3661753	105209 US\$3830756	—
Wuxi Hengchi Chem Switchgear Co., Ltd.	GIS assembly and manufacturing	185963 (US\$57598238)	(b)	81,229 (US\$2403,14834)	—	—	81,229 (US\$2403,14834)	43366 US\$1,401,73213	4500%	19510 US\$30,7946	33291 US\$1,110,43350	—
Jiangsu Chung-Hsin Precision Machinery Co., Ltd.	Aluminum alloy tank, tube and accessories manufacturing and casting	950804 (US\$2,680,000)	(b)	966640 (US\$2,750,000)	—	—	966640 (US\$2,750,000)	(27872) US\$901,13646	9917%	(27872) US\$8862893	860014 US\$28,352,71367	—
Shannxi baoji Yong-shin Ltd.	Shannxi baoji Yong-shin Ltd.	10694 (US\$26,13009)	(b)	6979 (US\$213000)	—	—	6979 (US\$213000)	597 US\$19,28596	6912%	412 US\$13,3046	16263 US\$42,45646	—
Nantong L-S metal forming Co., Ltd.	Nantong L-S metal forming Co., Ltd.	113889 (US\$363,1200)	(b)	14982 (US\$453800)	—	—	14982 (US\$453800)	112452 US\$365,68613	2500%	28113 US\$808,92403	131800 US\$396,28806	—
Toko electric (Suzhou) Co., Ltd.	Toko electric (Suzhou) Co., Ltd.	183154 (US\$530,000)	(b)	33523 (US\$1,048000)	—	—	33523 (US\$1,048000)	—	1899%	—	28657 US\$946,40598	Evaluated by FVTPL - non current
Chung-Hsin Power Systems Corp.	Chung-Hsin Power Systems Corp.	598772 (US\$1800,000)	(b)	598772 (US\$1800,000)	—	—	598772 (US\$1800,000)	80672 US\$2,608,21489	10000%	80672 US\$2,608,21489	220788 US\$7,36380133	—
Chung-Hsin Power Systems (Shenyang) Inc.	Chung-Hsin Power Systems (Shenyang) Inc.	596455 (US\$1800,000)	(b)	487636 (US\$14673,31553)	—	—	487636 (US\$14673,31553)	(22251) US\$719,39204	10000%	(22251) US\$719,39204	52894 US\$1,764,31483	—
Nantong Shengyi precision machinery Co.	Nantong Shengyi precision machinery Co.	331907 (US\$1000,000)	(b)	165755 (US\$500,000)	—	—	165755 (US\$500,000)	5308 US\$171,45283	5000%	2652 US\$5,72642	187289 US\$246,45091	—
Hitachi (Suzhou) EHV Switchgear Corp	69KV-1100KV kv high voltage switch board, assembly and manufacturing	63800 (US\$200,000)	(b)	16465 (US\$500,000)	—	—	16465 (US\$500,000)	—	250%	—	—	Evaluated by FVTPL - non current
San-he Kwok Shui Electric Co.	Manufacturing machinery for generating, Transmitting and distributing electric power	92885 (US\$290,48595)	(b)	45221 (US\$1,455,5987)	—	—	45221 (US\$1,455,5987)	152 US\$490996	4900%	74 US\$240588	35388 US\$1,179,71126	—
Jiangsu Fumei Landscape & Real Estate Development Co., Ltd.	Resort development and management	296700 (US\$10,000,000)	(b)	296700 (US\$10,000,000)	—	—	296700 (US\$10,000,000)	(91956) US\$297304816	10000%	(91956) US\$297304816	81804 US\$2,786,63059	—
Shenzhen Wu You Chou Technology Services Ltd.	Development, pushing, service and Consultant on software or hardware of computer business	34901 (US\$1,090,668)	(c)	—	—	—	—	(16) US\$1521	4057%	—	—	—
Integrated Manufacturing & Services Co., Ltd.	Development of special equipment for solar cell production, manufacture of optical engine, lighting source, projection screen, high definition projection cathode-ray tube and microdisplay module, and production, cleaning and regeneration of new electrical device	215740 (US\$700,000)	(c)	—	—	—	—	(14503) US\$4888598	4000%	(5801) US\$187,58339	33989 US\$1,1320,0085	—

Accumulated investment in China as of December 31, 2019	Investment amounts authorized by investment commission, MOEA	Upper limit on investment authorized by investment commission, MOEA (3)
3,180,148 (US\$ 97,920,373.92)	3,646,920 (US\$ 112,811,296.58)	4,546,010

(1) Methods of investment:

- Remit through third area to invest in China.
- Through the company set up in third area and then reinvest in China.
- Through investment to set up company then invest in China.
- Other method.

