CSBC CORPORATION, TAIWAN AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2019 AND 2018

For the convenience of readers and for information purpose only, 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. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

Year ended December 31, 2019, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the entity that is required to be included in the consolidated financial statements of affiliates, is the same as the eneity required to be included in the consolidated financial statements of parent and subsidiary companies under IFRS 10. Also if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

CSBC CORPORATION, TAIWAN

WEN-LON CHENG

March 20, 2020

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19000446

To the Board of Directors and Shareholders of CSBC CORPORATION, TAIWAN

Opinion

We have audited the accompanying consolidated balance sheets of CSBC CORPORATION, TAIWAN and its subsidiaries (the "Group") as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The most significant key audit matters in our audit of the consolidated financial statements of the current period are as follows:

Accounting estimates and assumptions for total cost of construction contracts

Description

Please refer to Note 4(29) for a description of the accounting policy on construction contracts. Please refer to Note 5 for critical accounting estimates and assumptions for total cost of construction contracts.

The Group is engaged in the business of designing and building of various ships and cruisers. Assumptions for estimated construction cost include cost for equipment, material, labor and etc. Data used for assumptions involves subjective judgement and accounting estimates and are highly uncertain. As a result, assumptions used are material to the total construction cost and further affects the calculation of construction profit.

As the data used for assumptions involves subjective judgement and accounting estimates are highly uncertain, this may affect the completeness and relevant assertions. Considering that the estimated total cost of construction contracts is material to the financial statements, therefore, we assessed that these accounting estimates and assumptions as one of the key audit matters for this year.

How our audit addressed the matter

The scope of our audit responded to the risk as follows:

1. Assessing the effectiveness of CSBC Group's internal control regarding the estimation process of total cost of construction contract. This includes:
   (1) Whether the data used by management for estimates and assumptions is complete, relevant and accurate.
   (2) Whether accounting estimates and assumptions have been reviewed and approved by proper management level.
   (3) Whether the segregation of duties is appropriate.
2. Obtaining the Estimate at Completion Reports, selecting sample reports and verifying the accuracy, completeness and relevance of the data that was used for assumptions and estimations. Checking whether the use of estimates and assumptions in the Estimate at Completion Reports are appropriate.
3. Comparing cost at completion for the same or similar ships and then assessing the reasonableness of the Estimate at Completion Report.

Assessment of construction loss

Description

Please refer to Note 4(29) for a description of the accounting policy on construction contracts.

There is a concern regarding the oversupply in the shipbuilding industry worldwide. Customers tend to behave conservatively which causes a decline in ship prices. Thus, there is a high possibility of total construction cost exceeding total construction revenue. In accordance with the Group's accounting policy on construction contracts, when there is a high possibility of total construction cost exceeding total construction revenue, estimated loss shall be recognised immediately.

The aforementioned estimated loss shall include constructions that have not yet been initiated. As the estimated loss is material to the financial statements, therefore, we assessed estimated loss as one of the key audit matters for this year.

How our audit addressed the matter

The scope of our audit responded to the risk as follows:

1. Obtaining calculation table of construction in progress – construction income / loss. Checking whether it includes all the construction contracts including those contracts that have not yet been initiated.
2. Testing the accuracy of calculation table by selecting samples and performing the following audit procedures:
   (1) Reviewing construction contracts and checking the contractual price and foreign exchange rates in order to verify the accuracy of calculation.
   (2) Verifying estimated total construction cost to management's calculation in order to check the consistency of estimates and assumptions used.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of CSBC CORPORATION TAIWAN, as at and for the years ended December 31, 2019 and 2018.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management of the Company 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS 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 ROC GAAS, we exercise professional judgement 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

TIEN, CHUNG-YU WANG, KUO-HUA

For and on behalf of PricewaterhouseCoopers, Taiwan
March 20, 2020

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2019	December 31, 2018
	Current assets			
1100	Cash and cash equivalents	6(1)	$ 4,122,363	$ 137,942
1140	Current contract assets	6(19)(23) and 7	5,798,947	6,654,429
1170	Accounts receivable, net	6(2)(19) and 7	1,301,669	900,190
1200	Other receivables		100,795	19,100
1210	Other receivables - related parties	7	16,633	83,760
1220	Current income tax assets		1,469	2,532
130X	Inventories	6(3)(19)	1,824,592	1,337,814
1410	Prepayments	6(4) and 7	5,269,605	1,278,330
1479	Other current assets, others		15,631	2,069
11XX	**Current Assets**		18,451,704	10,416,166
	Non-current assets			
1550	Investments accounted for under equity method	6(5)	29,408	10,992
1600	Property, plant and equipment	6(6)	10,955,512	10,581,323
1755	Right-of-use assets	6(7)	3,805,463	-
1760	Investment property - net	6(8)(9)	211,506	208,162
1780	Intangible assets	6(10)	10,121	14,611
1840	Deferred income tax assets	6(29)	1,544,867	1,564,427
1920	Refundable deposits		67,606	30,750
15XX	**Non-current assets**		16,624,483	12,410,265
1XXX	**Total assets**		$ 35,076,187	$ 22,826,431

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CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2019	December 31, 2018
	Current liabilities			
2100	Short-term borrowings	6(11)	$ 1,822,361	$ 1,290,150
2110	Short-term notes and bills payable	6(12)	1,699,563	-
2130	Current contract liabilities	6(19)(23) and 7	8,707,809	2,751,268
2160	Notes payable - related parties	6(19) and 7	285,404	428,768
2170	Accounts payable	6(19)	1,094,303	713,262
2200	Other payables	6(13)	1,192,986	1,069,263
2230	Current income tax liabilities		4,915	-
2250	Provisions for liabilities - current	6(14)(19) and 7	1,617,584	2,527,559
2280	Current lease liabilities	3(1) and 6(7)	265,694	-
2310	Advance receipts		15,089	3,344
2320	Long-term liabilities, current portion	6(15)	500,000	-
21XX	**Current Liabilities**		17,205,708	8,783,614
	Non-current liabilities			
2540	Long-term borrowings	6(15)	5,347,772	5,698,537
2570	Deferred income tax liabilities	6(29)	1,324,697	1,324,697
2580	Non-current lease liabilities	3(1) and 6(7)	3,562,819	-
2610	Long-term notes and accounts payable	6(16)	681,757	670,361
2630	Long-term deferred revenue	6(16)	204,981	71,139
2640	Accrued pension liabilities	6(17)	42,430	94,368
2645	Guarantee deposits received		247,941	184,928
2670	Other non-current liabilities, others		824	13,233
25XX	**Non-current liabilities**		11,413,221	8,057,263
2XXX	**Total Liabilities**		28,618,929	16,840,877
	Equity attributable to owners of parent			
	Share capital			
3110	Share capital - common stock	6(20)	4,729,918	3,729,918
	Capital surplus			
3200	Capital surplus	6(18)(21)(31)	1,338,798	2,005,515
	Retained earnings	6(22)		
3310	Legal reserve		-	1,065,297
3320	Special reserve		3,166,471	3,166,471
3350	Accumulated deficit		(2,777,929)	(4,025,443)
31XX	**Equity attributable to owners of the parent**		6,457,258	5,941,758
36XX	**Non-controlling interest**		-	43,796
3XXX	**Total equity**		6,457,258	5,985,554
	Significant contingent liabilities and unrecognised contract commitments	7 and 9		
	Significant events after the balance sheet date	11		
3X2X	**Total liabilities and equity**		$ 35,076,187	$ 22,826,431

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

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Items	Notes	Year ended December 31 2019	2018
4000	**Sales revenue**	6(23) and 7	$ 16,540,899	$ 13,012,326
5000	**Operating costs**	6(3)(10)(27)(28) and 7	(17,731,280)	(15,606,190)
5900	**Net operating margin**		(1,190,381)	(2,593,864)
	Operating expenses	6(10)(27)(28)		
6100	Selling expenses		(77,936)	(90,533)
6200	General and administrative expenses		(339,252)	(306,829)
6300	Research and development expenses		(99,847)	(117,013)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	1,276	(309,358)
6000	**Total operating expenses**		(515,759)	(823,733)
6900	**Operating loss**		(1,706,140)	(3,417,597)
	Non-operating income and expenses			
7010	Other income	6(8)(16)(24)	120,246	87,430
7020	Other gains and losses	6(25)	(125,507)	20,009
7050	Finance costs	6(6)(7)(16)(26)	(66,425)	(26,130)
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(5)	(31,084)	(2,653)
7000	**Total non-operating income and expenses**		(102,770)	78,656
7900	**Loss before income tax**		(1,808,910)	(3,338,941)
7950	Income tax (expense) benefit	6(29)	(6,608)	238,857
8200	**Loss for the year**		($ 1,815,518)	($ 3,100,084)
	Other comprehensive income			
	Components of other comprehensive income that will not be reclassified to profit or loss			
8311	Actuarial gain on defined benefit plan	6(17)	$ 90,902	$ 128,756
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(29)	(18,180)	(25,752)
8300	**Total other comprehensive income for the year**		$ 72,722	$ 103,004
8500	**Total comprehensive loss for the year**		($ 1,742,796)	($ 2,997,080)
	Profit (loss), attributable to:			
8610	Owners of the parent		($ 1,818,470)	($ 3,100,211)
8620	Non-controlling interest		2,952	127
			($ 1,815,518)	($ 3,100,084)
	Comprehensive income attributable to:			
8710	Owners of the parent		($ 1,745,748)	($ 2,997,207)
8720	Non-controlling interest		2,952	127
			($ 1,742,796)	($ 2,997,080)
	Basic earnings per share	6(30)		
9750	**Total basic earnings per share**		($ 3.91)	($ 8.87)

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

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent									
			Capital surplus			Retained earnings					
	Notes	Share capital - common stock	Additional paid-in capital	Employee share options	Others	Legal reserve	Special reserve	Accumulated deficit	Total	Non-controlling interest	Total equity
2018											
Balance at January 1, 2018		$7,435,652	$ -	$ -	$ 1,965	$1,065,297	$3,190,349	($5,357,848)	$6,335,415	$ 43,669	$6,379,084
Profit (loss) for the year, net of tax		-	-	-	-	-	-	(3,100,211)	(3,100,211)	127	(3,100,084)
Other comprehensive income		-	-	-	-	-	-	103,004	103,004	-	103,004
Total comprehensive income (loss)		-	-	-	-	-	-	(2,997,207)	(2,997,207)	127	(2,997,080)
Reversal of special reserve	6(22)	-	-	-	-	-	(23,878)	23,878	-	-	-
Capital reduction to offset accumulated deficit	6(20)	(4,305,734)	-	-	-	-	-	4,305,734	-	-	-
Cash capital increase	6(20) and 7	600,000	1,926,000	-	-	-	-	-	2,526,000	-	2,526,000
Share-based payments	6(18)	-	-	77,550	-	-	-	-	77,550	-	77,550
Balance at December 31, 2018		$3,729,918	$1,926,000	$ 77,550	$ 1,965	$1,065,297	$3,166,471	($4,025,443)	$5,941,758	$ 43,796	$5,985,554
2019											
Balance at January 1, 2019		$3,729,918	$1,926,000	$ 77,550	$ 1,965	$1,065,297	$3,166,471	($4,025,443)	$5,941,758	$ 43,796	$5,985,554
Profit (loss) for the year, net of tax		-	-	-	-	-	-	(1,818,470)	(1,818,470)	2,952	(1,815,518)
Other comprehensive income		-	-	-	-	-	-	72,722	72,722	-	72,722
Total comprehensive income (loss)		-	-	-	-	-	-	(1,745,748)	(1,745,748)	2,952	(1,742,796)
Cash capital increase	6(20) and 7	1,000,000	1,329,550	(77,550)	-	-	-	-	2,252,000	-	2,252,000
Legal reserve used to offset accumulated deficit		-	-	-	-	(1,065,297)	-	1,065,297	-	-	-
Capital surplus used to offset accumulated deficit		-	(1,926,000)	-	(1,965)	-	-	1,927,965	-	-	-
Acquisition of ownership interests in subsidiaries	6(31) and 7	-	-	-	9,248	-	-	-	9,248	(46,748)	(37,500)
Balance at December 31, 2019		$4,729,918	$1,329,550	$ -	$ 9,248	$ -	$3,166,471	($2,777,929)	$6,457,258	$ -	$6,457,258