(2)Investment profit and loss were recognized based on the audited financial statements of each reportable entity.

(3)Calculated based on 60% of net equity value of the Corporation as of December 31, 2019.

(4)The Corporation used US\$3,600,000 as professional technology fee to invest in Chung-Hsin Power Systems (shengyang) Inc. indirectly and owned 100.00% of the investee's shares.

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

7.1 Analysis of Financial Status

Unit:NT\$ thousands

Item \ Year	2019	2018	Difference	
			Amount	%
Current assets	11,276,153	9,930,297	1,345,856	13.55%
Property, plant and equipment	4,461,786	4,221,019	240,767	5.70%
Intangible property	39,226	66,718	(27,492)	-41.21%
Other assets	4,444,384	2,722,732	1,721,652	63.23%
Total Assets	20,221,549	16,940,766	3,280,783	19.37%
Current liabilities	7,730,055	8,284,828	(554,773)	-6.70%
Noncurrent liabilities	4,676,243	1,040,128	3,636,115	349.58%
Total Liabilities	12,406,298	9,324,956	3,081,342	33.04%
Common Stock	4,200,000	4,200,000	0	0.00%
Legal reserve	421,024	410,300	10,724	2.61%
Retained Earnings	3,050,843	2,866,198	184,645	6.44%
Other equity	21,698	2,110	19,588	928.34%
Treasury Stock	(116,880)	(116,880)	-	0.00%
Non-controlling interests	238,566	254,082	(15,516)	-6.11%
Total Equity	7,815,251	7,615,810	199,441	2.62%

Analysis of changes in financial ratios (Analysis of Deviation over 20% and amount over NT\$10 million):

Non-current liabilities: It was mainly due to the company's pension.

Other Interests: The decrease was mainly due to the exchange of currency from the financial statement of the foreign operating businesses.

7.2 Analysis of Financial Performance

Unit:NT\$ thousands

Item \ Year	2019	2018	Difference	
			Amount	%
Operating Revenue, net	12,377,516	12,235,997	141,519	1.16%
Operating Cost	10,312,001	10,294,379	17,622	0.17%
Gross Profit	2,065,515	1,941,618	123,897	6.38%
Operating Expenses	1,410,237	1,360,542	49,695	3.65%
Non-operating Income and Expenses	133,751	66,487	67,264	101.17%
Profit before Income Tax	789,029	647,563	141,466	21.85%
Income Tax	(150,241)	(85,501)	(64,740)	75.72%
Profit for the period from continuing	638,788	562,062	76,726	13.65%
Other comprehensive Income (Loss)	2,576	(65,298)	67,874	-103.94%
Total comprehensive Income for the period	641,364	496,764	144,600	29.11%

Analysis of changes in financial ratios (Analysis of Deviation over 20% and amount over NT\$10 million):

- Other comprehensive Income (Loss) : The decrease was mainly due to difference in the conversion of the financial statements of foreign operating business
- Total comprehensive Income for the period : It was mainly due to the decrease in net profits and other comprehensive gains and losses.
- Effect of changes on the company's future business: The Corporation's business scope has not changed significantly.

7.3 Analysis of Cash Flow

7.3.1 Liquidity Analysis in last two years

Item \ Year	2019	2018	Variance (%)
Cash Flow Ratio (%)	21.56%	16.83%	28.10%
Cash Flow Adequacy Ratio (%)	48.15%	41.51%	16.00%
Cash Reinvestment Ratio (%)	7.18%	7.23%	-0.69%

Analysis of changes in Liquidity analysis in last two years

Analysis of Deviation over 20%

Cash Flow Ratio: the increase mainly due to increase in cash flows from operating activities.

Cash Reinvestment Ratio: the decrease mainly due to increase in cash flows from operating activities.

7.3.2 Remedial Actions for Liquidity Shortfall: Not applicable.

7.3.3 Cash Flow Analysis for the Coming Year

Unit:NT\$ thousands

Cash and Cash Equivalents, Beginning of Year	Net Cash Flow from Operating Activities	Cash Outflow	Cash Surplus (Deficit)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
(1)	(2)	(3)	(1)+(2)-(3)		
983,260	2,320,434	2,304,928	998,766	None	None

A.Cash Flow Analysis for the Current Year

(1)Cash flows from operating activities:

Net cash generated by operating activities mainly from net income on 2020.

(2)Cash out flows for the year

Mainly due to investing activities and financing activities

- Investing activities: Assets acquired mainly due to sales & business development
- Financing activities: mainly due to cash dividends paid, corporate bond issuance and short-term and long-term debt payable.

B.Remedial Actions for Liquidity Shortfall: Not applicable.