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

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		($ 1,808,910)	($ 3,338,941)
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit (gain) loss	12(2)	(1,276)	309,358
Depreciation of property, plant and equipment	6(6)(27)	552,089	547,334
Depreciation of right-of-use assets	6(7)(27)	237,744	-
Depreciation of investment property	6(9)	556	401
Amortization	6(10)(27)	16,158	17,396
Share of profit (loss) of investments accounted for using equity method	6(5)	31,084	2,653
Share-based payments	6(18)	-	77,550
Interest income	6(24)	(18,907)	(7,809)
Government grant income	6(24)	(11,396)	(11,206)
Loss on valuation of financial assets and liabilities at fair value through profit or loss	6(25)	108	2,838
Loss on disposal of property, plant and equipment	6(25)	44,602	3,742
Gain on disposal of investment properties	6(25)	-	(68,570)
Interest expense	6(26)	66,425	26,130
Changes in operating assets and liabilities			
Changes in operating assets			
Decrease (increase) in current contract assets		856,247	(594,182)
Decrease in notes receivable		-	5,790
(Increase) decrease in accounts receivable		(392,956)	157,690
(Increase) decrease in accounts receivable - related parties		(8,012)	24,976
(Increase) decrease in other receivables		(81,649)	93,795
Decrease (increase) in other receivables - related parties		67,127	(58,818)
(Increase) decrease in inventories		(486,778)	1,038,368
Increase in prepayments		(3,991,275)	(652,038)
Increase in other current assets		(13,562)	(1,579)
Changes in operating liabilities			
Decrease in financial liabilities at fair value through profit or loss		(108)	(3,118)
Increase in current contract liabilities		5,956,541	1,873,603
Decrease in notes payable		-	(15)
(Decrease) increase in notes payable - related parties		(143,364)	205,695
Increase (decrease) in accounts payable		381,041	(457,297)
Increase (decrease) in other payables		124,915	(201,470)
(Decrease) increase in provisions for liabilities - current		(909,975)	441,236
Increase (decrease) in receipts in advance		11,745	(87,730)
Increase in net defined benefit liability - non-current		38,964	51,422
Cash inflow (outflow) generated from operations		517,178	(602,796)
Interest received		18,861	7,774
Payment of interest		(56,539)	(69,215)
Income tax refund (paid)		750	(533)
Net cash flows from (used in) operating activities		480,250	(664,770)

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CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments accounted for using equity method	6(5)	($ 49,500)	($ 12,000)
Acquisition of property, plant and equipment	6(33)	(974,462)	(583,550)
Cash payments for acquiring investment properties	6(9)	-	(940)
Proceeds from disposal of investment properties		-	95,002
Acquisition of intangible assets	6(10)	(11,668)	(8,997)
Increase in refundable deposits		(73,203)	(45,711)
Decrease in refundable deposits		36,347	35,430
Net cash flows used in investing activities		(1,072,486)	(520,766)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term borrowings	6(34)	532,211	(997,634)
Increase (decrease) in short-term notes and bills payable	6(34)	1,699,563	(699,769)
Proceeds from long-term debt	6(34)	300,000	700,000
Repayments of long-term debt	6(34)	(150,765)	(499,520)
Repayments of principal portion of lease liabilities	6(34)	(214,694)	-
Increase in long-term deferred revenue	6(34)	145,238	-
Increase in guarantee deposit received	6(34)	236,469	135,006
Decrease in guarantee deposit received	6(34)	(173,456)	(122,692)
(Decrease) increase in other non-current liabilities	6(34)	(12,409)	273
Acquisition of ownership interests in subsidiaries	6(31) and 7	(37,500)	-
Cash capital increase	6(20)	2,252,000	2,526,000
Net cash flows from financing activities		4,576,657	1,041,664
Net increase (decrease) in cash and cash equivalents		3,984,421	(143,872)
Cash and cash equivalents at beginning of year	6(1)	137,942	281,814
Cash and cash equivalents at end of year	6(1)	$ 4,122,363	$ 137,942

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

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

(1) On May 1, 1946, Taiwan Machinery and Shipbuilding Company was established by the government, and then was divided into two companies 'Taiwan Machinery Corporation' and 'Taiwan Shipbuilding Corporation (TSBC)' to split the machinery and shipbuilding business for the purpose of management. In the late 1960s, the government built large shipyards in Xiaogang Kaohsiung where the current place of business for CSBC CORPORATION, TAIWAN (the "Company").

(2) In July 1973, China Shipbuilding Corporation was established by the government. In the early days, most of its labour and technique were supported by TSBC and they were both reverted to be the state - owned companies of Ministry of Economic Affairs. In January 1978, China Shipbuilding Corporation merged with TSBC and China Shipbuilding Corporation as the surviving company was the former of the Company. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the business of building, manufacturing and repairing of various ships and onshore equipment, ship coating, anti-corrosion coating on large steel structure, surface treatment and professional coating.

(3) On March 1, 2007, China Shipbuilding Corporation changed its name to CSBC Corporation, Taiwan.

(4) The Company is a listed company since December 22, 2008.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 20, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

A. IFRS 16, 'Leases'

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

(b) The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased both 'right-of-use asset' and 'lease liability' by $4,037,939 with respect to the lease contracts of lessees on January 1, 2019.

(c) The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

i. Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

ii. The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

iii. The exclusion of initial direct costs for the measurement of 'right-of-use asset'.

iv. The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(d) The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.21%.

(e) The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$	1,830,290
Add: Adjustments as a result of a different treatment of extension and termination options		2,821,382
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	$	4,651,672
Incremental borrowing interest rate at the date of initial application		1.21%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$	4,037,939

B. IFRIC 23, 'Uncertainty over income tax treatments'

This Interpretation clarifies when there is uncertainty over income tax treatments, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 , 'Income taxes' based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation.

C. Annual improvements to IFRSs 2015-2017 cycle

(a) Amendments to IAS 12, 'Income taxes'

The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. These requirements apply to all income tax consequences of dividends.

(b) Amendments to IAS 23, 'Borrowing costs'

The amendments clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7, 'Interest rate benchmark reform'	January 1, 2020

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non - current'	January 1, 2022

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

Amendments to IAS 1, 'Classification of liabilities as current or non-current'

The amendments clarify that classification of liabilities depends on the rights that exist at the end of the reporting period. An entity shall classify a liability as current when it does not have a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. Also, the amendments define 'settlement' as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. 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 loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

			% of shares held as of December 31,		
Name of investor	Name of Subsidiary	Main business activities	2019	2018	Description
CSBC CORPORATION, TAIWAN	CSBC Coating Solutions Co., Ltd.	Marine coating, steel structure painting works, surface treatment, and high-tech anti-corrosion	100	70	Note

Name of investor	Name of Subsidiary	Main business activities	% of shares held as of December 31, 2019	% of shares held as of December 31, 2018	Description
CSBC Coating Solutions Co., Ltd.	BLUE ACE CORPORATION	Marine coating, steel structure painting works, surface treatment, and high-tech anti-corrosion	100	100	
CSBC Coating Solutions Co., Ltd.	Blue Ocean Wind Power Engineering (Hong Kong) Limited	Marine works services	100	100	

Note: The Company acquired a 30% equity interest from non-controlling interests in September 2019, please refer to Notes 6(31) and 7(2)I for further information.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

The non-controlling interests are not material to the Group.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

D. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

(5) Classification of current and non-current items

A. The Company is engaged in the business of shipbuilding, vessel building, major machinery building and ship repairing such that the contractual periods of these projects are usually over one year. Therefore, the assets and liabilities of these projects are classified as current assets or liabilities if the period of the project is shorter than the operating cycle; otherwise they are classified as non-current assets or liabilities. The classification criteria of assets and liabilities that are not project related are as follows：Current assets include cash, the assets held for trading or the assets arising from operating activities that are expected to be consumed or to be realized within twelve months from the balance sheet date; fixed assets and other assets that are not classified as current assets are non-current assets. Current liabilities include the liabilities arising mainly from trading activities and are expected to be settled within twelve months from the balance sheet date. The liabilities that are not classified as current liabilities are non-current liabilities.

B. Classification of current and non-current items of the Company's subsidiaries is as follows:

(a) Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

i. Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

ii. Assets held mainly for trading purposes;

iii. Assets that are expected to be realised within twelve months from the balance sheet date;

iv. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

(b) Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

v. Liabilities that are expected to be settled within the normal operating cycle;

vi. Liabilities arising mainly from trading activities;

vii. Liabilities that are to be settled within twelve months from the balance sheet date;

viii. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(10) Leasing arrangements (lessor)-operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(11) Inventories

The perpetual inventory system is adopted for inventory recognition. Inventories are stated at cost. The cost is determined using the weighted-average method. At the end of period, inventories are evaluated at the lower of cost or 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 is based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses.

(12) Investments accounted for under the equity method - associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity are not recognised in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(13) Investment accounted for using equity method-joint ventures

Investment of joint arrangements are classified as joint ventures based on its contractual rights and obligations. Unrealised profits and losses arising from the transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. However, when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognised immediately. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Land improvements	5 ~ 50 years
Buildings and structures	8 ~ 65 years
Machinery and equipment	2 ~ 58 years
Transportation equipment	3 ~ 40 years
Leasehold improvements	3 ~ 14 years
Other equipment	2 ~ 14 years

(15) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable;

(b) Variable lease payments that depend on an index or a rate;

(c) Amounts expected to be payable by the lessee under residual value guarantees;

(d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

(c) Any initial direct costs incurred by the lessee; and

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Operating leases (lessor)

Prior to 2019

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 60 years.

(18) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 5 years.

(19) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(20) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(21) Accounts and notes payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) 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.

(23) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(24) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(25) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(26) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(27) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, employees' training costs and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(28) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(29) Revenue recognition

A. The revenues from construction contracts in relation to shipbuilding, vessel construction and machinery manufacturing are identified to be one performance obligation satisfied over time and are recognised by the percentage-of-completion as of the financial reporting date. The percentage-of-completion is measured based on the percentage of the workload completed to the total expected workload of the contracts. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

B. The revenues from service contract in relation to ship/vessel repairs and anti-corrosion coating are identified to be one performance obligation satisfied over time and are recognised by the percentage-of-completion as of the financial reporting date. The percentage-of-completion is measured based on the percentage of the actual cost incurred to the total expected cost of the contracts. At the beginning of the contract period, as the Group may find it difficult to estimate the result of obligation performance, it estimates the actual cost incurred for performing obligations which could be recovered. The contract revenue should be recognised only to the extent of actual costs incurred until the result of obligation performance could by measured reasonably.

C. The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

D. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, according to the agreements, the Group does not adjust the transaction price to reflect the time value of money.

(30) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Construction contracts

The Group recognises construction contract revenue and costs using the percentage-of-completion method, wherein the revenue to be recognised is equal to the percentage of completed work out of the total estimated work.

Assumptions for estimated construction cost include cost for equipment, material, labor and etc. Data used for assumptions involves subjective judgement and accounting estimates and are highly uncertain. As a result, assumptions used are material to the total construction cost and further affects the calculation of construction profit.