7.4 Major Capital Expenditures and Impact on Financial and Business

7.4.1 Review and analysis of material capital expenditures and funding sources:

Unit:NT\$ thousands

Project	Expected or In-Practice Main Source of Capital Funds	Expected or Predicted Date of Completion	Expected or Planned Schedule for Capital Funds Usage		
			Funds Needed	2019 (In-Practice)	2020 (Expected)
Solar Power Plant	Investment for building, Loans from Banks in Operation	2021.6.30	10,500,000	190,582	4,342,920

7.4.2 Anticipated benefits:

The company's investment in the construction and maintenance of solar energy plant will be expected to extend the company's power business to another level. At present, the investment plan of about 200MW is 100% invested by the company, and the operation period is planning to be 20 years, which is expected to create long-term stable profit and cash flow of the company.

Approximately 600MW for turnkey solution (EPC projects) is in process, with OM maintenance new projects are also currently undertaken. The growth of the business is surely expected to continue to expand due to the Government's proactive promotion for renewable energy policies, which help grow the company's business development efficiently.

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

(Please refer to operation of Affiliated Companies on Annual Report)

Unit:NT\$ thousands

Investee	Net Income (Losses) of the Investee Company	Business Operations	Operation Plans and Improvement Plans	Investment Policy the Coming Year
CHEM USA	1,856	Focus on selling notebook and OEM business, and improving the overall business strategies. The company gets sustained profitability.	Continuing to strengthen the differentiated services and enhancing customer added value for enhancement the company's earning-generating capacity.	None
CHENG-HSIN Engineering & Services CO.,LTD	120,060	Deficit comes from financial instrument loss.	Continuing to strengthen the market expansion in business to maintain the company's earning-generating situation.	None
Sunrise investment Corp.	86,320	Profit comes from financial instrument incomes.	None	None
Global-Entech Co., Ltd.	2,478	Organization streamline and cost down strategy to enhanced operational structure, and this has shown the turn and steady revenue.	Continuing to expand the market penetration in business, reduce the cost and improve the earning-generating situation.	None
Tone-zoom industry Co., Ltd.	3,879	Successful promotion of products and steady growth is seen in profits and revenue.	Continuing to strengthen the market expansion in business to increase revenue and sources of profits.	None
Etrovision technology Co., Ltd.	16,055	Successful operation strategy enhanced with improved profits and revenue in return from last year's loss.	Will continue to improve the overall business strategie and keep new products of high added value product lines, and continue to develop the market.	None
San-feng construction Co., Ltd.	67,953	Earnings gained from core business and credits from financial instruments	Will contintue to grasp the opportunities of engineering projects in business to maintain the company's earning-generating situation.	None
Accumis System Technologies Inc.	-297	The business is still in development and going through business transformation and will continue to expand.	Will expand the business, increase revenue sources and enhanced operational structure, contintue in business transformation.	None

Investee	Net Income (Losses) of the Investee Company	Business Operations	Operation Plans and Improvement Plans	Investment Policy the Coming Year
Bao-Sheng Global Co.,Ltd.	-6,682	Influenced by intense competitions, aim to focus on efficiency of operational activities for improved profitability	Continuing to develop the parking management market in Taiwan	None
Wha Dun Building Management Service Co., Ltd.	3,514	Business management and business development are both gradually staying on the right track, and this has been proved from the smoothness on business expanding and profit increasing	Combined with electromechanical, air-conditioning and building management of the business and professional, continuously expanding the business with competitiveness.	None
FinData Finance Technology Corp.	- 13,116	The business is still in development, and will continue to expand business to pursuit in profit and loss balance.	Devoted to develop the smart parking solution to integrate with phone apps and cloud service of IoT, aims at integration the service from online to office and the post-finance era for car-related industries.	None
Tian Chong Energy Co., Ltd.	-885	Business is at its initial stage and will continuously develop and expand the business for the foreseeable break-even point.	Aims at speeding up the establishment and turn-key solution for the Solar Power Plant Project	
Tian Peng Energy Co.	-265	Business is at its initial stage and will continuously develop and expand the business for the foreseeable break	Aims at speeding up the establishment and turn	
Tian Cin Energy Co.	-242	Business is at its initial stage and will continuously develop and expand the business for the foreseeable break	Aims at speeding up the establishment and turn	
Chung- Hsin Energy Tech. Inc.	-24	Business is at its initial stage and will continuously develop and expand the business for the foreseeable break	Proactively expanding the fuel cell and micro-grid business for the global market	
Chung-Hsin Power Systems Corp.	80,672	Margin declines throughout the years, however, the continuous improvement in operational activities and efficiency, the business starts to grow profits and turns loss to profit gains.	The business competes for orders in heavy industry by Chinese domestic and Mid-Eastern Area business. It shall continue to improve the strategy in cost and spending and to choose the orders with deliberation for better future profits and balance.	None
Jiangsu Chung-Hsin Precision Machinery Co.,Ltd.	-27,872	The loss happened was due to the influence of keen competition in the market and gross margin decline. Will continue to adjust business strategies and pursue the company's profit.	Business from Semi-conductor and Solar energy equipment needs is growly throughout the years, this has increased the revenue and profits at the same time. For the coming future, the company will continue the strategies for parts for power-supply and parts for solar-power equipment in machining and continue to profit from business growth.	None