If the estimated total contract costs had increased/ decreased by 1% with all other variables held constant, construction profit for the year ended December 31, 2019 would have decreased by $363,393 or increased by $474,150 (the construction profit for the year ended December 31, 2018 would have decreased by $362,115 or increased by $342,402).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and revolving funds	$ 500	$ 350
Checking accounts and demand deposits	2,043,630	101,892
Time deposits	2,078,233	35,700
	$ 4,122,363	$ 137,942

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

(2) Accounts receivable, net

	December 31, 2019	December 31, 2018
Construction receivables	$ 1,303,160	$ 1,053,963
Repair receivables	309,585	165,826
	1,612,745	1,219,789
Less: Allowance for doubtful accounts	(319,088)	(319,599)
	$ 1,293,657	$ 900,190
Accounts receivable - related parties	$ 8,012	$ -

A. As of December 31, 2019 and 2018, accounts receivable was all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to $1,408,245.

B. As at December 31, 2019 and 2018, with taking into account collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group' accounts receivable(including related parties) was $1,301,669 and $900,190, respectively.

C. As of December 31, 2019 and 2018, the Group's past due construction receivables amounted to $463,765 and $791,924, respectively, which will be collected when ships are delivered based on mutual agreement.

D. Information relating to credit risk is provided in Note 12(2).

(3) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,817,690	($ 45,288)	$ 1,772,402
Work in process and repair of goods	52,190	-	52,190
	$ 1,869,880	($ 45,288)	$ 1,824,592

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,286,729	($ 33,993)	$ 1,252,736
Work in process and repair of goods	85,078	-	85,078
	$ 1,371,807	($ 33,993)	$ 1,337,814

The amount of inventories recognised as expense for the years ended December 31, 2019 and 2018 is as follows:

	Years ended December 31,	
	2019	2018
Raw materials costs	$ 6,885,350	$ 7,748,084
Loss (gain) from reversal of obsolete inventories	11,295	(869)
	$ 6,896,645	$ 7,747,215

The Group reversed a previous inventory write-down and accounted for this transaction as a reduction of expenses because the related inventory items were scrapped or sold in 2018.

(4) Prepayments

	December 31, 2019	December 31, 2018
Prepayments of suppliers	$ 5,224,592	$ 1,193,643
Excess VAT paid	5,050	64,889
Other prepayments	39,963	19,798
	$ 5,269,605	$ 1,278,330

(5) Investments accounted for under equity method

A. Details of investments accounted for under equity method are as follows:

	2019	2018
At January 1	$ 10,992	$ 1,645
Additional investments accounted for using the equity method	49,500	12,000
Share of profit or loss of investments accounted for using the equity method	(31,084)	(2,653)
At December 31	$ 29,408	$ 10,992

	December 31, 2019	December 31, 2018
Associates:		
Taiwan International Windpower Training Corporation Ltd. (Note 1)	$ 10,570	$ 10,992
Taiwan Offshore Wind Farm Services Corporation (Note 2)	-	-
Fuhai Wind Farm Corporation (Note 3)	-	-
Joint Ventures:		
CSBC - DEME Wind Engineering Co., Ltd. (Note 4)	18,838	-
	$ 29,408	$ 10,992

Note 1: On May 11, 2018, with reporting to the Board of Directors for future reference, the Group, Taiwan International Ports Corporation, Ltd. and other companies jointly established Taiwan International Windpower Training Corporation Ltd. for investment. The Group owns 12% of the investee's share capital and one seat in the Board of Directors of the investee.

Note 2: On March 21, 2014, the Board of Directors has resolved that the Group and Taiwan Generations Corporation would jointly establish Taiwan Offshore Wind Farm Services Corporation. The Company has acquired 40% of share capital in September 2014. The Group has ceased recognising its share of losses in this company since the fourth quarter of 2018 and the unrecognised share of losses in associate for the year ended December 31, 2019 and accumulated share of losses in associate amounted to $3,323 and $3,904, respectively.

Note 3: On August 9, 2016, the Board of Directors resolved to invest in Fuhai Wind Farm Corporation and obtained 37.97% of ownership shares. The Group has ceased recognising its share of losses in this company since the third quarter of 2017 and the unrecognised share of losses in associate for the year ended December 31, 2019 and accumulated share of losses in associate amounted to $21,464 and $58,682, respectively.

Note 4: On September 12, 2018, the Company's Board of Directors during their meeting resolved to jointly invest in CSBC-DEME Wind Engineering Co., Ltd. with DEME Offshore Holding N.V. (formerly named GeoSea N.V.). The Group held 50.0001% equity interests in CSBC-DEME Wind Engineering Co., Ltd., and the Board of Directors adopts unanimity rule to make resolutions under the Company's Articles of Incorporation.

On January 15, 2020, the Company's Board of Directors resolved to jointly increase investments in CSBC-DEME Wind Engineering Co., Ltd. with DEME Offshore Holding N.V. for building a marine installation vessel in order to implement maritime engineering business. The total capital reequipment is $2.1 billion, and this capital increase has not been resolved by the Board of Directors of CSBC-DEME Wind Engineering Co., Ltd.

B. The Group's share of the operating results in all individually immaterial associates are summarized below:

	Years ended December 31,	
	2019	2018
Loss for the year from continuing operations	($ 422)	($ 2,653)
Other comprehensive income - net of tax	-	-
Total comprehensive loss	($ 422)	($ 2,653)

C. Share of the operating results of the Group's individually immaterial joint ventures is summarised below:

	Years ended December 31,	
	2019	2018
Loss for the year from continuing operations	($ 30,662)	$ -
Other comprehensive income - net of tax	-	-
Total comprehensive loss	($ 30,662)	$ -

D. The Group had impairment loss in investments accounted for using equity method as the carrying amount exceeds recoverable amount. As of December 31, 2019 and 2018, the accumulated impairment loss amounted to $124,915 for both years.

(6) Property, plant and equipment

	Land	Land improvements	Buildings and structures	Machinery and equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress	Total
At January 1, 2019									
Cost	$ 6,096,033	$ 999,572	$ 7,643,527	$ 9,969,128	$ 942,466	$ 1,073,622	$ 147,429	$ 509,722	$ 27,381,499
Accumulated depreciation and impairment	-	(709,693)	(6,669,655)	(8,013,082)	(575,893)	(731,133)	(100,720)	-	(16,800,176)
	$ 6,096,033	$ 289,879	$ 973,872	$ 1,956,046	$ 366,573	$ 342,489	$ 46,709	$ 509,722	$ 10,581,323
2019									
Opening net book amount as at January 1	$ 6,096,033	$ 289,879	$ 973,872	$ 1,956,046	$ 366,573	$ 342,489	$ 46,709	$ 509,722	$ 10,581,323
Additions	-	-	-	20,359	1,676	134	1,660	950,950	974,779
Disposals - costs	-	(1,140)	(210,994)	(251,593)	(11,525)	-	(2,289)	-	(477,541)
Reclassifications - costs (Note)	-	120,271	95,270	358,614	624,059	-	5,724	(1,207,838)	(3,900)
Depreciation charge	-	(40,475)	(104,544)	(287,622)	(59,491)	(48,734)	(11,223)	-	(552,089)
Disposals - accumulated depreciation	-	1,025	192,726	225,414	11,524	-	2,251	-	432,940
Closing net book amount as at December 31	$ 6,096,033	$ 369,560	$ 946,330	$ 2,021,218	$ 932,816	$ 293,889	$ 42,832	$ 252,834	$ 10,955,512
At December 31, 2019									
Cost	$ 6,096,033	$ 1,118,703	$ 7,527,803	$ 10,096,508	$ 1,556,676	$ 1,073,756	$ 152,524	$ 252,834	$ 27,874,837
Accumulated depreciation and impairment	-	(749,143)	(6,581,473)	(8,075,290)	(623,860)	(779,867)	(109,692)	-	(16,919,325)
	$ 6,096,033	$ 369,560	$ 946,330	$ 2,021,218	$ 932,816	$ 293,889	$ 42,832	$ 252,834	$ 10,955,512

Note: Refer to the reclassifications to investment property and related information is provided in Note 6(9).

	Land	Land improvements	Buildings and structures	Machinery and equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress	Total
At January 1, 2018									
Cost	$ 6,096,033	$ 999,776	$ 7,630,625	$ 9,909,253	$ 947,159	$ 1,072,631	$ 146,569	$ 104,149	$ 26,906,195
Accumulated depreciation and impairment	-	(678,873)	(6,561,875)	(7,791,377)	(536,589)	(682,437)	(91,280)	-	(16,342,431)
	$ 6,096,033	$ 320,903	$ 1,068,750	$ 2,117,876	$ 410,570	$ 390,194	$ 55,289	$ 104,149	$ 10,563,764
2018									
Opening net book amount as at January 1	$ 6,096,033	$ 320,903	$ 1,068,750	$ 2,117,876	$ 410,570	$ 390,194	$ 55,289	$ 104,149	$ 10,563,764
Additions	-	-	-	1,584	-	991	85	565,975	568,635
Disposals - costs	-	(204)	(2,099)	(82,581)	(6,373)	-	(2,074)	-	(93,331)
Reclassifications - costs	-	-	15,001	140,872	1,680	-	2,849	(160,402)	-
Depreciation charge	-	(31,024)	(108,091)	(302,349)	(45,668)	(48,696)	(11,506)	-	(547,334)
Disposals - accumulated depreciation	-	204	311	80,644	6,364	-	2,066	-	89,589
Closing net book amount as at December 31	$ 6,096,033	$ 289,879	$ 973,872	$ 1,956,046	$ 366,573	$ 342,489	$ 46,709	$ 509,722	$ 10,581,323
At December 31, 2018									
Cost	$ 6,096,033	$ 999,572	$ 7,643,527	$ 9,969,128	$ 942,466	$ 1,073,622	$ 147,429	$ 509,722	$ 27,381,499
Accumulated depreciation and impairment	-	(709,693)	(6,669,655)	(8,013,082)	(575,893)	(731,133)	(100,720)	-	(16,800,176)
	$ 6,096,033	$ 289,879	$ 973,872	$ 1,956,046	$ 366,573	$ 342,489	$ 46,709	$ 509,722	$ 10,581,323

A. Amount of borrowing costs capitalised as part of property, plant and equipment are as follows:

	Years ended December 31,	
	2019	2018
Amount capitalised	$ 2,692	$ 563
Interest rate	0.88%~2.30%	0.86%~2.06%

B. Significant components and the useful lives of land improvements, buildings, and machinery equipment of the Group are as follows:

(a) The significant components of land improvements include construction expenses for wharf, which are depreciated over 45 years.

(b) The significant components of buildings include shipyard, plants and warehouse, and office buildings, which are depreciated over 40, 45 and 60 years, respectively.

(c) The significant components of machinery equipment include hoisting machine, crane and substation as well as carriers, welding machine, dehumidifier and working platform, which are depreciated over 25, 20 and 10 years, respectively.

C. The Group's property, plant and equipment all were acquired for self-use and were not pledged to others as collateral.

(7) Lease transactions－lessee

Effective 2019

A. The Group leases various assets including land, buildings and terminal equipment. Rental contracts are typically made for periods of 3 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes and may not affect the ownership of the lessor.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2019	Year ended December 31, 2019	January 1, 2019
	Book value	Depreciation expense	Book value
Land	$ 3,460,728	$ 168,378	$ 3,625,166
Buildings	102,842	12,792	115,130
Transportation equipment (terminal equipment)	241,893	56,574	297,643
	$ 3,805,463	$ 237,744	$ 4,037,939

C. For the year ended December 31, 2019, the additions to right-of-use assets was $5,268.

D. Information on profit or loss in relation to lease contracts is as follows:

	Year ended December 31, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 47,572
Expense on short-term lease contracts	14,348
Expense on leases of low-value assets	738

E. For the year ended December 31, 2019, the Group's total cash outflow for leases was $262,266.

(8) Leasing arrangements – lessor

Effective 2019

A. The Group leases various assets including land and buildings. Rental contracts are typically made for periods of 2 and 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To secure the use of the leased assets, the leased assets may not be used to sublease, sublet, lend, donate, sell or grant to others under any method.

B. For the year ended December 31, 2019, the Group recognised rent income in the amount of $9,975, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2019
Less than 1 year	$ 6,222
Later than one year but not later than five years	4,301
	$ 10,523

(9) Investment property, net

	Land	Buildings and structures	Total
At January 1, 2019			
Cost	$ 200,486	$ 25,845	$ 226,331
Accumulated depreciation and impairment	-	(18,169)	(18,169)
	$ 200,486	$ 7,676	$ 208,162
2019			
Opening net book amount as at January 1	$ 200,486	$ 7,676	$ 208,162
Additions - from subsequent expenditures (Note)	-	3,900	3,900
Depreciation charge	-	(556)	(556)
Closing net book amount as at December 31	$ 200,486	$ 11,020	$ 211,506
At December 31, 2019			
Cost	$ 200,486	$ 29,745	$ 230,231
Accumulated depreciation and impairment	-	(18,725)	(18,725)
	$ 200,486	$ 11,020	$ 211,506

Note: Refer to the reclassifications from property, plant and equipment and related information is provided in Note 6(6).

	Land	Buildings and structures	Total
At January 1, 2018			
Cost	$ 226,918	$ 24,905	$ 251,823
Accumulated depreciation and impairment	-	(17,768)	(17,768)
	$ 226,918	$ 7,137	$ 234,055
2018			
Opening net book amount as at January 1	$ 226,918	$ 7,137	$ 234,055
Additions - from subsequent expenditures	-	940	940
Disposals	(26,432)	-	(26,432)
Depreciation charge	-	(401)	(401)
Closing net book amount as at December 31	$ 200,486	$ 7,676	$ 208,162
At December 31, 2018			
Cost	$ 200,486	$ 25,845	$ 226,331
Accumulated depreciation and impairment	-	(18,169)	(18,169)
	$ 200,486	$ 7,676	$ 208,162

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	Years ended December 31,	
	2019	2018
Rental income from the lease of the investment property	$ 9,975	$ 8,641
Direct operating expenses arising from the investment property that generate rental income in the period	$ 1,372	$ 1,410
Direct operating expenses arising from the investment property that did not generate rental income in the period	$ -	$ -

B. The fair value of the investment property held by the Group as at December 31, 2019 and 2018 were $651,134 and $667,855, respectively, which was revalued by independent valuers. Valuations were made using the comparison method, cost method for land development analysis and the income approach.

(10) Intangible assets

Software:

	Years ended December 31,	
	2019	2018
At January 1		
Cost	$ 49,854	$ 57,952
Accumulated amortisation and impairment	(35,243)	(34,942)
	$ 14,611	$ 23,010
Opening net book amount as at January 1	$ 14,611	$ 23,010
Additions - acquired separately	11,668	8,997
Disposals - costs	(36,825)	(17,095)
Amortisation charge	(16,158)	(17,396)
Disposals - accumulated amortisation	36,825	17,095
Closing net book amount as at December 31	$ 10,121	$ 14,611
At December 31		
Cost	$ 24,697	$ 49,854
Accumulated amortisation and impairment	(14,576)	(35,243)
	$ 10,121	$ 14,611

Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2019	2018
Operating costs	$ 16,148	$ 17,382
Administrative expenses	10	14
	$ 16,158	$ 17,396

(11) Short-term loans

Type of loans	December 31, 2019	Interest rate range	Collateral
Bank overdrafts	$ 1,954	1.57%	None
Bank loans			
Unsecured loans	1,800,000	0.91%～1.06%	None
Procurement unsecured loans	20,407	0.40%～2.53%	None
	$ 1,822,361		

Type of loans	December 31, 2018	Interest rate range	Collateral
Bank overdrafts	$ 270,072	1.01%～1.57%	None
Bank loans			
Unsecured loans	1,000,000	0.90%～0.98%	None
Procurement unsecured loans	20,078	0.32%～3.65%	None
	$ 1,290,150		

(12) Short-term notes and bills payable

	December 31, 2019	December 31, 2018
Commercial papers payable	$ 1,700,000	$ -
Less: Unamortized discount	(437)	-
	$ 1,699,563	$ -
Annual interest rates	0.61%～0.84%	-

The above commercial paper payables are guaranteed and issued by MEGA Bills Finance Co., Ltd., Ta Ching Bills Finance Corporation, China Bills Finance Corporation and International Bill Finance Corporation.

(13) Other payables

	December 31, 2019	December 31, 2018
Accrued expenses	$ 1,118,546	$ 1,001,758
Construction payment refund	45,905	45,588
Others	28,535	21,917
	$ 1,192,986	$ 1,069,263

(14) Provisions

	Warranty	Onerous contracts	Total
At January 1, 2019	$ 215,792	$ 2,311,767	$ 2,527,559
Additional provisions	419,265	637,025	1,056,290
Used during the year	(125,213)	(1,808,985)	(1,934,198)
Unused amounts reversed	(10,357)	(21,710)	(32,067)
At December 31, 2019	$ 499,487	$ 1,118,097	$ 1,617,584

The analysis of provisions is as follows:

	December 31, 2019	December 31, 2018	January 1, 2018
Realised in one year	$ 732,693	$ 547,519	$ 784,260
Realised after one year	884,891	1,980,040	1,302,063
	$ 1,617,584	$ 2,527,559	$ 2,086,323

A. Provision for warranty

The Group gives warranties on contracts revenue in relation to shipbuilding, vessel construction and anti-corrosion coating. Provision for warranty is estimated based on historical warranty data of products.

B. Provision for onerous contract

Under the irrevocable contracts of shipbuilding, vessel construction and anti-corrosion coating, the Group's estimated provision for onerous contract is the difference between the inevitable cost of existing obligations to be performed in the future and the expected economic benefits from the contracts. The estimated provision may change with the actual construction situation.

(15) Long-term borrowings

	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2019
Long-term bank borrowings				
Unsecured borrowings				
Bank of Taiwan	Borrowing period is from Jun. 22, 2017 to Jun. 22, 2022; principal is repayable in 4 installments beginning in the 4th year.	1.36%	None	$ 2,000,000
Taiwan Business Bank	Borrowing period is from Mar. 12, 2018 to Mar. 12, 2023; principal is repayable in 5 installments after 2.5 years .	1.30%	None	700,000
				2,700,000
Commercial papers payable				
International Bills Finance Corporation	Borrowing period is from Jun 22, 2017 to Jun. 22, 2021. Details are set out below.	0.63%	None	350,000
Taishin International Bank	Borrowing period is from Jun. 22, 2017 to Dec. 20, 2021. Details are set out below.	0.68%	None	800,000
China Bills Finance Corporation	Borrowing period is from Sep. 26, 2017 to Oct. 27, 2021. Details are set out below.	0.66%	None	1,000,000
Mega Bills Finance Co., Ltd.	Borrowing period is from Sep. 26, 2017 to Dec. 15, 2021. Details are set out below.	0.72%	None	1,000,000
Less: Discount on commercial papers payable				(2,228)
				3,147,772
				5,847,772
Less: Long-term borrowings, current portion				(500,000)
				$ 5,347,772

	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2018
Long-term bank borrowings				
Unsecured borrowings				
Bank of Taiwan	Borrowing period is from Jun. 22, 2017 to Jun. 22, 2022; principal is repayable in 4 installments beginning in the 4th year.	1.36%	None	$ 2,000,000
Taiwan Business Bank	Borrowing period is from Mar. 12, 2018 to Mar. 12, 2023; principal is repayable in 5 installments after 2.5 years .	1.30%	None	700,000
				2,700,000
Commercial papers payable				
International Bills Finance Corporation	Borrowing period is from Jun 22, 2017 to Jun. 22, 2021. Details are set out below.	0.57%	None	500,000
Taishin International Bank	Borrowing period is from Jun. 22, 2017 to Dec. 15, 2021. Details are set out below.	0.62% ~ 0.63%	None	800,000
China Bills Finance Corporation	Borrowing period is from Sep. 26, 2017 to Oct. 27, 2021. Details are set out below.	0.57% ~ 0.62%	None	850,000
Mega Bills Finance Co., Ltd.	Borrowing period is from Sep. 26, 2017 to Dec. 15, 2021. Details are set out below.	0.65% ~ 0.66%	None	850,000
Less: Discount on commercial papers payable				(1,463)
				2,998,537
				$ 5,698,537

The Group entered into an agreement for recurring issuance (maturity of 60~180 days) of certificates and dealership of commercial papers with the bill finance companies. During the contract term of 3~4 years, the Group is only liable for the service fees and interest and thus the commercial papers payable is included in long-term borrowings.

(16) Government grants

A. The Republic of China Government started to promote privatization starting from 2008. The Privatization Fund, Executive Yuan, would provide a loan in the amount of $1,500,000 to cover a portion of the shortfall to settle the pension and severance obligation as a result of the privatization. The Group was required to repay the loan to the Privatization Fund in a period of ten years, under the condition that the Company is profitable. The Company extended the repayment period to 2026 as approved by the Executive Yuan. The Group uses the average long-term loan interest rate on the loan for discounting. The discounted values are recorded under "long-term notes payable and payables". The difference between the discounted value and the amount received is listed in "deferred revenue". The amounts that are payable within one year are listed in "other financial liabilities-current". The unamortised amounts are shown below:

	December 31, 2019	December 31, 2018
Long-term notes and accounts receivable	$ 681,757	$ 670,361
Long-term deferred revenue	59,743	71,139
	$ 741,500	$ 741,500

B. Government grants and interest expenses that should be amortised are recognised under 'other revenue' and 'finance costs', respectively, for the years December 31, 2019 and 2018. For more information, please refer to Notes 6(24) and (26).

(17) Pension

A. (a)The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 15% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. The Company has assessed that the balance is sufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year.

(b)The amounts recognised in the balance sheet are as follows:

	December 31, 2019	December 31, 2018
Present value of funded obligations	($ 1,666,395)	($ 1,576,173)
Fair value of plan assets	1,623,965	1,481,805
Net defined benefit liability	($ 42,430)	($ 94,368)

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2019			
Balance at January 1	($ 1,576,173)	$ 1,481,805	($ 94,368)
Current service cost	(158,480)	-	(158,480)
Interest (expense) income	(27,223)	26,739	(484)
	(1,761,876)	1,508,544	(253,332)
Remeasurements:			
Return on plan assets	-	39,150	39,150
Change in financial assumptions	(4,509)	-	(4,509)
Experience adjustments	56,261	-	56,261
	51,752	39,150	90,902
Pension fund contribution	-	120,000	120,000
Paid pension	43,729	(43,729)	-
Balance at December 31	($ 1,666,395)	$ 1,623,965	($ 42,430)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	($ 1,516,485)	$ 1,344,783	($ 171,702)
Current service cost	(169,651)	-	(169,651)
Interest (expense) income	(26,204)	24,433	(1,771)
	(1,712,340)	1,369,216	(343,124)
Remeasurements:			
Return on plan assets	-	28,302	28,302
Experience adjustments	100,454	-	100,454
	100,454	28,302	128,756
Pension fund contribution	-	120,000	120,000
Paid pension	35,713	(35,713)	-
Balance at December 31	($ 1,576,173)	$ 1,481,805	($ 94,368)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2019	2018
Discount rate	1.50%	1.75%
Future salary increases	3.25%	3.50%

Future mortality rate is estimated with 70% of the 3rd Taiwan Standard Ordinary Experience Mortality Table. The disability rate is set based on 10% of mortality rate.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Effect on present value of defined benefit obligation				
December 31, 2019	($ 38,081)	$ 39,320	$ 34,600	($ 33,750)
December 31, 2018	($ 38,294)	$ 39,606	$ 35,124	($ 34,206)

The sensitivity analysis above is based on other conditions thate are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amounts to $129,536.