Investee	Net Income (Losses) of the Investee Company	Business Operations	Operation Plans and Improvement Plans	Investment Policy the Coming Year
Chemly power equipment Corp.	-11,339	The loss was due to the influence of keen competition in the Chinese market and made gross margin decline, the company will continue to improve the efficiency from operating activities.	Continuous organizational re-structuring to improve the operating result.	None
Jiangsu Fumei Landscape & Real Esta Development Co., Ltd.	-91,956	The business is still in development and will continue to expand, and pursuit in profit and loss balance.	Accelerate resort development operations and affiliated service to facilitate open.	None
Chem-tech (Shang-hai) Corp.	-5,042	Company's has focused on trade and services business, and will continue to develop the market.	Continuing to develop related business and increase revenue sources.	None
Zhen xing parking management Co., Ltd.	-910	The business is still in development and will continue to develop business in China.	To fight for parking management and parking equipment engineering business in China through DoDoHome's operating experience in Taiwan.	None
Chung-Hsin Power Systems (Shenyang) Inc.	-22,251	Continuing to improve its cost structure, focusing on aluminum and enhance business development.	To focus on aluminum casting business, enhance business development and increase company's profits.	None
Nantong Shengyi precision machinery Co.	5,303	Enhanced operation successfully. The amount of orders and margins have both increased and this has shown the turn from loss to profit.	Enhancing precision machining capabilities and scaling up for business, continued to well-maintain the profitability.	None
Shannxi Baoji Yong-shin Ltd.	597	The market competition of aluminum alloy casting product is intense and is also increasing, will continue to improve operating efficiency for enhancing profitability.	Continuing to strengthen the ability of self-manufactory and the ability to establish rough machining for enhancement the company's competitiveness, increase revenues and profits.	None
CHEM Corp.	-20,715	Accounted as investment loss based on Equity Method	None	None
CHEM Power Corp.	-11,339	Accounted as investment loss based on Equity Method	None	None
CHEM Power Limited	49,027	Gain on investment income recognized under equity method	None	None
CHEM J-V Limited	-79,882	Accounted as investment loss based on Equity Method	None	None
H2 PowerTech,INC	-98	Gain on investment income recognized under equity method	None	None
H2 PowerTech,LLC	-98	The company plan continue to expand and reduce losses with the goal of generating higher earnings.	Continuing to product research and development and expand the business for enhancement the company's earning-generating capacity.	None
ME Energy Systems Limited	-10,701	Business is at its initial stage and will continuously develop and expand the business for the foreseeable development	Proactively expanding the fuel cell business for the global market	
CHEM Fuel Cell(M)SDN. BHD.	-967	Business is at its initial stage and will continuously develop and expand the business for the foreseeable development	Proactively expanding the fuel cell business for Malaysia Market	

Investee	Net Income (Losses) of the Investee Company	Business Operations	Operation Plans and Improvement Plans	Investment Policy the Coming Year
EGME Energy Ecosystems(India) Private Limited.	-3,950	Business is at its initial stage and will continuously develop and expand the business for the foreseeable development	Proactively expanding the fuel cell business for India Market	
CHEM ME Energy Systems Holdings Proprietary Limited	-3,725	Accounted as investment loss based on Equity Method	None	
CHEM Energy SA Proprietary Limited	-3,709	Business is at its initial stage and will continuously develop and expand the business for the foreseeable development	Proactively expanding the fuel cell business for South Africa Market	

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

(1) Interest rate

Please refer to page 211 of the Chinese annual report.

(2) Foreign exchange rates

Please refer to page 212 of the Chinese annual report.

(3) Inflation

Please refer to page 212 of the Chinese annual report.

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

(1)High-risk, highly leveraged investments: Our operation is based on power equipments sales, and never engages in high-risk and high-leveraged investments.

(2)Loans to others: the year ended December 31, 2019 the balance of loans to others see page 152 of Annual Report and all shall be in accordance with the company's loans others operating procedures.

(3)The endorsement guarantees: As at December 31, 2019 the balance of endorsement for others, see page 154 of the annual report and shall be in accordance with the company's procedures of endorsements guarantees.