(g) As of December 31, 2019, the weighted average duration of the defined benefit obligations is 9 years. The distribution of the present value of expected defined benefit obligations (within 10 years) is as follows:

For the year ended December 31, 2019	$	83,068
For the year ended December 31, 2020		57,953
For the year ended December 31, 2021		110,271
For the year ended December 31, 2022		1,752,095
For the year ended December 31, 2023		1,768,628
For the year ended December 31, 2024		1,768,883
For the year ended December 31, 2025		1,723,018
For the year ended December 31, 2026		1,705,473
For the year ended December 31, 2027		1,572,995
For the year ended December 31, 2028		1,223,650

Note: The same person who meets the retirement conditions will calculate the present value of expected defined benefit obligations in each subsequent year until he/she meets the mandatory retirement age of 65.

B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018 were $104,491 and $100,006, respectively.

(18) Share-based payment

A. For the year ended December 31, 2018, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Cash capital increase reserved for employee preemption	2018.12.17	15 million shares	NA	Vested immediately

For the year ended December 31, 2019, the Group's share-based payment arrangements: None.

The above share-based payment arrangements are settled by equity.

B. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Cash capital increase reserved for employee preemption	2018.12.17	27.60 dollars	22.52 dollars	45.79% (Note)	30days	-	0.42%	5.17 dollars

Note: The expected price volatility was calculated from the grant date by using the annual standard deviation of the Company's return on the stock from June 18, 2018 to December 17, 2018 as assumption.

C. Expenses incurred on share-based payment transactions were settled by equity amounting to $77,550 for the year ended December 31, 2018 and no expenses were incurred for the year ended December 31, 2019.

(19) Analysis of assets and liabilities

Assets and liabilities of the Group related to the business of shipbuilding, vessel building, major machinery and ship repair, are classified as current or non-current based on the operating cycle. However, such assets and liabilities were analyzed on "one year" basis as follows:

	Less than 12 months	More than 12 months	Total
December 31, 2019			
Assets	$ 5,580,023	$ 7,110	$ 5,587,133
Contract assets (including related parties)	1,298,696	-	1,298,696
Accounts receivable, net (including related parties)	1,824,592	-	1,824,592
Inventories, net	$ 8,703,311	$ 7,110	$ 8,710,421
Liabilities			
Contract liabilities (including related parties)	$ 645,195	$ 8,053,779	$ 8,698,974
Notes payable (including related parties)	285,404	-	285,404
Accounts payable	984,564	-	984,564
Provision for liabilities	731,482	884,015	1,615,497
	$ 2,646,645	$ 8,937,794	$ 11,584,439

	Less than 12 months		More than 12 months		Total
December 31, 2018					
Assets	$	6,049,380	$ 543,561	$	6,592,941
Contract assets (including related parties)		889,299	-		889,299
Accounts receivable, net (including related parties)		1,337,814	-		1,337,814
Inventories, net	$	8,276,493	$ 543,561	$	8,820,054
Liabilities					
Contract liabilities (including related parties)	$	258,846	$ 2,492,028	$	2,750,874
Notes payable (including related parties)		428,768	-		428,768
Accounts payable		677,088	-		677,088
Provision for liabilities		545,558	1,980,040		2,525,598
	$	1,910,260	$ 4,472,068	$	6,382,328

(20) Common stock

A. As of December 31, 2019, the Company's authorised capital was $11,138,997, consisting of 1,113,899.7 thousand shares of ordinary stock and the paid-in capital was $4,729,918 with a par value of NT$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

Shares in thousands

	2019	2018
At January 1	372,992	743,565
Cash capital increase	100,000	-
Capital reduction to offset company losses	-	(430,573)
Cash capital increase - private placement	-	60,000
At December 31	472,992	372,992

B. The Company's special shareholders' meeting has approved the proposal regarding deficit compensation through capital reduction on December 21, 2017. The capital will be reduced by $4,305,734, consisting of 430,573 thousand shares and equivalent to 57.91% of paid-in capital. Meanwhile, the shareholders also approved the proposal for private placement in cash of less than 200,000 thousand share of common stock on the same date.

According to the resolution at the special shareholders' meeting, the private placement will be held in multiple times within one year, for at least three times. The first issuance is expected to be 100,000 thousand shares. The investors in this private placement is entitled to the same rights and obligations as those of outstanding shares except that they cannot freely transfer the shares within 3 years of settlement unless under certain circumstances pursuant to Article 43-8 of Securities and Exchange Act. Under the resolution, the Board of Directors are authorised to file for listing the ordinary shares in private placement with the competent authority after 3 years of settlement.

The record date for capital reduction resolved by the Board of Directors at their meeting on May 4, 2018 was May 10, 2018. In addition, the record date for the first time private placement for capital increase resolved by the Board of Directors at their meeting on May 11, 2018 was May 25, 2018. The amount of capital raised through the private placement was $2,526,000 by issuing common stock amounting to 60 million shares at premium of NT$42.10 per share, of which the government related entity, Financing Investment Venture Capital, and the management committee of Yaohua Glass Corp., Ltd. each subscribed 30 million shares amounted to $1,263,000.

The aforementioned interim proposal for deficit compensation through capital deduction was approved by Financial Supervisory Commission pursuant to Jin-Guan-Zheng-Fa-Zi Letter No.1060051278 dated January 17, 2018. The Company has completed the registration of the capital decrease and capital increase by issuing new shares at Ministry of Economic Affairs (MOEA).

In addition, the term of the aforementioned capital increase through private placement resolved by the stockholders at the interim stockholders' meeting will expire soon and the remaining quota will be stopped processing in the remaining period as resolved by the Board of Directors at their meeting on November 9, 2018.

C. In order to fulfil its capital and repay the bank loans, as resolved by the Board of Directors on August 10, 2018, the Company conducted a public offering for cash capital increase by issuing common stock, which was approved by Financial Supervisory Commission pursuant to Jin-Guan-Zheng-Fa-Zi Letter No. 1070339392 dated November 19, 2018. The amount of capital raised was $2.252 billion by issuing common stock amounting to 100 million shares at a par value of NT$22.52 per share. In addition, the public offering completion date and record date for capital increase was January 31, 2019 and relevant registration procedures are still in process.

The abovementioned capital increase was subscribed by the Company's legal entity directors, CPC Corporation, Taiwan and China Steel Corporation's subsidiary, China Steel Express Corporation, in the amount of $89,645 and $35,121, equivalent to 3,981 thousand shares and 1,560 thousand shares, respectively. In addition, the government related parties, National Defense Industrial Development Foundation, Yao Hua Glass Co., Ltd., Management Committee and Financing Investment Venture Capital participated in the capital increase in the amount of $563,000, $135,848 and $135,848, equivalent to 25,000 thousand shares, 6,032 thousand shares, and 6,032 thousand shares, respectively.

(21) Capital reserve

Pursuant to the R.O.C. Company Law, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks 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. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(22) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance. Appropriation of the remainder shall be proposed by the Board of Directors and resolved by the stockholders.

B. The Company's dividend policy is summarized below:

As the Company operates in a volatile business environment and is in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's financial structure, operating results and future expansion plans. According to the dividend policy adopted by the Board of Directors, at least 10% of the Company's distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.

C. Except for covering accumulated deficit or increasing capital, the legal reserve shall not be used for any other purpose. Capitalization of the legal reserve is permitted, provided that the balance of the reserve exceeds 50% of the Company's paid-in capital and the amount capitalized does not exceed 25% of the balance of the reserve.

D. a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

b) The amounts previously set aside by the Company as special reserve amounting to $3,201,365 on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

c) The Company disposed land in 2013 and 2018. Therefore, the Company reversed special reserve of $34,894 to undistributed earnings.

E. The proposal for deficit compensation for the years ended December 31, 2018 and 2017 was resolved by the stockholders at the regular stockholders' meeting on June 26, 2019 and June 28, 2018, respectively. Dividends will not be distributed to stockholders due to the deficit compensation at the end of the year.

On March 20, 2020, the Board of Directors has proposed the deficit compensation for year 2019.

(23) Operating revenue

The Group's operating revenue is from contracts with customers.

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time in the following major product types:

	Years ended December 31, 2019	Years ended December 31, 2018
Construction of ships and vessels		
Shipbuilding	$ 8,561,544	$ 10,355,714
Vessel construction	6,741,681	1,465,670
	15,303,225	11,821,384
All other segments		
Ship/vessel repair	829,595	976,476
Machinery building	98,155	85,605
Anti-corrosion coating	291,966	120,698
Others	17,958	8,163
	1,237,674	1,190,942
	$ 16,540,899	$ 13,012,326

B. Contract assets and liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

	December 31, 2019	December 31, 2018	January 1, 2018
Contract assets	$ 4,910,129	$ 4,464,528	$ 6,065,535
Contract assets - related parties	1,083,531	2,385,379	190,190
	5,993,660	6,849,907	6,255,725
Less: Loss allowance	(194,713)	(195,478)	(190,190)
	$ 5,798,947	$ 6,654,429	$ 6,065,535
Contract liabilities	$ 8,670,827	$ 2,751,268	$ 590,575
Contract liabilities - related parties	36,982	-	287,090
	$ 8,707,809	$ 2,751,268	$ 877,665

Please refer to Note 7 for related party transactions.

Revenue recognised that was included in the contract liability balance at the beginning of the period

The Group had a contract liability balance at the beginning of the period, of which $1,452,697 and $877,665 was recognised as revenue for the years ended December 31, 2019 and 2018, respectively.

C. As of December 31, 2019, the total transaction price allocated to unfulfilled contract obligations was $73,273,144 and this amount would be recognised as revenue gradually with the completion process of shipbuilding, vessel construction and anti-corrosion coating. The shipbuilding, vessel construction and anti-corrosion coating are expected to be completed during the period from January 2020 to November 2025.

(24) Other income

	Years ended December 31,	
	2019	2018
Rental revenue	$ 9,975	$ 9,141
Interest income:		
Interest income from bank deposits	18,907	7,809
Government grant revenue	11,396	11,206
Indemnity revenue	21,162	37,564
Others	58,806	21,710
	$ 120,246	$ 87,430

(25) Other gains and losses

	Years ended December 31,	
	2019	2018
Gains on disposal of investment property	$ -	$ 68,570
Loss on financial assets and liabilities at fair value through profit or loss	(108)	(2,838)
Foreign exchange (losses) gains	(47,377)	57,217
Losses on disposal of property, plant and equipment	(44,602)	(3,742)
Other losses (Note)	(33,420)	(99,198)
	($ 125,507)	$ 20,009

Note: Details of loss on endorsements and guarantees are provided in Notes 7 and 9(7).

(26) Finance costs

	Years ended December 31,	
	2019	2018
Interest expense:		
Bank loans	$ 89,321	$ 70,608
Lease liability	47,572	-
Expenses amortised from government grants payable	11,396	11,206
Less: Capitalisation of qualifying assets	(81,864)	(55,684)
	$ 66,425	$ 26,130

(27) Expenses by nature

	Years ended December 31,	
	2019	2018
Change in inventory of finished goods and work in process	$ 1,110,979	$ 629,313
Direct materials	6,885,350	7,748,084
Employee benefit expense	3,653,707	3,700,666
Depreciation and amortisation charges	805,991	564,730
Professional service fees	2,561,748	959,380
Outsourcing fees	1,793,976	1,627,930
Other expenses	1,435,288	1,199,820
Operating costs and expenses	$ 18,247,039	$ 16,429,923

(28) Employee benefit expense

	Years ended December 31,	
	2019	2018
Wages and salaries	$ 3,062,588	$ 3,033,445
Employee share options	-	77,550
Labor and health insurance fees	260,254	251,007
Pension cost	263,455	271,428
Directors' remuneration	3,079	3,550
Other personnel expenses	64,331	63,686
	$ 3,653,707	$ 3,700,666

A. According to the Articles of Incorporation of the Company, the Company shall distribute employees' compensation, based on the distributable profit of the current year, in a ratio of profit. Employees' compensation can be distributed in the form of shares or in cash. If a company has accumulated deficit, earnings should first be channeled to cover losses. Employees' compensation shall account for 1% to 5%, directors' remuneration shall account for less than 1%, of the amount of current year's pre-tax profit but excluding the employees' compensation and directors' remuneration.

B. The Company did not recognise employees' compensation and directors' renumeration as a result of the operating deficit for the years ended December 31, 2019 and 2018.

The Board of Directors resolved not to appropriate employees' compensation and directors' renumeration as a result of the operating deficit for the years ended December 31, 2019 and 2018.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(29) Income tax expense

A. Income tax expense (benefit)

(a) Components of income tax expense (benefit):

	Years ended December 31, 2019	Years ended December 31, 2018
Current tax:		
Current tax on profits for the period	$ 4,829	$ 43
Tax on undistributed surplus earnings	24	-
Under (over) provision of income tax in prior year	375	(270)
Total current tax	5,228	(227)
Deferred tax:		
Origination and reversal of temporary differences	1,380	(132)
Impact of change in tax rate	-	(238,498)
Total deferred tax	1,380	(238,630)
Income tax expense (benefit)	$ 6,608	($ 238,857)

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2019	2018
Remeasurement of defined benefit obligations	$ 18,180	$ 25,752

B. Reconciliation between income tax benefit and accounting profit:

	Years ended December 31,	
	2019	2018
Tax calculated based on loss before tax and statutory tax rate	($ 361,782)	($ 667,460)
Tax exempt income by tax regulation	-	(13,714)
Effects from items disallowed by tax regulation	12,563	14,567
Taxable loss not recognised as deferred tax assets	355,428	666,475
Impact of change in the tax rate on temporary differences between current year and the year realised	-	(238,498)
Tax on undistributed surplus earnings	24	-
Under (over) provision of income tax in prior year	375	(270)
Land VAT	-	43
Income tax expense (benefit)	$ 6,608	($ 238,857)

C. Amounts of deferred tax assets or liabilities as a result of temporary difference and tax losses are as follows:

	Year ended December 31, 2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Estimation of construction loss	$ 462,353	($ 238,734)	$ -	$ 223,619
Unrealized warranty liability	42,934	56,963	-	99,897
Unused compensated absences payable	57,630	8,952	-	66,582
Allowance for doubtful accounts	100,640	(37,658)	-	62,982
Unrealised exchange losses	248	9,836	-	10,084
Accrued pension liabilities	18,874	7,793	(18,180)	8,487
Inventory valuation loss	3,888	2,259	-	6,147
Book-tax difference on lease accounting	-	4,610		4,610
Unrealised investments gains	207	(187)	-	20
Tax losses	877,653	184,786	-	1,062,439
	1,564,427	(1,380)	(18,180)	1,544,867
Deferred tax liabilities:				
Unrealised land value incremental reserve	(1,324,697)	-	-	(1,324,697)
Total	$ 239,730	($ 1,380)	($ 18,180)	$ 220,170

	Year ended December 31, 2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Estimation of construction loss	$ 365,538	$ 96,815	$ -	$ 462,353
Allowance for doubtful accounts	639	100,001	-	100,640
Unused compensated absences payable	51,356	6,274	-	57,630
Unrealized warranty liability	23,837	19,097	-	42,934
Accrued pension liabilities	29,189	15,437	(25,752)	18,874
Inventory valuation loss	3,454	434	-	3,888
Unrealised exchange losses	2,915	(2,667)	-	248
Unrealised investments gains	169	38	-	207
Tax losses	874,665	2,988	-	877,653
	1,351,762	238,417	(25,752)	1,564,427
Deferred tax liabilities:				
Unrealised land value incremental reserve	(1,324,910)	213	-	(1,324,697)
Total	$ 26,852	$ 238,630	($ 25,752)	$ 239,730

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2019				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2015	Assessed	$ 671,021	$ -	2025
2016	Assessed	1,190,142	-	2026
2017	Assessed	6,700,185	3,249,155	2027
2018	Amount filed	2,577,536	2,577,536	2028
2019	Estimated filing amount	2,724,654	2,724,654	2029

December 31, 2018				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2015	Assessed	$ 671,021	$ -	2025
2016	Assessed	1,190,142	-	2026
2017	Amount filed	6,700,185	4,180,839	2027
2018	Estimated filing amount	2,576,930	2,576,930	2028

E. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority. As of March 20, 2020, there was no administrative remedies.

F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(30) Losses per share

	Year ended December 31, 2019		
	Amount after tax	Weigthted average number of ordinary shares outstanding (shares in thousands)	Losses per share (in dollars)
Basic losses per share			
Loss attributable to ordinary shareholders	($ 1,818,470)	464,772	($ 3.91)

	Year ended December 31, 2018		
	Amount after tax	Weigthted average number of ordinary shares outstanding (shares in thousands)	Losses per share (in dollars)
Basic losses per share			
Loss attributable to ordinary shareholders	($ 3,100,211)	349,322	($ 8.87)

(31) Transactions with non-controlling interest

Acquisition of additional equity interest in a subsidiary

The Company acquired an additional 30% outstanding shares of CSBS Coating Solutions Co., Ltd. by cash on September 3, 2019. The carrying amount of non-controlling interest in CSBS Coating Solutions Co., Ltd. was $46,748 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest. The effect of changes in interests in CSBS Coating Solutions Co., Ltd. on the equity attributable to owners of the parent for the year ended December 31, 2019 is shown below:

	Year ended December 31, 2019	
Carrying amount of non-controlling interest acquired	$	46,748
Consideration paid to non-controlling interest	(	37,500)
Capital surplus - difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	$	9,248

For the year ended December 31, 2018, acquisition of additional equity interest in a subsidiary: None.

(32) Operating leases

Effective 2018

A. The Group leases investment property to others under non-cancellable operating lease agreements. These leases will expire on August 31, 2020, and all these lease agreements are not renewable at the end of the lease period. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	December 31, 2018	
Not later than one year	$	8,396
Later than one year but not later than five years		9,306
	$	17,702

B. The Group leases in assets for places of business from National Property Administration of Ministry of Finance and Taiwan International Ports Corporation, Ltd. under non-cancellable operating lease agreements. The lease terms are between 2006 and 2027, and all these lease agreements are renewable at the end of the lease period. Partial leases are charged extra rents following the changes in local price indexes. The Group recognised rental expenses of $263,679 in profit or loss for the year ended December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	
Not later than one year	$	264,731
Later than one year but not later than five years		956,987
Later than five years		608,572
	$	1,830,290

(33) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31,	
	2019	2018
Purchase of property, plant and equipment	$ 974,779	$ 568,635
Add：Beginning balance of payable on equipment	45,588	60,503
Less：Ending balance of payable on equipment	(45,905)	(45,588)
Cash paid on purchase of property, plant and equipment during the year	$ 974,462	$ 583,550

B. Investment and financing activities with no cash flow effects:

	Years ended December 31,	
	2019	2018
Payable on investments (shown as other payables) (Note)	$ -	$ -
Interest expense amortised from government grants	$ 11,396	$ 11,206
Increase in right-of-use assets	$ 5,268	$ -
Less: Increase in lease liabilities	(5,268)	-
	$ -	$ -

Note: The Company reclassified the amount of $19,188 to revenue for the year ended December 31, 2018 according to the result from Chinese Arbitration Association.

(34) Changes in liabilities from financing activities

	2019			
	January 1	Cash flow	Changes in non-cash items	December 31
Short-term borrowings	$ 1,290,150	$ 532,211	$ -	$ 1,822,361
Short-term notes and bills payable	-	1,699,563	-	1,699,563
Long-term borrowings (including current portion)	5,698,537	149,235	-	5,847,772
Lease liability	4,037,939	(214,694)	5,268	3,828,513
Long-term deferred revenue	-	145,238	-	145,238
Guarantee deposits received	184,928	63,013	-	247,941
Other non-current liabilities, others	13,233	(12,409)	-	824
	$ 11,224,787	$ 2,362,157	$ 5,268	$ 13,592,212

	2018			
	January 1	Cash flow	Changes in non-cash items	December 31
Short-term borrowings	$ 2,287,784	($ 997,634)	$ -	$ 1,290,150
Short-term notes and bills payable	699,769	(699,769)	-	-
Long-term borrowings	5,498,057	200,480	-	5,698,537
Guarantee deposits received	172,614	12,314	-	184,928
Other non-current liabilities, others	12,960	273	-	13,233
	$ 8,671,184	($ 1,484,336)	$ -	$ 7,186,848

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
CPC Corporation, Taiwan	The Company's legal entity director
China Steel Corporation	The Company's legal entity director
China Steel Express Corporation	Subsidiary of the Company's legal entity director
China Steel Machinery Corporation	Subsidiary of the Company's legal entity director
China Steel Structure Co., Ltd.	Subsidiary of the Company's legal entity director
Sing Da Marine Structure Corporation	Subsidiary of the Company's legal entity director
Taiwan International windpower Training Corporation Ltd.	Associates
Taiwan Generations Corporation	Associates
Fuhai Wind Farm Corporation	Associates
CSBC-DEME Wind Engineering Co., Ltd.	Joint ventures
Yung Chi Paint & Varnish Mfg. Co., Ltd.	Note
Financing Investment Venture Capital	Government related entity
Yao Hua Glass Co.,Ltd. Management Committee	Government related entity
National Defense Industrial Development Foundation	Government related entity

Note: The company formerly held 30% equity interests in CSBS Coating Solutions Co., Ltd., however, all the 30% equity interest held by the company was sold to the Company in September 2019, and the company lost its influence over the subsidiary.

(2) Significant related party transactions and balances

A. Operating revenue

	Years ended December 31,	
	2019	2018
Key management:		
Subsidiary of the Company's legal entity director		
China Steel Express Corporation	$ 3,578,917	$ 2,147,665
Sing Da Marine Structure Corporation	13,897	-
China Steel Machinery Corporation	6,722	-
China Steel Structure Co., Ltd.	575	-
Legal entity director		
CPC Corporation, Taiwan	17,758	(990)
	$ 3,617,869	$ 2,146,675

(a) The price was based on the contract signed by both parties, and the collection terms were approximately the same as those to third parties.

(b) In August and December 2017, the Group was commissioned by China Steel Express Corporation to build 4 208,000 DWT double hull bulk cargo steamers. The expected delivery date of the last cargo steamer is by the end of March in 2020. Please refer to items C and F for further information. As of December 31, 2019, the balance of estimated provision for onerous contract amounted to $20,560.

B. Purchases of goods

	Years ended December 31,	
	2019	2018
Purchases of goods:		
Key management:		
Legal entity director		
China Steel Corporation	$ 1,767,880	$ 2,165,572
CPC Corporation, Taiwan	99,768	93,690
	1,867,648	2,259,262
Other related parties:		
Yung Chi Paint & Varnish Mfg. Co., Ltd.	3,067	4,170
	$ 1,870,715	$ 2,263,432

The price was based on the contract signed by both parties, and the collection terms were approximately the same as those to third parties.