(4)Derivative transactions: As at December 21, 2019, forward exchange commodity futures as hedging, the derivative financial net assets, see page 120 of the annual report. The Company's derivative financial products are held for non-trading purposes. Forward foreign exchange contracts are risk averse due to foreign currency exchange rate fluctuations arising from debt, and profit and loss arising from changes in exchange rates is under the range of the control. All procedures shall be in accordance with "International Accounting Standard No. 39," "International financial reporting No. 39" and the company's derivative financial transaction processing procedure, internal auditing law. The final consideration of all strategies is hedging purpose.

7.6.3 Future Research & Development Projects and Corresponding Budget

Recent annual development plan, the current progress of the development plan not complete yet, or still need to reinvest in research and development costs, future development of the main factors of success: Please refer to the Annual Report section 5. 1.3.

Research and development risks: CHEM ensure the long term development of the company, is continuously upgrade the technological level of existing products and to expand the new business, in order to keep the company's development on going. Therefore, keep R&D on going to ensure to achieve the whole objectives; this is the reason for CHEM invested considerable resources in the development in recent years. R & D expenses will not only increase the company's costs, more should be noted that research and development direction same with the company's business objectives or not. And in order to avoid the above-mentioned situation occurs, in addition to research and development through regular business analysis to track the progress and costs, R&D department shall hold meeting regularly with business development / production department, managers at all levels, general manager in order to avoid R&D research items not fully meet the market demand for the Company's business and allocation of resources, the impact of future development.

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

We follow the national policies and laws, and significant changes in policy and legislation can effectively grasp and timely with the adjustment of the company's internal systems and business activities, to comply with laws and regulations in mind and to ensure the smooth operation of the company, the Company has no significant impact on our operations.

7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

At present the company's financial stability, available funds sufficient response to the company's future development and innovation of new technologies, In order to maintain technological leadership, CHEM are committed to product, customer diversification and strengthening of international global marketing channels. There is no negative impact to the company's financial operations.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

Implementation of The company management system, transparency of the financial report are committed to maintaining high standards of integrity and ethical

standards and long-term in order to " operation stably, profitability growth stably," high-quality corporate image as fame. The staff dedicated to plan and give response for a variety of unexpected situations, has minimized the uncertainty of the business, in order to maintain consistently good image of corporate.

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

Due to the booming development of mainland China's economic and power shortage, CHEM'S investment focus on the mainland power market. Investment mode adopted it as carefully selected investments, only with the strength of local manufacturers in mainland joint venture. To combine their strengths, enter the market and achieve rapid purpose of reducing risks. Therefore, there will be no short-term acquisition happened.

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

Although CHEM is showing growth in recent years, but considering the current business environment, the Company will enhance the utilization rate in response to business growth. For more new business related to fabless way to avoid the risk arising from the expansion of the plant. As for mainland business investment's continuously focus on the heavy electrical products. Under favorable conditions with the mainland's demand of electricity continues to grow, risk is limited, coupled with the development of mainland business timing properly, substantial growth in the value of land and office buildings, those became favorable environment protection for CHEM Corporation's investment in the mainland. Not only mainland market will cooperate with other international heavy power plant to expand overseas business, in order to ensure that sources of business with no fear.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

The company's main components provided by suppliers with long-term supply, and procurement of raw materials to different suppliers as possible, In order to ensure the supply of raw materials and reduce production without fear of centralized procurement risk, cooperate closely and happy, and sales mainly for Taipower. It remained stable operating conditions and well development for a long time.

Currently business layout in mainland of CHEM, the planning of precision machining and assembly plant was completed in 2007. In addition to providing a low cost and good quality of the components, but also can use this to develop the mainland and international markets, reduce the risk of purchasing and sales.

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

The shareholdings of the Company's directors and supervisors have been stable during the last few years, and there have been no major transfers or swaps of shares.

7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights

The structure of our principal shareholders is solid. A strong professional management team is in place to maximize both shareholders and the Company's best interest. Accordingly, we believe that the risk of changing in management rights that would cause damage to the Company is mitigated. In addition, our audit department is responsible to monitor any related risks and report to the Board. Our policy is to maintain a steady ownership and management structure. As of the date of this Annual Report, such risks were not identified by the Company.

The company has overcome the operating difficulties brought by the past 5 engineering projects, and is on the way of reaching the peak in profitability. To ensure the quality in sustainability of the business development, the management team is proactively planning for strategies, especially in fuel cell, micro-grid, vacuum chamber and aerospace component machining. Changes in management team at this moment of growth could lead to failure in establishing business plans and could fail in leveraging the resource of the company to focus on priorities of the operational business goals. Meanwhile, the future growth is likely to be limited. Therefore, CHEM is committed to the stability of the company and also has proposed the plans for developments of individuals, with the goal of becoming future team leaders for the management's decision making stages, to ensure the stability of the company.