C. Contract assets

	December 31, 2019	December 31, 2018
Key management:		
Subsidiary of the Company's legal entity director		
China Steel Express Corporation	$ 872,477	$ 2,195,189
Sing Da Marine Structure Corporation	20,124	-
China Steel Structure Co., Ltd.	575	-
China Steel Machinery Corporation	165	-
Associates :		
Fuhai Wind Farm Corporation (Note)	190,190	190,190
	1,083,531	2,385,379
Less: Loss allowance	(190,904)	(191,946)
	$ 892,627	$ 2,193,433

Note: In March 2014, the Group was commissioned by Fuhai Wind Farm Corporation (hereafter referred to as Fuhai) for the construction of a meteorological observation tower, offshore windfarm off the coast of Changhua County included in Changhua Offshore Pilot Project and Fuhai offshore windfarm for a total contract price of NT$32 billion. However, Bureau of Energy, MOEA decided to reject the development project in February 2018 because of the disapproved Environmental Impact Assessment. The Group has recognised impairment loss amounting to $190,190 since the contract assets may not be recovered as assessed.

D. Receivables from related parties

	December 31, 2019	December 31, 2018
Accounts receivable :		
Key management:		
Legal entity director		
CPC Corporation, Taiwan	$ 6,286	$ -
Subsidiary of the Company's legal entity director		
China Steel Machinery Corporation	1,726	-
	8,012	-
Other receivables :		
Key management:		
Legal entity director		
China Steel Corporation	16,633	83,760
	$ 24,645	$ 83,760

E. Prepaid accounts

	December 31, 2019	December 31, 2018
Key management:		
Legal entity director		
China Steel Corporation	$ 485,906	$ 165,925
CPC Corporation, Taiwan	8,540	7,515
	$ 494,446	$ 173,440

F. Contract liabilities

	December 31, 2019	December 31, 2018
Key management:		
Subsidiary of the Company's legal entity director		
China Steel Express Corporation	$ 36,982	$ -

G. Payables to related parties

	December 31, 2019	December 31, 2018
Notes payable:		
Key management:		
Legal entity director		
China Steel Corporation	$ 285,404	$ 428,768

H. Acquisition of financial assets

(a) Information on the Company's joint investment in and establishment of CSBC-DEME Wind Engineering Co., Ltd. is provided in Note 6(5).

(b) The Company acquired an additional 30% outstanding shares of the subsidiary, CSBS Coating Solutions Co., Ltd., from other related party, Yung Chi Paint & Varnish Mfg. Co., Ltd. The transfer of shares was completed in September 2019. Please refer to 6(31) for further information.

I. Others

(a) Details on capital increase from the related parties are provided in Note 6(20).

(b) The Company's joint venture, CSBC-DEME Wind Engineering Co., Ltd. signed a Zhang Fang and West Island Offshore Wind Farm Fan Transportation and Installation Plan on November 19, 2019. The Company and DEME Offshore are the joint contractors of the plan and issued performance letter of guarantee and advance payment guarantee with a total amount of EUR 13,237 thousand for contracting the construction according to their shareholding ratios. The Company issued bank guarantee amounting to $223 million (EUR 6,619 thousand) based on its shareholding ratio of 50.0001% in January 2020.

(c) Information on significant Contingent Liabilities and Unrecognised Contract Commitments is provided in Note 9.

(3) Key management compensation

	Years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	$ 27,683	$ 22,746
Post-employment benefits	3,935	728
Share-based payments	-	314
	$ 31,618	$ 23,788

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) The balance of the Group's unused letters of credit for import of materials is as follows:

	December 31, 2019	December 31, 2018
Balance of unused letters of credit	$ 1,943,076	$ 707,184

(2) The amounts of unfulfilled contract obligations of the Group's contracts are as follows:

	December 31, 2019	December 31, 2018
Unfulfilled customer contract obligations	$ 73,273,144	$ 36,528,989

(3) The guaranteed credit by banks for the Group's construction projects is as follows:

	December 31, 2019	December 31, 2018
Guaranteed credit by banks	$ 10,273,605	$ 5,615,049

(4) The amount of the Group's purchase contracts and outsourcing construction contracts to be paid is as follows:

	December 31, 2019	December 31, 2018
Purchase contracts to be paid	$ 17,839,179	$ 8,849,060
Outsourcing construction contracts to be paid	4,157,080	1,363,050
	$ 21,996,259	$ 10,212,110

(5) The amount of construction performance promissory note issued by the Group for contracted construction is as follows:

	December 31, 2019	December 31, 2018
Construction performance promissory note	$ -	$ 99,850

Please refer to Note 9(10) for details.

(6) The non-cancellable operating leases with more than one-year lease term for the Group are stated in Note 6 (32).

(7) The Group, Century Iron and Steel Industrial Co., Ltd. and Taiwan Generations Corp. are the joint-originators for Fuhai Wind Farm Corporation (Fuhai Corporation). The joint-originators entered into the "Incentive Program of Offshore Wind Power Demonstration System" ("the Government Grant Scheme") on August 19, 2013, which was granted by the Ministry of Economic Affairs, and committed to be jointly responsible for Fuhai Corporation. The total amount of endorsement/ guarantee provided by the Group amounted to NT$886 million. On November 9, 2018, the Board of Directors of the Group during their meeting resolved to cease the endorsement/ guarantee amount to Fuhai Corporation.

Because Fuhai Wind Farm Corporation failed to comply with the regulation of the "Incentive Program of Offshore Wind Power Demonstration System", the Bureau of Energy exercised the right of performance bond and took back the entire government grant. Accordingly, the Group recognised losses amounting to $75,000 for the year ended December 31, 2018.

In addition, the Ministry of Economic Affairs claimed past due liquidated damages amounting to $ 88.6 million from Fuhai Corporation, as a joint-originator of the Incentive Program, the Group was committed to be jointly responsible for Fuhai Corporation. Currently, the case is still ongoing. According to the Group's designated lawyer, the Ministry of Economic Affairs has not indicated its intention of claiming the liquidated damages from the Group and the Group has not reached the payment stage, therefore, the Group did not estimate the possible losses on liquidated damages.

Fuhai Corporation alleged that the Group did not issue an incentive guarantee of offshore wind power demonstration system based on the Article 1 of Memorandum of Understanding which was signed under mutual agreement, whereby Fuhai Corporation could not apply a government grant of $0.1 billion from Bureau of Energy. Fuhai Corporation filed a lawsuit to claim an equal compensation for the $0.1 billion government grant. On June 17, 2019, the Taipei District Court made a civil ruling to transfer this civil lawsuit to the Shihlin District Court. The Group filed an appeal for aforementioned ruling due to the Group's appointed lawyer considering that Fuhai Corporation's claim is unjustified. Currently, the case is under the assessment of the Taiwan Taipei District Court.

(8) The ships under construction have all been insured with shipbuilding insurance. On September 14, 2016, Typhoon Meranti caused damages in a third party's property and thus claimed for compensation of approximately NT$806 million. The case is still ongoing. However, according to the Group's designated lawyer, the damage loss is covered by the insurance so no material impact on the Group's operation is expected.

(9) The Group was commissioned by Fuhai Wind Farm Corporation for offshore wind power maritime engineering (details are provided in Note 7(2) C) and Zhongwei Wind Farm Corporation (Zhongwei Corporation) undertook the construction of the meteorological observation tower, self-elevating lifting platform for demonstration unit and demonstration wind farm, fan lifting and other constructions of the aforementioned engineering. Zhongwei Corporation claimed that the Group did not notify them the performance date leading to their damages and informed the Group to pay US$ 2.5 million to compensate their losses. The Group disagreed with the claim since Zhongwei

Corporation did not meet the requirements of payment terms in the contract and Zhongwei Corporation filed a lawsuit in Taiwan Kaohsiung District Court. On December 17, 2019, the Taiwan Kaohsiung District Court rendered a civil ruling to dismiss this case due to the claim made by Zhongwei Corporation was unjustified. Currently, Zhongwei Corporation filed an appeal, and the case is under the assessment of the Taiwan Kaohsiung District Court.

(10) The Group's performance promissory note issued for offshore wind power maritime engineering agreements signed with Fuhai Wind Farm Corporation ("Fuhai Corporation") amounting to $99.85 million was performed compulsory enforcement by the Taiwan Kaohsiung District Court based on the claim made by Fuhai Corporation. The Company filed a civil lawsuit to claim that the creditors' rights do not exist. Under the negotiation, Fuhai Corporation agreed to return the performance promissory note and withdraw the lawsuit, and no request or claim for right was allowed for the returned promissory note. The Company had obtained and voided the promissory note.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On February 24, 2020, the Company issued the first-time domestic secured convertible bonds amounting to 200 thousand bonds at a par value of $100 thousand per bond, cover a 5-year period of issuance. The bond was issued at 102% of face value, and the total issuance amount was $2 billion. The proceeds have been collected in the amount of $2.04 billion.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Following the industry practices, the Group uses gearing ratio to control capital.

The Group's policy is to maintain a stable gearing ratio. Ratios are as follows:

	December 31, 2019	December 31, 2018
Gearing ratio	82%	74%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	$ 4,122,363	$ 137,942
Accounts receivable (including related parties)	1,301,669	900,190
Other receivables (including related parties)	117,428	102,860
Guarantee deposits paid	67,606	30,750
	$ 5,609,066	$ 1,171,742
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 1,822,361	$ 1,290,150
Short-term notes and bills payable	1,699,563	-
Notes payable (including related parties)	285,404	428,768
Accounts payable	1,094,303	713,262
Other payables	1,192,986	1,069,263
Long-term borrowings (including current portion)	5,847,772	5,698,537
Long-term notes and accounts payable	681,757	670,361
Guarantee deposits received	247,941	184,928
	$ 12,872,087	$ 10,055,269
Lease liability	$ 3,828,513	$ -

B. Financial risk management policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as forward foreign exchange contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

For supervising management, the Board of Directors has set related rules to authorize the management to perform daily operations within acceptable risk range and requires the internal audit to inspect the management and report on a regular basis. The internal audit must report to the Board of Directors if there is any unusual situation at any time, and respond to the situations adequately.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The foreign exchange risk is mainly arising from USD, EUR and JPY. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD revenues and JPY expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting forecast foreign currency income and cost of inventory purchases.

ii. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2019		
	Foreign Currency (in thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 123,239	29.93	$ 3,688,535
Financial liabilities			
Monetary items			
USD:NTD	96	30.03	2,883
EUR:NTD	519	33.79	17,524

	December 31, 2018		
	Foreign Currency (in thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 27,197	30.665	$ 833,996
Financial liabilities			
Monetary items			
JPY:NTD	37,843	0.2802	10,604

iii.If NTD had appreciated/ depreciated by 1% against USD with all other variables held constant, effect to post-tax profit (loss) is as follows:

	Years ended December 31,	
If NTD had appreciated/ depreciated by 1% against tax	2019	2018
Increase (decrease) in net profit (loss) after tax	$ 29,345	$ 6,587

iv.The net exchange (loss) gain arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018, amounted to ($47,377) and $57,217, respectively.

Price risk

The Group is not exposed to significant commodity price risk.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. If the interest rate had increased/decreased by 0.25% with all other variables held constant, cash flows for the years ended December 31, 2019 and 2018 would have increased/decreased by $14,625 and $14,250, respectively.

(b) Credit risk

Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable and other receivables based on the agreed terms. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

Cash and cash equivalents and derivative financial instruments

The Group only trades with counterparties with good credit, in accordance with the Group's transaction policies. There is no recent violation of significant cash and cash equivalents and derivative financial products.