7.6.12 Litigation or Non-litigation Matters

(1) Major ongoing lawsuits, non-lawsuits or administrative lawsuit:

Lawsuits under processing were listed as follows as of December 31, 2019:

The judgment was not sure:

(a) Engineer project of Linyuan plant of CPC Corporation: see page 144-145 of Annual Report

(2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: **None**

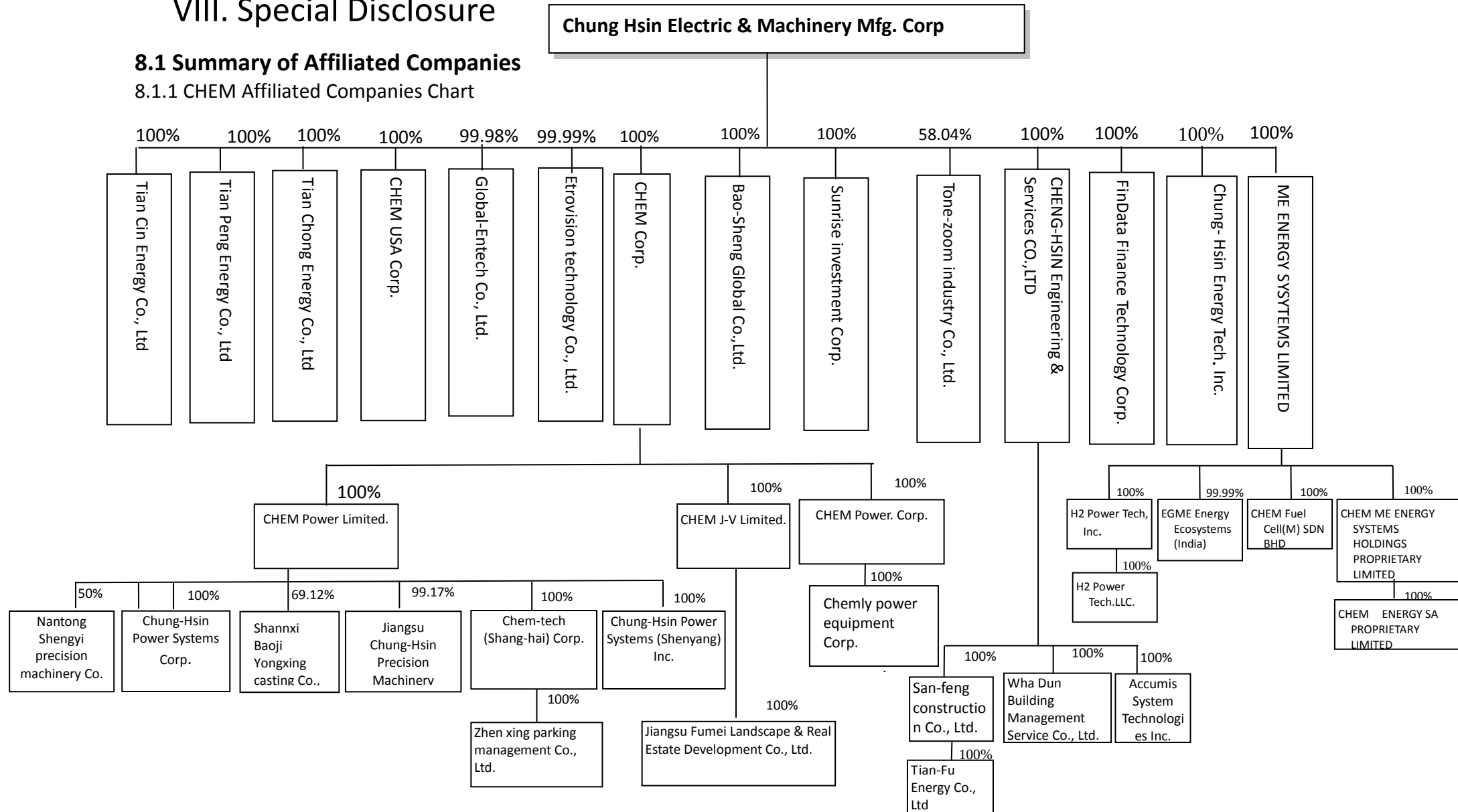
7.7 Other Major Risks

None

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 CHEM Affiliated Companies Chart



8.1.2 CHEM Affiliated Companies

In Thousands NTD

Name of Corporation	Date of Establishment	Address	Paid-in Capital	Major Business/Production Items
Chung Hsin Electric & Machinery Mfg. Corp.	1962.05.31	No.25, Wende Rd., Guishan Dist., Taoyuan City 333, Taiwan	4,200,000	1.Design and and Construction of system engineering. 2.Manufacture, sale and maintain of power equipment, generator and air conditioning system. 3. Micro-Grid, Fuel-Cell technology and manufacturing 4.Machining Center and manufacturing.
CHEM USA Corp.	1990.02.22	8445 Central Ave. Newark, CA 94560 USA	US\$1,300	Selling and assembly of note book and computers
CHENG-HSIN Engineering & Services CO.,LTD	1996.04.11	3F., No.801, Zhongzheng Rd., Zhonghe Dist., New Taipei City 235, Taiwan	381,536	1. Environmental protection incinerator set up and maintenance 2.Electric power and monitor equipment 3. Plan, design and maintenance for electricity, water and fire fighting system of building and factory
Sunrise Investment Corp.	1998.03.26	3F., No.801, Zhongzheng Rd., Zhonghe Dist., New Taipei City 235, Taiwan	262,000	General investment
Global-Entech Co., Ltd.	1989.07.17	3F., No.801, Zhongzheng Rd., Zhonghe Dist., New Taipei City 235, Taiwan	17,000	1. Air pollution sample testing 2. Waste water and environmental water testing 3. Noise testing 4. Evaluation of environmental affection
Tone-zoom industry Co., Ltd.	1987.04.17	No.13-1, Sihuei, Hukou Township, Hsinchu County 303, Taiwan	28,944	1. Intensified fiber plastic material and product 2. Bathing equipment 3. Industrial plastic product
San-feng construction Co., Ltd.	1984.02.12	2F., No.19-5, Sanchong Rd., Nangang Dist., Taipei City 115, Taiwan	300,000	Civil engineering, construction, water conservancy, contract management industry
Etrovision technology Co., Ltd.	2004.02.20	2F., No.19-5, Sanchong Rd., Nangang Dist., Taipei City 115, Taiwan	15,006	1. Electric equipment installment 2. Automatic control equipment

Name of Corporation	Date of Establishment	Address	Paid-in Capital	Major Business/Production Items
				3. Communication engineering 4. TV-KU channel and C channel installment
Accumis System Technologies Inc.	2008.02.12	3F., No.801, Zhongzheng Rd., Zhonghe Dist., New Taipei City 235, Taiwan	8,330	Optical and precision equipment manufacturing and software information services
Bao-Sheng Global Co.,Ltd.	2006.08.02	2F., No.19-5, Sanchong Rd., Nangang Dist., Taipei City 115, Taiwan	100,000	Manufacture machinery equipment, lift installation, automation control equipment, traffic mark and parking management, etc.
Wha Dun Building Management Service Co., Ltd.	2011.05.26	2F., No.19-5, Sanchong Rd., Nangang Dist., Taipei City 115, Taiwan	10,000	Apartment managing services and consulting, etc.
FinData Finance Technology Corp.	2016.04.22	1F, No 157, Shin-Hu First Road, Nei-hu District, Taipei City.	20,000	Smart Parking Management Solution, Smart Parking Apps, design and development.
Tian Chong Energy Co. Ltd.	2019.08.09	2F., No. 1, Muzhagang W. Rd., Shanhua Dist., Tainan City 741, Taiwan	1,000	Power generation, transmission, distribution, machine manufacture, energy technology and service
Tian Peng Energy Co. Ltd.	2019.08.09	2F., No. 1, Muzhagang W. Rd., Shanhua Dist., Tainan City 741, Taiwan	1,000	Power generation, transmission, distribution, machine manufacture, energy technology and service
Tian Cin Energy Co. Ltd.	2019.08.09	2F., No. 1, Muzhagang W. Rd., Shanhua Dist., Tainan City 741, Taiwan	1,000	Power generation, transmission, distribution, machine manufacture, energy technology and service
Chung- Hsin Energy Tech. Inc.	2019.07.04	3F., No. 801, Zhongzheng Rd., Zhonghe Dist., New Taipei City 235, Taiwan	5,000	Power generation, transmission, distribution, machine manufacture, battery manufacture, energy technology and service
Chem-tech (Shang-hai) Corp.	2002	5F, #56 Building, No. 461, Hong Cao Road , Xu Hui District, Shanghai 200336, China	RMB\$40,710	Importing and exporting trading
CHEM Corp.	2003	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$97,527	Holding company
CHEM Power Corp.	2003.10.09	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$10,743	Holding company
Chemly Power Equipment Corp.	2004.02.26	No. 15, Ying-Chu Road., Kao-Hsin District,	RMB\$81,188	Manufacturing machinery for generating,