Contract assets, accounts receivable and other receivables

i. The Group appointed external agency to perform proper credit investigations for customers before signing the contracts of shipbuilding, vessel construction and machinery manufacturing. The results of the credit investigations were low risk, therefore, the credit risks of relevant receivables (primarily under accounts receivable or contract assets) were low risk.

ii. The Group's contract assets and accounts receivable were due from government (including state-owned enterprises) and general business. To maintain the quality of the accounts receivable and contract assets, the Group has established credit risk management procedures for operating. The Group considered customers' financial status, historical trading record and future economic condition in accordance with types of customer, and took into account factors that may influence customers' ability to pay to assess the credit quality of customers. The Group estimated expected credit loss by individual assessment.

iii. In line with credit risk management procedure, when the counterparty failed to fulfil the mutual agreements nor to conduct negotiation, the default has occurred.

iv. As of December 31, 2019 and 2018, the expected loss rate of not past due accounts receivable and contract assets were 1% and 0.08%, respectively, when estimating loss allowance. In addition, as of December 31, 2019 and 2018, the Group's past due receivables amounted to $463,765 and $791,924, respectively, because the counterparty failed to fulfil the mutual agreements, and the Group estimated the provision for expected credit loss both amounting to $315,838 by considering customers' financial status, historical experience and other factors.

v. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable and contract assets are as follows:

	2019	
	Accounts receivable	Contract assets
At January 1	$ 319,599	$ 195,478
Reversal of impairment loss	(511)	(765)
At December 31	$ 319,088	$ 194,713

	2018	
	Accounts receivable	Contract assets
At January 1 _ IAS 39	$ 15,529	$ -
Adjustments under new standards	-	190,190
Provision for impairment	304,070	5,288
At December 31	$ 319,599	$ 195,478

For the years ended December 31, 2019 and 2018, the impairment gain (loss) arising from accounts receivable and contract assets generated from customers' contracts amounted to $1,276 and ($309,358).

(c) Liquidity risk

The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2019:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 Years
Non-derivative financial liabilities:				
Short-term notes payable	$ 1,824,565	$ -	$ -	$ -
Short-term borrowings	1,700,000	-	-	-
Payables	3,359,145	412,010	472,728	315,920
Lease liability	265,694	264,989	688,752	3,147,677
Long-term borrowings (Note)	538,486	4,455,646	927,768	-
	$ 7,687,890	$ 5,132,645	$ 2,089,248	$ 3,463,597

Note: Including long-term borrowings, current portion.

Derivative financial liabilities: None.

December 31, 2018:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 Years
Non-derivative financial liabilities:				
Short-term borrowings	$ 1,293,864	$ -	$ -	$ -
Payables	2,430,550	182,186	304,074	445,471
Long-term borrowings	37,429	1,338,486	4,433,415	-
	$ 3,761,843	$ 1,520,672	$ 4,737,489	$ 445,471

Derivative financial liabilities: None.

(3) Fair value estimation

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, contract assets, accounts receivable (including related parties), other receivables (including related parties), guarantee deposits paid, short-term borrowings, contract liabilities, notes payable (including related parties), accounts payable, other payables, guarantee deposits received, and long-term borrowings (including current portion) are approximate to their fair values.

D. As of December 31, 2019 and 2018, the Company has no financial and non-financial instruments measured at fair value.

E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 1.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 2.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 3.

(3) Information on investments in Mainland China

A. Basic information: None.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14. SEGMENT INFORMATION

(1) General information

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions. The Chief Operating Decision-Maker considers the business from a product perspective. The reportable operating segments derive their revenue primarily from the construction of ships and vessels. As other businesses mainly including machinery engineering, ship/vessel repairs and coating do not meet the quantitative thresholds required by IFRS 8, the results of these operations are included in the 'all other segments' column.

(2) Measurement of segment information

The Chief Operating Decision-Maker assesses the performance of the operating segments based on the gross profit of each business category. This measurement basis excludes the effects of operating expenses, non-operating revenue and non-operating expenses from the operating segments.

(3) Information about operating segments

The segment information provided to the Chief Operating Decision-Maker for the reportable segments for the years ended December 31, 2019 and 2018 is as follows:

	Year ended December 31, 2019			
	Construction of ships and vessels	All other segments	Adjustments and eliminations (Note 1)	Total
Revenue from external customers	$ 15,303,225	$ 1,237,674	$ -	$ 16,540,899
Inter-segment revenue	-	74,329	(74,329)	-
Total segment revenue	$ 15,303,225	$ 1,312,003	($ 74,329)	$ 16,540,899
Segment (loss) profit	($ 1,380,050)	$ 189,669	$ -	($ 1,190,381)
Undistributed amount:				
Operating expenses				($ 504,071)
Depreciation and amortization				(11,688)
Interest income				18,907
Interest expense				(136,893)
Income tax benefit				(6,608)
Loss on investments accounted for using equity method				(31,084)
Total undistributed amount				($ 671,437)
Segment assets (Note 2)				$ 35,076,187
Investments accounted for under equity method				$ 29,408
Increase in non-current assets				$ 995,615
Segment liabilities (Note 2)				$ 28,618,929

	Year ended December 31, 2018			
	Construction of ships and vessels	All other segments	Adjustments and eliminations (Note 1)	Total
Revenue from external customers	$ 11,821,384	$ 1,190,942	$ -	$ 13,012,326
Inter-segment revenue	-	66,086	(66,086)	-
Total segment revenue	$ 11,821,384	$ 1,257,028	($ 66,086)	$ 13,012,326
Segment (loss) profit	($ 3,067,033)	$ 473,169	$ -	($ 2,593,864)
Undistributed amount:				
Operating expenses				($ 810,924)
Depreciation and amortization				(12,809)
Interest income				7,809
Interest expense				(70,608)
Income tax benefit				238,857
Loss on investments accounted for using equity method				(2,653)
Total undistributed amount				($ 650,328)
Segment assets (Note 2)				$ 22,826,431
Investments accounted for under equity method				$ 10,992
Increase in non-current assets				$ 593,489
Segment liabilities (Note 2)				$ 16,840,877

Note 1: Refers to the elimination of inter-segment revenue.

Note 2: Segment assets and liabilities are regularly provided to the Chief Operating Decision-Maker, but not distributed to each reportable segment.

(4) Information about segment profit or loss, assets and liabilities

The revenue from external parties reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of segment profit to (loss) profit before tax and discontinued operations is provided as follows:

	Years ended December 31,	
	2019	2018
Segment loss	($ 1,380,050)	($ 3,067,033)
Other segment profit	189,669	473,169
Total segments	(1,190,381)	(2,593,864)
Operating expenses	(515,759)	(823,733)
Non-operating income and expenses	(102,770)	78,656
Loss before tax and discontinued operations	($ 1,808,910)	($ 3,338,941)

(5) Information on products and services

Revenues from external customers are mainly derived from the construction of ships and vessels. Breakdown of the revenue from all sources is as follows:

	Years ended December 31,	
	2019	2018
Revenue from construction of ships and vessels	$ 15,303,225	$ 11,821,384
Revenue from ship/vessel repair	829,595	976,476
Revenue from machinery manufacturing	98,155	85,605
Revenue from anti-corrosion coating	291,966	120,698
Other revenue	17,958	8,163
Total	$ 16,540,899	$ 13,012,326

(6) Geographical information

Revenue information by geographic area:

	Year ended and as of December 31, 2019		Year ended and as of December 31, 2018	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 11,336,769	$ 14,982,602	$ 6,552,438	$ 10,804,096
Liberia	2,961,619	-	1,016,660	-
Samoa	1,315,079	-	4,877,783	-
Marshall	438,496	-	-	-
Hong Kong	419,624	-	378,789	-
Panama	47,592	-	32,874	-
Germany	17,761	-	-	-
Others	3,959	-	153,782	-
Total	$ 16,540,899	$ 14,982,602	$ 13,012,326	$ 10,804,096

(7) Major customer information

The customers accounting for more than 10% of the Group's operating revenues are as follows:

	Year ended December 31, 2019	
Clients	Sales amount	Department
Client E	$ 5,217,957	Construction of ships and vessels
Client C	3,576,531	Construction of ships and vessels
Client D	2,960,119	Construction of ships and vessels
	$ 11,754,607	

	Year ended December 31, 2018	
Clients	Sales amount	Department
Client G	$ 4,877,783	Construction of ships and vessels
Client C	2,128,515	Construction of ships and vessels
Client B	2,057,084	Construction of ships and vessels
Client E	1,375,937	Construction of ships and vessels
	$ 10,439,319	

CSBC CORPORATION TAIWAN

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
CSBC Corporation, Taiwan	China Steel Express Corporation	Subsidiary of the Company's legal entity director	Sale	($ 3,578,917)	(22)	Note 1	Note 1	Note 1	$ -	-	Note 2
CSBC Corporation, Taiwan	China Steel Corporation	Corporate Director	Purchases	1,767,880	24	Note 1	Note 1	Note 1	(285,404)	(22)	Note 3

Note 1: Based on the contract, the payment terms is the same as in general transactions.

Note 2: The Company recognised contract assets and contract liabilities for China Steel Express Corporation amounting to $872,477 and $36,982, respectively.

Note 3: The prepayments to China Steel Corporation amounted to $485,906 and other receivables amounted to $16,633.

CSBC CORPORATION TAIWAN

Significant inter-company transactions during the reporting periods

Year ended December 31, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	CSBC Corporation, Taiwan	BLUE ACE CORPORATION	Parent company to subsidiary	Outsourcing expenses	$ 62,109	Note 4	-
0	CSBC Corporation, Taiwan	BLUE ACE CORPORATION	Parent company to subsidiary	Accounts payable	7,605	Note 4	-

Note 1 : The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2 : If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice.
For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.

Note 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, based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4 : Based on the contract, the payment terms is the same as in general transactions.

CSBC CORPORATION TAIWAN

Information on investees

Year ended December 31, 2019

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2019	Initial investment amount: Balance as at December 31, 2018	Shares held as at December 31, 2019: Number of shares	Shares held as at December 31, 2019: Ownership (%)	Shares held as at December 31, 2019: Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income(loss) recognised by the Company for the year ended December 31, 2019	Footnote
CSBC Corporation, Taiwan	CSBC Coating Solutions Co., Ltd.	Taiwan	Marine coating, steel structure painting works, surface treatment, and high-tech anti-corrosion etc.	$ 125,000	87,500	12,500,000	100.00	$ 169,617	$ 23,629	$ 20,677	
CSBC Corporation, Taiwan	CSBC-DEME Wind Engineering Co., Ltd.	Taiwan	Installation of cable, lease of ships, and contracting of ships services	49,500	-	500,001	50.00	18,838	(61,325)	(30,662)	Note 1
CSBC Corporation, Taiwan	Taiwan International Windpower Training Corporation Ltd.	Taiwan	Research and development, energy technology service	12,000	12,000	1,200,000	12.00	10,570	(5,441)	(422)	Note 1
CSBC Corporation, Taiwan	Taiwan Offshore Wind Farm Services Corporation	Taiwan	Manufacturing of metal structure, building component, power generation and others	4,000	4,000	400,000	40.00	-	(8,308)	-	Note 1
CSBC Corporation, Taiwan	Fuhai Wind Farm Corporation	Taiwan	Wind power industry	178,156	178,156	15,000,000	37.97	-	(56,529)	-	Note 1
CSBC Coating Solutions Co., Ltd	BLUE ACE CORPORATION	Taiwan	Marine coating, steel structure painting works, surface treatment, and high-tech anti-corrosion etc.	25,000	25,000	-	100.00	25,666	142	-	Note 2
CSBC Coating Solutions Co., Ltd.	Blue Ocean Wind Power Engineering (Hong Kong) Limited	Hong Kong	Marine works services	304	304	100	100.00	200	(95)	-	Note 2

Note 1 : Please refer to Note 6(5) for details about investments accounted for under equity method.

Note 2 : The amount has been included in the profit (loss) of the Company's investee accounted for using equity method and has been recognised as gain (loss) on investment.