Name of Corporation	Date of Establishment	Address	Paid-in Capital	Major Business/Production Items
		Jiangsu Province, China.		transmitting and distributing electric power
Jiangsu Chung-Hsin Precision Machinery Co.,Ltd.	2004.05.08	Industrial Park, Huolong Town, Haimen City, Jiang-Su Province 226144, China.	RMB\$223,674	Aluminum alloy tank, tube and accessories manufacturing and casting
Shannxi Baoji Yong-shin Ltd.	2005.11.06	Qianhe Industrial Zone,Chencang District, Baoji City, Shaanxi,China.	RMB\$2,621	Aluminum alloy tank, tube and accessories manufacturing and casting
Chung-Hsin Power Systems Corp.	2006.02.14	Industrial Park, Huolong Town, Haimen City, Jiang-Su Province 226144, China.	RMB\$131,811	220kv~550kv high voltage GIS/GCB assembly and manufacturing
Chung-Hsin Power Systems (Shenyang) Inc.	2006.10.12	No. 118, North Changjiang Street, Yuhong District, Shenyang, Liaoning Province, China.	RMB\$134,033	Manufacturing and selling high voltage GIS/GCB, aluminum casting and related equipments.
Nantong Shengyi precision machinery Co.	2005.12.09	Industrial Park, Huolong Town, Haimen City, Jiang-Su Province 226144, China.	RMB\$75,946	Processing tank, conductors and various machinery parts
Zhen xing parking management Co., Ltd.	2009.04.08	5F, #56 Building, No. 461, Hong Cao Road , Xu Hui District, Shanghai 200336, China	RMB\$8,000	Parking management
Jiangsu Fumei Landscape & Real Esta Development Co., Ltd.	2011.04.06	Agriculture zone, Hai Yong Xiang , Haimen City, Nantong City, Jiangsu Province, China	RMB\$63,284	Resort development and management
CHEM J-V Limited	2007.09.06	2nd Floor, Queen's Centre, 60 Queen's Road East, Wanchai, Hong Kong	US\$12,645	Holding company
CHEM Power Limited	2007.09.06	2nd Floor, Queen's Centre, 60 Queen's Road East, Wanchai, Hong Kong	US\$78,225	Holding company
H2 Power Tech, INC	1999.03.19	746 SE Glenwood Drive Bend, Oregon 97702 USA	US\$500	Holding company
H2 Power Tech, LLC	1999.03.19	746 SE Glenwood Drive Bend, Oregon 97702 USA	US\$500	Technical services, licensing and equipment sales
ME Energy Systems Limited	2017.10.10	2nd Floor, Queen's Centre, 60 Queen's Road East, Wanchai, Hong Kong	US\$6,910	Power Equipment, Engineering and Parking Management
CHEM Fuel Cell(M)SDN. BHD.	2015.05.22	93B, Jalan Pekeliling Lama, 50400 Kuala Lumpur, Malaysia	MYR\$824	Fuel Cell, Mirco-Grid Business Development and International Fuel Cell Service Center
EGME Energy Ecosystems(India) Private Limited.	2019.2.1	805, Antariksh Thakoor House, Marol, Makawana Road, Andheri East, Mumbai	INR\$14,100	Back-up Power Service, Fuel Cell Equipment, Telecom Tower Serive and other Back-up Power

Name of Corporation	Date of Establishment	Address	Paid-in Capital	Major Business/Production Items
		400059, India		Generating Service, Storage, and Business Promotion
CHEM ME Energy Systems Holdings Proprietary Limited	2017.1.19	778 Richards Drive, Unit 1, Halfway House, Midrand, Gauteng 1685, South Africa	ZAR\$21,874	Holding Company for Power Generator, Fuel Cell, Power Generating Service, Manufacturing and Service.
CHEM Energy SA Proprietary Limited	2017.8.31	778 Richards Drive, Unit 1, Halfway House, Midrand, Gauteng 1685, South Africa	ZAR\$10,231	Fuel Cell, Power Generating Service, Manufacturing and the Parts, Service Business Promotion, Maintenance and service.

8.2 Data of Common Shareholders of Treated-as Controlled Companies and Affiliates

None.

8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years

None.

8.4 Other Matters

8.4.1 Key Performance Indicator for Product/Service in Industries Covered

Products/Service	Marketshare for 2019
Heavy Power Products	70%
Power Sub-station Engineering	37%
Wind Power Generating Projects	36%
Parking Management Projects	Marketshare

8.4.2 Current Status for Acquiring Certain Qualification Suggested by Competent Authorities

1. International Certified Internal Auditor: None
2. Internal controller of corporation proficiency examination by *the Securities & Futures Institute*: 3 in Auditing Department
3. Certificated Internal Auditor: None
4. Certificated Public Accountant: One

IX. In the most recent year and as of the date of publication of the annual report, any matter that has a material effect on the shareholders' equity or the price of securities as defined in Article 36, paragraph 3, paragraph 2, of the Securities Exchange Act:

None